GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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SENATE BILL 402
Appropriations/Base Budget Committee Substitute Adopted 5/21/13
Finance Committee Substitute Adopted 5/21/13
Third Edition Engrossed 5/23/13
PROPOSED HOUSE COMMITTEE SUBSTITUTE S402-PCS35364-LUxf-6

Short Title: Appropriations Act of 2013. (Public)

Sponsors:

Referred to:

March 26, 2013

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE

SECTION 1.1. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2013."

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the fiscal biennium ending June 30, 2015, according to the following schedule:

Current Operations – General Fund	**2013-2014**	**2014-2015**
EDUCATION		
Community Colleges System Office	$ 1,012,637,467	$ 1,009,089,167

Department of Public Instruction	7,905,610,301	8,044,189,900
University of North Carolina – Board of Governors		
Appalachian State University	127,908,903	127,908,903
East Carolina University		
Academic Affairs	220,012,450	220,615,626
Health Affairs	64,841,247	64,841,247
Elizabeth City State University	35,363,212	35,385,057
Fayetteville State University	49,336,186	49,336,186
North Caroline Agricultural and Technical University	96,882,428	96,882,428
North Carolina Central University	84,084,488	84,084,488
North Carolina State University		
Academic Affairs	389,976,973	390,045,059
Agricultural Extension	39,859,682	39,859,682
Agricultural Research	54,911,053	54,911,053
University of North Carolina at Asheville	37,465,299	37,465,299
University of North Carolina at Chapel Hill		
Academic Affairs	274,632,544	274,515,010
Health Affairs	187,260,403	190,741,444
Area Health Education Centers	42,418,348	42,418,348
University of North Carolina at Charlotte	192,697,970	192,683,456
University of North Carolina at Greensboro	153,838,192	153,783,960
University of North Carolina at Pembroke	54,175,566	54,175,566
University of North Carolina School of the Arts	31,547,460	29,146,203
University of North Carolina at Wilmington	96,484,692	96,484,692
Western Carolina University	82,441,237	82,441,237
Winston-Salem State University	68,957,656	68,980,084
General Administration	34,752,475	34,752,475
University Institutional Programs	(74,467,788)	(48,026,500)
Related Educational Programs	109,160,148	107,918,501
North Carolina School of Science and Mathematics	86,351,588	86,351,588
UNC Hospitals at Chapel Hill	19,126,182	19,126,182
Total University of North Carolina – Board of Governors	$ 2,560,018,594	$ 2,586,827,274
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Division of Central Management and Support	$ 76,923,179	$ 66,509,244
Division of Aging and Adult Services	54,142,341	54,342,341
Divisions of Services to the Blind, Deaf, and Hard of Hearing	8,178,618	8,178,618
Division of Child Development and Early Education	255,163,458	255,039,269
Division of Health Service Regulation	16,461,992	16,461,992
Division of Medical Assistance	3,480,934,464	3,686,420,040
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	704,649,959	710,154,345
NC Health Choice	68,146,401	57,830,737
Division of Public Health	142,616,502	140,616,502
Division of Social Services	174,595,707	174,897,036
Division of Vocation Rehabilitation	38,773,169	38,773,169

Total Health and Human Services	$ 5,020,585,790	$ 5,209,223,293
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$ 114,348,472	$ 112,547,672
Department of Commerce		
Commerce	39,979,793	41,316,766
Commerce State-Aid	43,192,758	43,018,126
Wildlife Resources Commission	14,476,588	16,476,588
Department of Environment and Natural Resources	129,455,064	137,092,904
Department of Labor	16,696,339	16,696,339
JUSTICE AND PUBLIC SAFETY		
Department of Public Safety	$ 1,704,408,481	$ 1,686,128,353
Judicial Department	457,653,356	457,153,356
Judicial Department – Indigent Defense	116,160,223	112,016,064
Department of Justice	76,774,782	79,663,358
GENERAL GOVERNMENT		
Department of Administration	$ 57,278,879	$ 60,815,588
Office of Administrative Hearings	4,522,469	4,457,894
Department of State Auditor	11,013,547	11,013,547
Office of State Controller	28,710,691	28,710,691
Department of Cultural Resources		
Cultural Resources	63,129,602	62,679,605
Roanoke Island Commission	450,000	450,000
State Board of Elections	3,308,273	6,521,644
General Assembly	52,010,818	51,572,599
Office of the Governor	5,170,050	5,172,132
Office of State Budget and Management		
Office of State Budget and Management	8,397,899	8,480,410
OSBM – Reserve for Special Appropriations	3,000,000	1,500,000
Housing Finance Agency	8,411,632	6,704,921

Department of Insurance		
Insurance	37,994,004	38,003,624
Insurance – Volunteer Safety Workers' Compensation	0	0
Office of Lieutenant Governor	681,089	675,089
Department of Revenue	80,235,417	80,222,072
Department of Secretary of State	11,575,183	11,575,183
Department of State Treasurer		
State Treasurer	8,137,890	7,026,305
State Treasurer – Retirement for Fire and Rescue Squad Workers	23,179,042	23,179,042
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Statewide Compensation Study	$ 1,000,000	$ 0
Severance Expenditure Reserve	7,500,000	0
Salary Adjustment Fund	10,000,000	10,000,000
Reserve for Teachers' and State Employees' Retirement Contribution	36,000,000	36,000,000
Reserve for Judicial Retirement Contribution	1,000,000	1,000,000
Firemen's and Rescue Squad Workers' Pension Fund	(820,000)	(820,000)
Reserve for Future Benefit Needs	0	56,400,000
Compensation Adjustment Reserve	0	160,000,000
Reserve for State Health Plan	33,000,000	101,000,000
Unemployment Insurance Reserve	23,800,000	13,600,000
Reserve for Job Development Investment Grants (JDIG)	51,823,772	63,045,357
NC Government Efficiency and Reform Project (NC GEAR)	2,000,000	2,000,000
One North Carolina Fund	9,000,000	9,000,000
Information Technology Fund	6,053,142	6,053,142
Information Technology Reserve Fund	27,000,000	32,000,000
Contingency and Emergency Fund	5,000,000	5,000,000

Disaster Relief Reserve	10,000,000	0
Eugenics Sterilization Compensation Fund	10,000,000	0
Reserve for NC Back to Work Program	10,000,000	0
Reserve for Pending Legislation	9,320,500	11,641,000
Debt Service		
General Debt Service	672,130,634	688,431,555
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 20,544,628,921**	**$ 21,156,166,940**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2013-2015 biennial budget is shown below.

	FY 2013-2014	FY 2014-2015
Unappropriated Balance Remaining from Previous Year	$ 213,432,877	$ 144,161,855
Anticipated Over Collections FY 2012-2013	405,700,000	0
Overcollections Due to MSA Disputed Payments	51,510,749	0
Anticipated Reversions FY 2012-2013	200,000,000	0
Net Supplemental Medicaid Appropriation (S.L. 2013-56)	(308,100,000)	0
Less Earmarkings of Year End Fund Balance		
Savings Reserve Account	(200,000,000)	0
Repairs and Renovations	(200,000,000)	0
Beginning Unreserved Fund Balance	**$ 162,543,626**	**$ 144,161,855**
Revenues Based on Existing Tax Structure	**$ 19,628,100,000**	**$ 20,549,000,000**
Nontax Revenues		
Investment Income	$ 13,700,000	$ 14,100,000
Judicial Fees	250,200,000	251,400,000
Disproportionate Share	110,000,000	109,000,000
Insurance	72,500,000	73,400,000
Other Non-Tax Revenues	173,000,000	175,000,000
Highway Trust Fund Transfer	0	0
Highway Fund Transfer	218,100,000	215,900,000
Subtotal Nontax Revenues	**837,500,000**	**838,800,000**
Total General Fund Availability	**$ 20,628,143,626**	**$ 21,531,961,855**
Adjustments to Availability: 2013 Session		
Reserve for Tax Credit for DOL Apprentice Hires (HB 341)	$ (2,700,000)	$ (6,000,000)
Reserve for Tax Simplification and Reduction Act (HB 998):		
Net Tax Code Changes	(38,500,000)	(381,100,000)
Repeal Corporate Income Tax Earmark (Public School Construction)	85,800,000	84,700,000

Reserve for Repeal Estate Tax (HB 101)	(52,000,000)	(57,000,000)
Reserve for Workers' Comp Fund/ Safety Workers Allocation (HB 27)	(3,000,000)	(3,000,000)
Reserve for Repeal of Education Expenses Credit (HB 269)	0	1,500,000
Sales Tax Refund Application for Passenger Air Carriers	(3,186,000)	0
Tobacco Master Settlement Agreement (MSA) Funds	115,639,357	91,000,000
NC Political Parties Financing Fund	1,064,582	0
Transfer from E-Commerce Reserve Fund Balance	1,111,585	0
Increase Lobbyist Fees	400,000	400,000
Adjust Transfer from Insurance Regulatory Fund	(560,589)	(560,589)
Adjust Transfer from Treasurer's Office	175,215	175,215
Extend Local Government Hold Harmless	(15,700,000)	0
Subtotal Adjustments to Availability: 2013 Session	**$ 88,544,150**	**$ (269,885,374)**
Revised General Fund Availability	**$ 20,716,687,776**	**$ 21,262,076,481**
Less: General Fund Appropriations	**$ (20,572,525,921)**	**$ (21,166,589,940)**
Unappropriated Balance Remaining	**$ 144,161,855**	**$ 95,486,541**

SECTION 2.2.(b) In addition to funds transferred pursuant to G.S. 105-164.44D, the sum of one hundred ninety-six million five hundred eighty-two thousand nine hundred eighty-one dollars ($196,582,981) for the 2013-2014 fiscal year and the sum of one hundred ninety-six million five hundred eighty-two thousand nine hundred eighty-one dollars ($196,582,981) for the 2014-2015 fiscal year shall be transferred from the Highway Fund to the General Fund.

SECTION 2.2.(c) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer a total of two hundred million dollars ($200,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2013. This subsection becomes effective June 30, 2013. Funds transferred under this section to the Repairs and Renovations Reserve are appropriated for the 2013-2014 fiscal year and shall be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(d) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of two hundred million dollars ($200,000,000) from the unreserved fund balance to the Savings Reserve Account on June 30, 2013. Neither of these transfers is an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2013.

SECTION 2.2.(e) Notwithstanding the provisions of Article 6 of Chapter 143C of the General Statutes or any other law to the contrary, the sum of one million one hundred eleven thousand five hundred eighty-five dollars ($1,111,585) for the 2013-2014 fiscal year from the E-Commerce Reserve, Budget Code 24100, shall be transferred to the State Controller to be deposited in the appropriate budget code.

SECTION 2.2.(f) Notwithstanding any other provision of law to the contrary, effective July 1, 2013, of the unexpended and unencumbered monies credited to the North Carolina Political Parties Financing Fund, the sum of one million sixty-four thousand five hundred eighty-two dollars ($1,064,582) shall be transferred to the State Controller to be deposited in the appropriate budget code in the General Fund for the 2013-2014 fiscal year.

SECTION 2.2.(g) Effective June 30, 2013, notwithstanding any other provision of law to the contrary, the State Controller shall transfer the sum of ten million dollars ($10,000,000) from the unreserved fund balance to the Department of Public Safety (DPS) for the purchase and implementation of an enterprise resource planning (ERP) system. The funds transferred under this section shall be placed in a separate information technology fund within the DPS and are appropriated for the 2013-2014 fiscal year. The ERP system is subject to approval of the State Chief Information Officer and shall be consistent with a statewide ERP initiative.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2015, according to the following schedule:

Current Operations – Highway Fund	**2013-2014**	**2014-2015**
Department of Transportation		
Administration	$ 91,798,787	$ 96,765,187
Division of Highways		
Administration	35,139,990	35,139,990
Construction	70,169,922	48,859,878
Maintenance	1,122,833,054	1,025,989,573
Planning and Research	4,055,402	4,055,402
OSHA Program	365,337	365,337
Ferry Operations	38,435,538	37,285,538
State Aid to Municipalities	142,293,840	136,874,010
Intermodal Divisions		
Public Transportation	85,244,235	85,244,235
Aviation	22,244,510	22,244,510
Rail	43,074,586	27,624,586
Bicycle and Pedestrian	501,066	501,066
Governor's Highway Safety	284,932	284,932
Division of Motor Vehicles	117,169,443	117,813,980
Other State Agencies, Reserves, Transfers	258,901,657	257,204,576
Capital Improvements	18,055,500	19,937,700
Total Highway Fund Appropriations	**$ 2,050,567,799**	**$ 1,916,190,500**

HIGHWAY FUND/AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2013-2015 fiscal biennial budget is shown below:

Highway Fund Availability Statement	2013-2014	2014-2015
Unreserved Fund Balance	$ 72,214,149	$ 0
Estimated Revenue	1,937,200,000	1,892,400,000
Adjustment to Revenue Availability:		
Adjustment to Emission Inspection Fees	23,600,000	21,600,000
Adjustment to Technology Improvement Account Fees	634,000	634,000
Motor Fuel Tax		
(Shallow Draft Navigation Channel Dredging Fund)	(2,280,350)	(2,193,500)
North Carolina Railroad Company Dividend Payments	19,200,000	3,750,000
Total Highway Fund Availability	**$ 2,050,567,799**	**$ 1,916,190,500**
Unappropriated Balance	$ 0	$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2015, according to the following schedule:

Current Operations – Highway Trust Fund	2013-2014	2014-2015
Program Administration	$ 45,590,880	$ 45,590,880
Aid to Municipalities	0	0
Intrastate	0	0
Secondary Roads	0	0
Urban Loops	0	0
Mobility Fund	0	0
Turnpike Authority	49,000,000	49,000,000
Transfer to General Fund	0	0
Transfer to Highway Fund	400,000	400,000
Debt Service	79,170,090	60,307,448
Strategic Prioritization Funding Plan		
for Transportation Investments	931,539,030	950,101,672
Total Highway Trust Fund Appropriations	**$ 1,105,700,000**	**$ 1,105,400,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing the 2013-2015 fiscal biennial budget is shown below:

Highway Trust Fund Availability	2013-2014	2014-2015
Unreserved Fund Balance	$ 0	$ 0
Estimated Revenue	1,105,700,000	1,105,400,000
Adjustment to Revenue Availability	0	0
Total Highway Trust Fund Availability	**$ 1,105,700,000**	**$ 1,105,400,000**
Unappropriated Balance	$ 0	$ 0

PART V. OTHER APPROPRIATIONS

APPROPRIATION OF OTHER FUNDS

SECTION 5.1.(a) Expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from the General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund are appropriated and authorized for the 2013-2015 fiscal biennium as follows:

(1) For all budget codes listed in "The State of North Carolina Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2013-2014 fiscal year and the 2014-2015 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

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

a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2013-2014 fiscal year and the 2014-2015 fiscal year and shall be used only to pay debt service requirements.

b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2013-2014 fiscal year and the 2014-2015 fiscal year.

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

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

SECTION 5.1.(d) The Office of State Budget and Management, the Office of the State Controller, the Department of Revenue, and the Fiscal Research Division shall jointly study the Reserve for Reimbursements to Local Governments and Shared Tax Revenues (Budget Code 24705) within the Department of Revenue and shall determine the best manner in which to budget the funds deposited into and expended from this fund. When conducting this study, the Office of State Budget and Management, the Office of the State Controller, the Department of Revenue, and the Fiscal Research Division shall jointly determine if any statutory or other changes are needed in order to ensure that these funds are properly accounted for and budgeted in a manner consistent with the North Carolina Constitution. No later than May 1, 2014, the Office of State Budget and Management, the Office of the State Controller, the Department of Revenue, and the Fiscal Research Division shall report the results of this study, including their findings, recommendations, and any legislative proposals, to the Chairs of the Senate Appropriations/Base Budget Committee and of the House Appropriations Committee.

SECTION 5.1.(e) Subdivisions (2) through (4) of subsection (d) of Section 5.1 of S.L. 2011-145, as enacted by Section 5.1 of S.L. 2012-142, are repealed. This subsection becomes effective on June 30, 2013.

OTHER RECEIPTS FROM PENDING GRANT AWARDS

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

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

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

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

SECTION 5.2.(d) Notwithstanding G.S. 143C-6-4 and subsection (b) of this section, State agencies may spend funds received from the following grants for the 2013-2014 fiscal year and 2014-2015 fiscal year awarded subsequent to the enactment of this act for up to the specified amounts:

	2013-2014	**2014-2015**
Department of Public Instruction		
The New Venture Fund	$75,000	$0
Promoting Adolescent Health through School-Based HIV/STD Prevention	$290,000	$400,000

Neither the approval of the Director of the Budget nor consultation with the Joint Legislative Commission on Governmental Operations is required prior to the expenditure of these funds.

CIVIL PENALTY AND FORFEITURE FUND

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

	FY 2013-2014	**FY 2014-2015**
School Technology Fund	$ 18,000,000	$ 18,000,000
State Public School Fund	$146,313,464	$120,362,790
Total Appropriation	$164,313,464	$138,362,790

SECTION 5.3.(b) Excess receipts realized in the Civil Penalty and Forfeiture Fund in the 2012-2013 fiscal year are hereby appropriated to the State Public School Fund for the 2013-2014 fiscal year.

INDIAN GAMING EDUCATION REVENUE FUND

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

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

EDUCATION LOTTERY

SECTION 5.5.(a) G.S. 18C-162(c)(2) reads as rewritten:

"(c) Unclaimed prize money shall be held separate and apart from the other revenues and allocated as follows:

…

(2) Fifty percent (50%) to the Education Lottery Fund to be ~~allocated in accordance with G.S. 18C-164(c).~~held in reserve for future appropriation by the General Assembly."

SECTION 5.5.(b) G.S. 18C-164 reads as rewritten:

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

(a) The funds remaining in the North Carolina State Lottery Fund after receipt of all revenues to the Lottery Fund and after accrual of all obligations of the Commission for prizes and expenses shall be considered to be the net revenues of the North Carolina State Lottery Fund. The net revenues of the North Carolina State Lottery Fund shall be transferred four times a year to the Education Lottery Fund, which shall be created in the State treasury.

(b) From the Education Lottery Fund, the Commission shall transfer a sum equal to five percent (5%) of the net revenue of the prior year to the Education Lottery Reserve Fund. A special revenue fund for this purpose shall be established in the State treasury to be known as the Education Lottery Reserve Fund, and that fund shall be capped at fifty million dollars ($50,000,000). ~~Monies in the Education Lottery Reserve Fund may be appropriated only as provided in subsection (e) of this section.~~

~~(c) The Commission shall distribute the remaining net revenue of the Education Lottery Fund, as follows, in the following manner:~~

~~(1) A sum equal to fifty percent (50%) to support reduction of class size in early grades to class size allotments not exceeding 1:18 in order to eliminate achievement gaps and to support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality education program in order to help those four-year-olds be prepared developmentally to succeed in school.~~

~~(2) A sum equal to forty percent (40%) to the Public School Building Capital Fund in accordance with G.S. 115C-546.2.~~

~~(3) A sum equal to ten percent (10%) to the State Educational Assistance Authority to fund college and university scholarships in accordance with Article 35A of Chapter 115C of the General Statutes.~~

(d) ~~Of the sums transferred under subsection (c) of this section, the~~The General Assembly shall appropriate the ~~funds~~ remaining net revenue annually based upon estimates of lottery net revenue to the Education Lottery Fund provided by the Office of State Budget and Management and the Fiscal Research Division of the North Carolina General Assembly.

~~(e) If the actual net revenues are less than the appropriation for that given year, then the Governor may transfer from the Education Lottery Reserve Fund an amount sufficient to equal the appropriation by the General Assembly. If the monies available in the Education Lottery Reserve Fund are insufficient to reach a full appropriation, the Governor shall transfer monies in order of priority, to the following:~~

~~(1) To support academic prekindergarten programs for at-risk four-year-olds who would otherwise not be served in a high-quality education program in order to help those four-year-olds be prepared developmentally to succeed in school.~~

~~(2) To reduce class size.~~

~~(3) To provide financial aid for needy students to attend college.~~

~~(4) To the Public School Building Capital Fund to be spent in accordance with this section.~~

~~(f) If the actual net revenues exceed the amounts appropriated in that fiscal year, the excess net revenues shall remain in the Education Lottery Fund, and then be transferred as follows:~~

~~(1) Fifty percent (50%) to the Public School Building Capital Fund to be spent in accordance with this section.~~

~~(2) Fifty percent (50%) to the State Educational Assistance Authority to be spent in accordance with this section.~~"

SECTION 5.5.(c) G.S. 115C-499.3(b) reads as rewritten:

"(b) Subject to the maximum amounts provided in this section, the Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the amount of ~~net income available under Chapter 18C of the General Statutes.~~ funds appropriated from the Education Lottery Fund. If the net income available is not sufficient to fully fund the scholarships to the maximum amount, all scholarships shall be reduced equally, to the extent practicable, so that every eligible applicant shall receive a proportionate scholarship amount."

SECTION 5.5.(d) G.S. 115C-546.2 reads as rewritten:

"**§ 115C-546.2. Allocations from the Fund; uses; expenditures; reversion to General Fund; matching requirements.**

…

(d) If funds are appropriated from the Education Lottery Fund to the Public School Building Capital Fund, such funds shall be allocated for school capital construction projects on a per average daily membership basis according to the average daily membership for the budget year as determined and certified by the State Board of Education.~~Monies transferred into the Fund in accordance with Chapter 18C of the General Statutes shall be allocated for capital projects for school construction projects as follows:~~

~~(1) A sum equal to sixty-five percent (65%) of those monies transferred in accordance with G.S. 18C-164 shall be allocated on a per average daily membership basis according to the average daily membership for the budget year as determined and certified by the State Board of Education.~~

~~(2) A sum equal to thirty-five percent (35%) of those monies transferred in accordance with G.S. 18C-164 shall be allocated to those local school administrative units located in whole or part in counties in which the effective county tax rate as a percentage of the State average effective tax rate is greater than one hundred percent (100%), with the following definitions applying to this subdivision:~~

~~a. "Effective county tax rate" means the actual county rate for the previous fiscal year, including any countywide supplemental taxes levied for the benefit of public schools, multiplied by a three-year weighted average of the most recent annual sales assessment ratio studies.~~

~~b. "State average effective tax rate" means the average effective county tax rates for all counties.~~

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

(3) No county shall have to provide matching funds required under subsection (c) of this section.

(4) A county may use monies in this Fund to pay for school construction projects in local school administrative units and to retire indebtedness incurred for school construction projects.

(5) A county may not use monies in this Fund to pay for school technology needs.

(e) The State Board of Education may use up to one million five hundred thousand dollars ($1,500,000) each year of monies in the Fund to support positions in the Department of Public Instruction's Support Services Division."

SECTION 5.5.(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	$ 87,935,709	$ 87,935,709
Public School Building Capital Fund	$ 100,000,000	$ 100,000,000
Scholarships for Needy Students	$ 30,450,000	$ 30,450,000
UNC Need-Based Financial Aid	$ 10,744,733	$ 10,744,733
Digital Learning	$ 26,144,985	$ 17,068,441
Classroom Materials & Supplies	$ 4,183,635	$ 1,591,022
TOTAL APPROPRIATION	**$ 480,102,250**	**$ 468,433,093**

SECTION 5.5.(f) Notwithstanding G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for the 2013-2015 fiscal biennium.

SECTION 5.5.(g) Subsections (a) and (b) of this section become effective June 30, 2013.

PART VI. GENERAL PROVISIONS

CONTINGENCY AND EMERGENCY FUND LIMITATION

SECTION 6.1. For the 2013-2015 fiscal biennium and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission order or (ii) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies.

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

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

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

TOBACCO MASTER SETTLEMENT AGREEMENT/PAYMENTS

SECTION 6.4.(a) S.L. 1999-2 is repealed.

SECTION 6.4.(b) The creation of the nonprofit corporation pursuant to subparagraph VI.A.1 of the Consent Decree and Final Judgment entered in that action of 98

CVS 14377 on December 21, 1998, is hereby approved for the purposes and on the terms and conditions set forth in subparagraph VI.A.1 of the Consent Decree and Final Judgment.

SECTION 6.4.(c) The General Assembly approves the provisions in the Consent Decree concerning the governance of the nonprofit corporation. Governance of the nonprofit corporation shall consist of 15 directors who shall serve four-year, staggered terms. Five directors shall be appointed by the Governor, five by the President Pro Tempore of the Senate, and five by the Speaker of the House of Representatives, respectively in the appointing authority's sole discretion. The Governor shall appoint the first Chair among his appointees and the directors shall elect a Chair from among their number for subsequent terms. Members of the General Assembly may not be appointed to serve on the board of directors while serving in the General Assembly.

The Governor, Speaker of the House of Representatives, and President Pro Tempore of the Senate, in appointing directors to the nonprofit corporation, shall, in their sole discretion, include among their appointments representatives of tobacco production, tobacco manufacturing, tobacco-related employment, health, and economic development interests, with each appointing authority selecting at least two directors from these interests. It is also the intent of the General Assembly that the appointing authorities in appointing directors shall appoint members that represent the geographic, gender, and racial diversity of the State.

SECTION 6.4.(d) The Attorney General shall draft articles of incorporation for the nonprofit corporation to enable the nonprofit corporation to carry out its mission as set out in the Consent Decree. The articles of incorporation shall provide for the following:

(1) Consultation; reporting. – The nonprofit corporation shall consult with the Joint Legislative Commission on Governmental Operations (Commission) prior to the corporation's board of directors (i) adopting bylaws and (ii) adopting the annual operating budget. The nonprofit corporation shall also report on its programs and activities to the Commission on or before March 1 of each fiscal year and more frequently as requested by the Commission. The report shall include information on the activities and accomplishments during the fiscal year, itemized expenditures during the fiscal year, planned activities and goals for at least the next 12 months, and itemized anticipated expenditures for the next fiscal year. The nonprofit corporation shall also annually provide to the Commission an itemized report of its administrative expenses and copies of its annual report and tax return information.

(2) Public records; open meetings. – The nonprofit corporation is subject to the Open Meetings Law as provided in Article 33C of Chapter 143 of the General Statutes and the Public Records Act as provided in Chapter 132 of the General Statutes. The nonprofit corporation shall publish at least annually a report, available to the public and filed with the Joint Legislative Commission on Governmental Operations, of every expenditure or distribution in furtherance of the public charitable purposes of the nonprofit corporation.

(3) Transfer of assets. – The nonprofit corporation may not dispose of assets pursuant to G.S. 55A-12-02 without the approval of the General Assembly.

(4) Charter repeal. – The charter of the nonprofit corporation may be repealed at any time by the legislature pursuant to Article VIII, Section 1 of the North Carolina Constitution. The nonprofit corporation may not amend its articles of incorporation without the approval of the General Assembly.

(5) Dissolution. – The nonprofit corporation may be dissolved pursuant to Chapter 55A of the General Statutes by the General Assembly or by the Court pursuant to the Consent Decree. Upon dissolution, all unencumbered

assets and funds of the nonprofit corporation are transferred to the Settlement Reserve Fund established pursuant to G.S. 143C-9-3.

SECTION 6.4.(e) The funds under the Master Settlement Agreement, which Agreement is incorporated into the Consent Decree, deposited in the Settlement Reserve Fund shall be used to pay the debt service as authorized by the State Capital Facilities Act of 2004, Part 1 of S.L. 2004-179 and S.L. 2004-124. As soon as practicable after the beginning of each fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of debt service anticipated to be paid during the fiscal year for special indebtedness authorized by the State Capital Facilities Act of 2004.

Any monies paid into the North Carolina State Specific Account from the Disputed Payments Account on account of the Non-Participating Manufacturers that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., shall be deposited in the Settlement Reserve Fund and transferred to the State General Fund.

SECTION 6.4.(f) The Attorney General shall take all necessary actions to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly regarding redirection of payments set forth in subsections (a) and (e) of this section.

SECTION 6.4.(g) G.S. 116-29.1(b) reads as rewritten:

"(b) Effective July 1 of each calendar year, the funds remitted to the University Cancer Research Fund by the Secretary of Revenue from the tax on tobacco products other than cigarettes pursuant to G.S. 105-113.40A are appropriated for this purpose.~~The General Assembly finds that it is imperative that the State provide a minimum of fifty million dollars ($50,000,000) each calendar year to the University Cancer Research Fund; therefore, effective July 1 of each calendar year:~~

~~(1) Of the funds credited to Budget Code 69430 in the Department of State Treasurer, the sum of eight million dollars ($8,000,000) is transferred from Budget Code 69430 to the University Cancer Research Fund and appropriated for this purpose.~~

~~(2) The funds remitted to the University Cancer Research Fund by the Secretary of Revenue from the tax on tobacco products other than cigarettes pursuant to G.S. 105-113.40A is appropriated for this purpose.~~

~~(3) An amount equal to the difference between (i) fifty million dollars ($50,000,000) and (ii) the amounts appropriated pursuant to subdivisions (1) and (2) of this subsection is appropriated from the General Fund for this purpose.~~"

SECTION 6.4.(h) G.S. 143C-9-3(a) reads as rewritten:

"(a) The "Settlement Reserve Fund" is established ~~as a restricted reserve~~ in the General ~~Fund. Except as otherwise provided in this section, funds shall be expended from the Settlement Reserve Fund only by specific appropriation by the General Assembly.~~Fund to receive proceeds from tobacco litigation settlement agreements or final orders or judgments of a court in litigation between tobacco companies and the states. Funds credited to the Settlement Reserve Fund each fiscal year shall be included in General Fund availability as nontax revenue for the next fiscal year."

GOVERNMENT EFFICIENCY AND REFORM

SECTION 6.5.(a) The Office of State Budget and Management shall contract for a Government Efficiency and Reform review and analysis of the executive branch of State government, which shall be known as NC GEAR. The purpose of the review and analysis is to evaluate the efficiency and effectiveness of State government and to identify specific strategies

for making State government more efficient and effective. The review and analysis may examine entire departments, agencies, institutions, or similar programs in different departments. The review and analysis shall include an examination of the efficiency and effectiveness of major management policies, practices, and functions pertaining to the following areas:

(1) The statutory authority, funding sources, and functions of each department, agency, institution, or program.

(2) The organizational structure and staffing patterns in place to perform these functions and whether they are appropriate based on comparative data and other reasonable staffing criteria.

(3) The measurement of each reviewed program's outcomes, overall performance, and success in accomplishing its mandated or stated mission and subsequent goals, considering the resources provided to the program.

(4) State and local responsibilities for providing government services and funding for those services, and whether these responsibilities should be reallocated.

(5) Personnel systems operations and management.

(6) State purchasing operations and management.

(7) Information technology and telecommunications systems policy, organization, and management.

(8) The identification of opportunities to reduce fragmentation, duplication, and related or overlapping services or activities through restructuring of departmental organizations and streamlining programs.

SECTION 6.5.(b) All executive branch departments, agencies, boards, commissions, authorities, and institutions in the executive branch of State government, including receipt-supported agencies, and all non-State entities receiving State funds shall be subject to review and analysis. The chief administrative officer of each entity shall ensure full cooperation with the Office of State Budget and Management and provide timely responses to the Office of State Budget and Management's request for information under the provisions of G.S. 143C-2-1(b).

SECTION 6.5.(c) The Office of State Budget and Management will work collaboratively with the Office of State Auditor to develop the review, analysis, and findings needed to produce a final report and recommendations to the Governor and General Assembly.

SECTION 6.5.(d) The contracting provisions of Chapter 143 of the General Statutes and related State purchasing and budget regulations do not apply to NC GEAR; however, the Office of State Budget and Management shall report all external contracts for consultants or professional services within 30 days of their execution to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

SECTION 6.5.(e) The Office of State Budget and Management shall submit an interim report of the NC GEAR's analysis, findings, and recommendations to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Program Evaluation Division by February 15, 2014, and a final report by February 15, 2015.

SECTION 6.5.(f) Funds appropriated for NC GEAR shall be used to contract with consultants and other experts and to pay for travel, postage, printing, planning, and other related costs as needed to accomplish the objectives specified for the project. Funds appropriated for the 2013-2015 fiscal biennium for NC GEAR shall not revert at the end of each fiscal year but shall remain available for expenditure for the project.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.6. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET CODE CONSOLIDATIONS

SECTION 6.7. Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management may, after reporting to the Fiscal Research Division, adjust the authorized budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. The Office of State Budget and Management shall change the authorized budget to reflect these adjustments.

PROVISION OF ANONYMOUS TAX RETURN DATA TO STATE BUDGET DIRECTOR

SECTION 6.9. G.S. 105-259(b) is amended by adding the following new subdivision to read:

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

…

(44) To furnish the State Budget Director or the Director's designee a sample of tax returns or other tax information from which taxpayers' names and identification numbers have been removed that is suitable in character, composition, and size for statistical analyses by the Office of State Budget and Management."

EXEMPTIONS FROM MANAGEMENT FLEXIBILITY REDUCTIONS

SECTION 6.10. Notwithstanding G.S. 143C-6-4, expansion funds appropriated for the 2013-2015 fiscal biennium to State agencies as defined by G.S. 143C-1-1(d)(24) shall not be used to offset management flexibility adjustments in this act.

STATE BUDGET ACT AMENDMENTS

SECTION 6.12.(a) G.S. 143C-1-1(d)(19) reads as rewritten:

"(19) Nontax revenue. – Revenue that is not a tax proceed or a departmental receipt and that is required by statute to be credited to ~~the General Fund.~~a fund."

SECTION 6.12.(b) G.S. 143C-1-1(d)(30) reads as rewritten:

"(30) Unreserved fund balance. – The available ~~General Fund~~ cash balance effective June 30 after excluding documented encumbrances, unearned revenue, ~~federal grants,~~ statutory requirements, and other legal obligations to ~~General Fund~~ a fund's cash balance as determined by the State Controller. Beginning unreserved fund balance equals ending unreserved fund balance from the prior fiscal year."

SECTION 6.12.(c) G.S. 143C-1-3(c) reads as rewritten:

"(c) Notwithstanding subsections (a) and (b) of this section, funds established for The University of North Carolina and its constituent institutions pursuant to the following statutes are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided by those statutes, except that the provisions of Article 8 of Chapter 143C of the General Statutes shall apply to the funds: G.S. 116-35, 116-36, 116-36.1, 116-36.2, 116-36.4, 116-36.5, 116-36.6, 116-44.4, 116-68, 116-220, ~~116-235, 116-238.~~116-235."

SECTION 6.12.(d) Article 1 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-1-5. Chapter is applicable to The University of North Carolina.**

Except as expressly provided in G.S. 143C-1-3(c) or otherwise expressly provided by law, The University of North Carolina shall be subject to the provisions of this Chapter in the same manner and to the same degree as other State agencies."

SECTION 6.12.(e) G.S. 143C-3-5(e) reads as rewritten:

"(e) ~~Revenue~~ Availability Estimates. – The recommended Current Operations Appropriations Act shall contain a statement showing the estimates of General Fund availability, Highway Fund availability, and Highway Trust Fund availability upon which the Recommended State Budget is based."

SECTION 6.12.(f) G.S. 143C-9-6 reads as rewritten:

"**§ 143C-9-6. JDIG ~~Reserve Fund.~~Reserve.**

(a) The State Controller shall establish a reserve in the General Fund to be known as the JDIG Reserve. Funds from the JDIG Reserve shall not be ~~expended or~~ transferred except in accordance with G.S. 143B-437.63.

(b) It is the intent of the General Assembly to appropriate funds annually to the JDIG Reserve established in this section in amounts sufficient to meet the anticipated cash requirements for each fiscal year of the Job Development Investment Grant Program established pursuant to G.S. 143B-437.52."

SECTION 6.12.(g) G.S. 143C-9-8(a) reads as rewritten:

"(a) The State Controller shall establish a reserve in the General Fund to be known as the One North Carolina Fund Reserve. Funds from the One North Carolina Fund Reserve shall not be ~~expended or~~ transferred except in accordance with G.S. 143B-437.75."

SUBSTANTIVE CHANGES

SECTION 6.12.(h) G.S. 143C-1-1(d) is amended by adding the following new subdivisions to read:

"(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.

(1b) Availability. – The total anticipated cash available within a fund for appropriation purposes, including unreserved fund balance and all revenue and receipts anticipated in a fiscal year.

…."

SECTION 6.12.(i) G.S. 143C-1-1(d)(7) reads as rewritten:

"(7) Certified budget. – The budget as enacted by the General Assembly including adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes ~~directed~~ mandated by the General ~~Assembly but left to the Director to carry out.~~Assembly."

SECTION 6.12.(j) G.S. 143C-3-3 reads as rewritten:

"**§ 143C-3-3. Budget requests from State agencies in the executive branch.**

…

(b) University of North Carolina System Request. – Notwithstanding ~~subsections (c), (d), and (e) of this section, pursuant to~~ the requirement in G.S. 116-11 that the Board of Governors ~~shall~~ prepare a unified budget request for all of the constituent institutions of The University of North Carolina, ~~including~~ repairs and renovations, capital fund requests, and information ~~technology.~~technology requests shall comply with subsections (c), (d), and (e) of this section.

…

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

(1) A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.

(2) A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of Article 3D of Chapter 147 of the General Statutes, and any other factors relevant to the analysis.

(3) A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner.

(4) In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

This subsection shall not apply to requests submitted by the General ~~Assembly,~~Assembly or the Administrative Office of the ~~Courts, or The University of North Carolina.~~Courts."

SECTION 6.12.(k) G.S. 143C-3-5 reads as rewritten:

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

…

(b) Odd-Numbered ~~Fiscal~~ 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 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.~~ The Director shall include as continuation requirements the amounts the Director proposes to fund for the enrollment increases in public schools, community colleges, and the university system.~~

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

…

(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 budget for the upcoming fiscal year.

(c) Even-Numbered ~~Fiscal~~ Years. – In even-numbered years, the Governor may recommend changes in the enacted budget for the second year of the biennium. These recommendations shall be presented as amendments to the enacted budget and shall be incorporated in a recommended Current Operations Appropriation Act and a recommended Capital Improvements Appropriations Act as necessary. Any recommended changes shall clearly distinguish 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. The Governor shall provide sufficient supporting documentation and accounting detail, consistent with that required by G.S. 143C-3-5(b), corresponding to the recommended amendments to the enacted budget.

(d) Funds Included in Budget. – Consistent with requirements of the North Carolina Constitution, Article 5, Section 7(1), the Governor's Recommended State Budget, together with the Budget Support Document, shall include recommended expenditures of State funds from all Governmental and Proprietary Funds, as those funds are described in ~~G.S. 143C-1-3.~~ G.S. 143C-1-3, and all funds established for The University of North Carolina and its constituent institutions that are subject to this Chapter. Except where provided otherwise by federal law, funds received from the federal government become State funds when deposited in the State treasury and shall be classified and accounted for in the Governor's budget recommendations no differently than funds from other sources.

…."

SECTION 6.12.(l) G.S. 143C-4-3 reads as rewritten:

"**§ 143C-4-3. Repairs and Renovations ~~Reserve Account.~~Reserve.**

(a) Creation and Source of Funds. – The Repairs and Renovations Reserve ~~Account~~ is established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve ~~Account~~ one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year.

(b) Use of Funds. – The funds in the Repairs and Renovations Reserve ~~Account~~ shall be used only for the repair and renovation of State facilities and related infrastructure that are supported from the General Fund. Funds from the Repairs and Renovations Reserve ~~Account~~ shall be used only for the following types of projects:

(1) Roof repairs and replacements;
(2) Structural repairs;
(3) Repairs and renovations to meet federal and State standards;
(4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems;
(5) Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
(6) Improvements to meet fire safety needs;
(7) Improvements to existing facilities for energy efficiency;
(8) Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks;
(9) Improvements and renovations to improve use of existing space;
(10) Historical restoration;
(11) Improvements to roads, walks, drives, utilities infrastructure; and
(12) Drainage and landscape improvements.

Funds from the Repairs and Renovations Reserve ~~Account~~ shall not be used for new construction or the expansion of the building area (sq. ft.) of an existing facility unless required in order to comply with federal or State codes or standards.

(c) Use of Funds. – Funds Available Only Upon Appropriation. – Funds reserved to the Repairs and Renovations Reserve ~~Account~~ shall be available for expenditure only upon an act of appropriation by the General Assembly.

(d) ~~Board of Governors May Allocate~~ Allocation and Reallocation of Funds ~~to~~ for Particular Projects. – Any funds in the ~~Reserve for~~ Repairs and Renovations Reserve that are allocated to the Board of Governors of The University of North Carolina or to the Office of State Budget and Management may be allocated or reallocated by ~~the Board~~ those agencies for repairs and renovations projects so long as ~~(i) any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section unless the Board~~

~~determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance and (ii) the allocation or reallocation is in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations on the allocation or reallocation of funds pursuant to this section within 60 days of any allocation or reallocation under this subsection.~~all of the following conditions are satisfied:

(1) Any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section.

(2) If the allocation or reallocation of funds from one project to another under this section is two million five hundred thousand dollars ($2,500,000) or more for a particular project, the Office of State Budget and Management or the Board of Governors, as appropriate, consults with the Joint Legislative Commission on Governmental Operations prior to the expenditure or reallocation.

(3) If the allocation or reallocation of funds from one project to another under this section is less than two million five hundred thousand dollars ($2,500,000) for a particular project, the allocation or reallocation of funds is reported to the Joint Legislative Commission on Governmental Operations within 60 days of the expenditure or reallocation.

~~(e) Office of State Budget and Management May Allocate Funds to Particular Projects. – Any funds in the Reserve for Repairs and Renovations that are allocated to the Office of State Budget and Management may be allocated or reallocated by the State Budget Office for repairs and renovations projects so long as any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section. The Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation of these funds. The State Budget Office shall report to the Joint Legislative Commission on Governmental Operations on the reallocation of funds pursuant to this section within 60 days of any reallocation under this subsection.~~"

SECTION 6.12.(m) 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.

(c) Certification of the Budget. – The Director of the Budget shall certify to each State agency the amount appropriated to it for each program and each object from all ~~governmental and proprietary funds.~~ funds included in the budget as defined in G.S. 143C-3-5(d). The certified budget for each State agency shall reflect the total of all appropriations enacted for each State agency by the General Assembly in the Current Operations Appropriations Act, the Capital Improvements Appropriations Act, and any other act affecting the State budget. The certified budget for each State agency shall follow the format of the Budget Support Document as modified to reflect changes enacted by the General Assembly."

SECTION 6.12.(n) G.S. 143C-6-4 reads as rewritten:

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

(a) Findings. – The General Assembly recognizes that even the most thorough budget deliberations may be affected by unforeseeable ~~events. Under~~events; therefore, under the limited circumstances set forth in this section, the Director ~~may~~ is authorized to adjust the enacted budget by making transfers among lines of expenditure, purposes, or programs or by increasing expenditures funded by departmental receipts. ~~Under no circumstances, however, shall total General Fund expenditures for a State department exceed the amount appropriated to that department from the General Fund for the fiscal year.~~

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

(1) Line items within programs. – An object or line item within a purpose or program so long as the total amount expended for the purpose or program is no more than was authorized in the certified budget for the purpose or program.

(2) Responses to extraordinary events. – A purpose or program if the overexpenditure of the purpose or program is:

a. Required by a court or Industrial Commission order;

b. Authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act; or

c. Required to call out the North Carolina National Guard.

(3) Responses to unforeseen circumstances. – A purpose or program not subject to the provisions of subdivision (b)(2) of this ~~subsection, but only in accord with the following restrictions: (i) the~~ 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, (ii) the~~ enacted.

b. The scope of the purpose or program is not ~~increased, (iii) the~~increased.

c. The overexpenditure is authorized on a ~~nonrecurring basis, and (iv) under no circumstances shall the total requirements for a State department exceed the department's certified budget for the fiscal year by more than three percent (3%) without prior consultation with the Joint Legislative Commission on Governmental Operations~~ 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 the Joint Legislative Commission on Governmental Operations prior to 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.

…."

SECTION 6.12.(o) G.S. 143C-6-21 reads as rewritten:

"**§ 143C-6-21. Payments to nonprofits.**

Except as otherwise provided by law, an annual appropriation of one hundred thousand dollars ($100,000) or less to or for the use of a nonprofit corporation ~~shall~~ may be made in a single annual ~~payment.~~ payment, in the discretion of the Director of the Budget. An annual appropriation of more than one hundred thousand dollars ($100,000) to or for the use of a nonprofit corporation shall be made in quarterly or monthly payments, in the discretion of the Director of the Budget."

SECTION 6.12.(p) G.S. 143C-7-2(a) reads as rewritten:

"(a) Plans Submitted and Reviewed. – The Secretary of each State agency that receives and administers federal Block Grant funds shall prepare and submit the agency's Block Grant plans to the Director of the Budget. The Director of the Budget shall submit the Block Grant plans to ~~the Fiscal Research Division of the General Assembly not later than February 28 of each odd-numbered calendar year and not later than April 30 of each even-numbered calendar year.~~the General Assembly as part of the Recommended State Budget submitted pursuant to G.S. 143C-3-5."

SECTION 6.12.(q) G.S. 143C-8-2 reads as rewritten:

"**§ 143C-8-2. Capital facilities inventory.**

(a) The Department of Administration shall develop and maintain an automated inventory of all facilities owned by State agencies pursuant to G.S. 143-341(4). The inventory shall include the location, occupying agency, ownership, size, description, condition assessment, maintenance record, parking and employee facilities, and other information to determine maintenance needs and prepare life-cycle cost evaluations of each facility listed in the inventory. The Department of Administration shall update and publish the inventory at least once every three years. The Department shall also record in the inventory acquisitions of new facilities and significant changes in existing facilities as they occur.

(b) No later than October 1 of each even-numbered year, the Department of Administration shall provide a summary of the information maintained in the inventory described in subsection (a) of this section to the Fiscal Research Division of the Legislative Services Commission. This summary shall include all of the following:

(1) A summary of the number, type, square footage or acreage, and condition of facilities allocated to or owned by each State agency.

(2) A summary of the geographical distribution of State facilities.

(3) An estimate of the percentage increase or decrease of square footage or acreage allocated to or owned by each State agency since the last report was submitted pursuant to this subsection.

(4) Any other information requested by the Fiscal Research Division."

SECTION 6.12.(r) G.S. 143C-9-7(b) reads as rewritten:

"(b) ~~Funds~~ Upon appropriation by the General Assembly, funds received in the Indian Gaming Education Revenue Fund ~~are hereby appropriated as received to the State Public School Fund for quarterly allotment~~shall be allocated quarterly by the State Board of Education to local school administrative units, charter schools, and regional schools on the basis of allotted average daily membership. The funds allotted by the State Board of Education pursuant to this section shall be nonreverting. Funds received pursuant to this section by local school administrative units shall be expended for classroom teachers, teacher assistants, classroom materials or supplies, or textbooks."

STATE AGENCY LEGAL POSITIONS RESERVE

SECTION 6.13.(a) Notwithstanding any other provision of law, all legal positions within the Department of Justice that serve or otherwise provide State agencies with representation by an attorney, paralegal, or other employee are transferred to the Office of State Budget and Management (OSBM) and shall be placed in a position reserve for future allocation as determined by the OSBM and the heads of the respective State agencies.

SECTION 6.13.(b) The OSBM may transfer legal positions to State agencies from the position reserve established in subsection (a) of this section, as deemed necessary by the OSBM in consultation with the heads of the respective State agencies. Any person employed in a legal position transferred pursuant to the authority of this section shall report to the appropriate head of the State agency to which the position is transferred.

CAP STATE FUNDED PORTION OF NONPROFIT SALARIES

SECTION 6.14. No more than one hundred twenty thousand dollars ($120,000) in State funds may be used for the annual salary of any individual employee of a nonprofit organization receiving State funds. For the purposes of this section, the term "State funds" means funds as defined in G.S. 143C-1-1(d)(25) and any interest earnings that accrue from those funds.

NO STATE FUNDS FOR LOBBYING

SECTION 6.15.(a) No State funds shall be used by a non-State entity to pay for lobbying or lobbyists.

SECTION 6.15.(b) For the purposes of this section, the following definitions apply:

(1) Lobbying. – As defined by G.S. 120C-100(a)(9).
(2) Lobbyist. – As defined by G.S. 120C-100(a)(10).
(3) Non-State entity. – As defined by G.S. 143C-1-1(d)(18).
(4) State funds. – As defined by G.S. 143C-1-1(d)(25) and interest earnings that accrue from those funds.

AVIATION FUEL TAX

SECTION 6.16. Section 3(b) of S.L. 2012-74 reads as rewritten:

"**SECTION 3.(b)** An interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of one million two hundred fifty thousand dollars ($1,250,000) for the period January 1, 2011, through June 30, 2011. The State portion of the refund <u>is payable in two installments. The first installment, payable in fiscal year 2012-2013,</u> may not exceed three million one hundred fifty thousand dollars ($3,150,000). <u>The remainder of the refund is payable in fiscal year 2013-2014.</u> The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a). A request for a refund must be in writing and must include any information and documentation required by the Secretary. The request for a refund is due before October 1, 2012. A refund applied for after the due date is barred."

RESTORE LOCAL GOVERNMENT HOLD HARMLESS FOR REPEALED REIMBURSEMENTS

SECTION 6.17. G.S. 105-521 reads as rewritten:

"**§ 105-521. Transitional local government hold harmless for repealed reimbursements.**

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

(1) Local government. – A county or municipality that received a distribution of local sales taxes in the most recent fiscal year for which a local sales tax share has been calculated.
(2) Local sales tax share. – A local government's percentage share of the two-cent (2¢) sales taxes distributed during the most recent fiscal year for which data are available.
(3) Repealed reimbursement amount. – The total amount a local government would have been entitled to receive during the 2002-2003 fiscal year under

G.S. 105-164.44C, 105-275.1, 105-275.2, 105-277.001, and 105-277.1A, if the Governor had not withheld any distributions under those sections.

(3a) Replacement revenue. – The sum of the following:

a. Fifty percent (50%) of the amount of sales and use tax revenue distributed under Article 40 of this Chapter, other than revenue from the sale of food that is subject to local tax but is exempt from State tax under G.S. 105-164.13B.

b. Twenty-five percent (25%) of the amount of sales and use tax revenue distributed under Article 39 of this Chapter or under Chapter 1096 of the 1967 Session Laws, other than revenue from the sale of food that is subject to local tax but is exempt from State tax under G.S. 105-164.13B.

(4) Two-cent (2¢) sales taxes. – The first one-cent (1¢) sales and use tax authorized in Article 39 of this Chapter and in Chapter 1096 of the 1967 Session Laws, the first one-half cent (1/2¢) local sales and use tax authorized in Article 40 of this Chapter, and the second one-half cent (1/2¢) local sales and use tax authorized in Article 42 of this Chapter.

(b) Distributions. – On or before August 15, 2008, and every August 15 through ~~August 15, 2012,~~ August 15, 2013, the Secretary must multiply each local government's local sales tax share by the estimated amount of replacement revenue that all local governments are expected to receive during the current fiscal year. If the resulting amount is less than one hundred percent (100%) of the local government's repealed reimbursement amount, the Secretary must pay the local government the difference, but not less than one hundred dollars ($100.00).

On or before May 1 of each fiscal year through ~~May 1, 2012,~~ May 1, 2013, the Department of Revenue and the Fiscal Research Division of the General Assembly must each submit to the Secretary and to the General Assembly a final projection of the estimated amount of replacement revenue that all local governments would be expected to receive during the upcoming fiscal year. If, after May 1 and before a distribution is made, a law is enacted that would affect the projection, an updated projection must be submitted as soon as practicable. If the Secretary does not use the lower of the two final projections to make the calculation required by this subsection, the Secretary must report the reasons for this decision to the Joint Legislative Commission on Governmental Operations within 60 days after receiving the projections.

(c) Source of Funds. – The Secretary must draw the funds distributed under this section from sales and use tax collections under Article 5 of this Chapter.

(d) Reports. – The Secretary must report to the Revenue Laws Study Committee by January 31, 2004, and each January 31 through ~~January 31, 2013,~~ January 31, 2014, the amount distributed under this section for the current fiscal year."

EUGENICS COMPENSATION PROGRAM

SECTION 6.18.(a) Article 9 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 30. Eugenics Asexualization and Sterilization Compensation Program.

"**§ 143B-426.50. Definitions.**

As used in this Part, the following definitions apply:

(1) Claimant. – An individual on whose behalf a claim is made for compensation as a qualified recipient under this Part.

(2) Commission. – The North Carolina Industrial Commission.

(3) Involuntarily. – In the case of:

a. A minor child, either with or without the consent of the minor child's parent, guardian, or other person standing in loco parentis.

b. An incompetent adult, with or without the consent of the incompetent adult's guardian or pursuant to a valid court order.

c. A competent adult, without the adult's informed consent, with the presumption being that the adult gave informed consent.

(4) Office. – The Office of Justice for Sterilization Victims.

(5) Qualified recipient. – An individual who was asexualized involuntarily or sterilized involuntarily under the authority of the Eugenics Board of North Carolina in accordance with Chapter 224 of the Public Laws of 1933 or Chapter 221 of the Public Laws of 1937.

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

(a) A claimant determined to be a qualified recipient under this Part shall receive lump-sum compensation in the amount of fifty thousand dollars ($50,000) from funds appropriated to the Department of State Treasurer for these purposes.

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

"**§ 143B-426.52. Claims for compensation for asexualization or sterilization.**

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

(b) A claim under this section shall be submitted to the Office. The claim shall be in a form, and supported by appropriate documentation and information, as required by the Commission. A claim may be submitted on behalf of a claimant by a person lawfully authorized to act on the individual's behalf.

(c) The Commission shall determine the eligibility of a claimant to receive the compensation authorized by this Part in accordance with G.S. 143B-426.53. The Commission shall notify the claimant in writing of the Commission's determination regarding the claimant's eligibility.

(d) The Commission shall adopt rules for the determination of eligibility and the processing of claims.

"**§ 143B-426.53. Industrial Commission determination.**

(a) The Commission shall determine whether a claimant is eligible for compensation as a qualified recipient under this Part. The Commission shall have all powers and authority granted under Article 31 of Chapter 143 of the General Statutes with regard to claims filed pursuant to this Part.

(b) A deputy commissioner shall be assigned by the Commission to make initial determinations of eligibility for compensation under this Part. The deputy commissioner shall review the claim and supporting documentation submitted on behalf of a claimant and shall make a determination of eligibility. In any case where the claimant was a competent adult when asexualized or sterilized, the burden is on the claimant to rebut the presumption that the claimant gave informed consent. If the claim is not approved, the deputy commissioner shall set forth in writing the reasons for the disapproval and notify the claimant.

(c) A claimant whose claim is not approved under subsection (b) of this section may submit to the Commission additional documentation in support of the individual's claim and request a redetermination by the deputy commissioner.

(d) A claimant whose claim is not approved under subsection (b) or (c) of this section shall have the right to request a hearing before the deputy commissioner. The hearing shall be conducted in accordance with rules of the Commission. For claimants who are residents of this State, at the request of the claimant, the hearing shall be held in the county of residence of the

claimant. For claimants who are not residents of this State, the hearing shall be held in Wake County or at a location of mutual convenience as determined by the deputy commissioner. The claimant shall have the right to be represented, including the right to be represented by counsel, present evidence, and call witnesses. The deputy commissioner who hears the claim shall issue a written decision of eligibility which shall be sent to the claimant.

(e) Upon the issuance of a decision by the deputy commissioner under subsection (d) of this section, the claimant may file notice of appeal with the Commission within 30 days of the date notice of the deputy commissioner's decision is given. Such appeal shall be heard by the Commission, sitting as the full Commission, on the basis of the record in the matter and upon oral argument. The full Commission may amend, set aside, or strike out the decision of the deputy commissioner and may issue its own findings of fact, conclusions of law, and decision. The Commission shall notify all parties concerned in writing of its decision.

(f) A claimant may appeal the decision of the full Commission to the Court of Appeals within 30 days of the date notice of the decision of the full Commission is given. Appeals under this section shall be in accordance with the procedures set forth in G.S. 143-293 and G.S. 143-294.

(g) If at any stage of the proceedings the claimant is determined to be a qualified recipient, the Commission shall give notice to the claimant and to the Office of the State Treasurer and the State Treasurer shall make payment of compensation to the qualified recipient or a trust specified under G.S. 143B-426.51(b).

(h) Decisions and determinations by the Commission favorable to the claimant shall be final and not subject to appeal by the State.

(i) Costs under this section shall be taxed to the State.

"**§ 143B-426.54. Office of Justice for Sterilization Victims.**

(a) There is created in the Department of Administration the Office of Justice for Sterilization Victims.

(b) At the request of a claimant or a claimant's legal representative, the Office shall assist an individual who may be a qualified recipient to determine whether the individual qualifies for compensation under this Part. The Office may assist an individual filing a claim under this Part and collect documentation in support of the claim. With the claimant's consent, the Office may represent and advocate for the claimant before the Commission and may assist the claimant with any good-faith further appeal of an adverse decision on a claim.

(c) The Office shall plan and implement an outreach program to attempt to notify individuals who may be possible qualified recipients.

"**§ 143B-426.55. Confidentiality.**

Records of all inquiries of eligibility, claims, and payments under this Part shall be confidential and not public records under Chapter 132 of the General Statutes.

"**§ 143B-426.56. Compensation excluded as income, resources, or assets.**

(a) Any payment made under this section is not subject to income tax as provided in G.S. 105-134.6(b)(22) nor to be considered income or assets for purposes of determining the eligibility for, or the amount of, any benefits or assistance under any State or local program financed in whole or in part with State funds.

(b) Pursuant to G.S. 108A-26.1, the Department of Health and Human Services shall do the following:

(1) Provide income, resource, and asset disregard to an applicant for, or recipient of, public assistance who receives compensation under this Part. The amount of the income, resource, and asset disregard shall be equal to the total compensation paid to the individual from the Eugenics Sterilization Compensation Fund.

(2) Provide resource protection by reducing any subsequent recovery by the State under G.S. 108A-70.5 from a deceased recipient's estate for payment of

Medicaid-paid services by the amount of resource disregard given under subdivision (1) of this subsection.

(3) Adopt rules to implement the provisions of subdivisions (1) and (2) of this subsection.

"**§ 143B-426.57. Limitation of liability.**

Nothing in this Part shall revive or extend any statute of limitations that may otherwise have expired prior to July 1, 2013. The State's liability arising from any cause of action related to any asexualization or sterilization performed pursuant to an order of the Eugenics Board of North Carolina shall be limited to the compensation authorized by this Part."

SECTION 6.18.(b) G.S. 105-134.6(b) is amended by adding a new subdivision to read:

"(22) The amount paid to the taxpayer during the taxable year from the Eugenics Sterilization Compensation Fund in the Office of the State Treasurer as compensation to a qualified recipient under the Eugenics Asexualization and Sterilization Compensation Program under Part 30 of Article 9 of Chapter 143B of the General Statutes."

SECTION 6.18.(c) Part 1 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-26.1. Exclude compensation from the Eugenics Sterilization Compensation Fund from income, resources, and assets for public assistance programs.**

With regard to compensation received pursuant to Part 30 of Article 9 of Chapter 143B of the General Statutes, the provisions of G.S. 143B-426.56(b) shall apply to the Department."

SECTION 6.18.(d) G.S. 132-1.23 reads as rewritten:

"**§ 132-1.23. Eugenics program records.**

(a) Records in the custody of the State, including those in the custody of the ~~North Carolina~~Office of Justice for Sterilization ~~Foundation~~Victims, concerning the ~~North Carolina~~Eugenics Board of North Carolina's program are confidential and are not public ~~records to the extent they concern:~~records, including the records identifying (i) ~~persons~~ individuals impacted by the program, (ii) ~~persons~~ individuals, or their guardians or authorized ~~agents~~ agents, inquiring about the impact of the program on ~~them,~~the individuals, or (iii) ~~persons~~ individuals, or their guardians or authorized ~~agents~~ agents, inquiring about the potential impact of the program on others.

(b) Notwithstanding subsection (a) of this section, ~~a person~~ an individual impacted by the ~~program may obtain that person's individual records under the program, and a guardian or authorized agent of that person may also obtain them.~~program, or a guardian or authorized agent of that individual, may obtain that individual's records under the program upon execution of a proper release authorization.

(c) Notwithstanding subsections (a) and (b) of this section, minutes or reports of the Eugenics Board of North Carolina, for which identifying information of the individuals impacted by the program have been redacted, may be released to any person. As used in this subsection, "identifying information" shall include the name, street address, birth day and month, and any other information the State believes may lead to the identity of any individual impacted by the program, or of any relative of an individual impacted by the program."

SECTION 6.18.(e) There is established the Eugenics Sterilization Compensation Fund. The Fund shall be designated a special fund and shall be used to pay the compensation authorized under Part 30 of Article 9 of Chapter 143B of the General Statutes. The Fund shall be administered by the Office of Justice for Sterilization Victims established in G.S. 143B-426.54. Monies in the Fund shall not be expended or transferred except in accordance with Part 30 of Article 9 of Chapter 143B of the General Statutes. Monies in the Fund shall remain until all claims timely filed with the Industrial Commission as prescribed in this act have been finally adjudicated and all qualified recipients who timely submit claims are

paid. The Office of Justice for Sterilization Victims and the Fund are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. Funds remaining after all qualified recipients are paid shall revert to the General Fund.

SECTION 6.18.(f) The Department of Health and Human Services shall submit to the Centers for Medicare and Medicaid Services by July 1, 2013, a State Plan Amendment for the Medical Assistance Program and a State Plan Amendment for the Children's Health Insurance Program to allow for income, resource, and asset disregard for compensation payments under Part 30 of Article 9 of Chapter 143B of the General Statutes, the Eugenics Asexualization and Sterilization Compensation Program, as enacted by this act.

SECTION 6.18.(g) Of the funds appropriated to the Eugenics Sterilization Compensation Fund, the sum of one hundred twenty-three thousand seven hundred forty-eight dollars ($123,748) shall be transferred to the Office of Justice for Sterilization Victims to pay the continued operations of the Justice for Sterilization Victims Foundation for the 2013-2014 fiscal year.

SECTION 6.18.(h) Subsection (c) of this section is effective for taxes imposed for taxable years beginning on or after January 1, 2013. Subsections (f) and (h) of this section are effective when this act becomes law. The remainder of this section becomes effective July 1, 2013. Except for the provisions of subsections (b), (c), and (d) of this section, this section expires June 30, 2015.

NC BACK-TO-WORK FUNDS

SECTION 6.19. Of the funds appropriated in this act to the Community Colleges System Office for the 2013-2014 fiscal year, the sum of ten million dollars ($10,000,000) shall be used for the North Carolina Back-to-Work Program, a retraining program focused on unemployed and underemployed North Carolinians, military veterans, and North Carolina National Guard members. The program shall provide students with occupational skills, employability skills, including a Career Readiness Certificate, and opportunities to earn third-party, industry recognized credentials. Funds may only be allocated to community colleges whose training plans include support for one or more of the following: (i) employers who have committed to assist colleges with the design and implementation of their training plans and to interview program completers for available jobs; (ii) companies with registered apprenticeship programs with the North Carolina Department of Labor; (iii) coordinated projects among two or more colleges that focus on serving the needs of an industry cluster; or (iv) programs developed in collaboration with the North Carolina National Guard or veterans' organizations. Funds may only be used for the following activities: student instruction, student support and coaching, and targeted financial assistance for students, including assistance with tuition, registration fees, books, and certification costs.

PART VII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

SECTION 7.2.(a) G.S. 147-33.88 reads as rewritten:

"**§ 147-33.88. Information technology <u>budget development and</u> reports.**

(a) ~~The Office shall develop an annual budget for review and approval by the Office of State Budget and Management prior to April 1 of each year.~~<u>The Office of Information Technology Services (ITS) shall develop an annual budget for review and approval by the Office of State Budget and Management (OSBM) in accordance with a schedule prescribed by the Director of the Office of State Budget and Management. The approved Information Technology Internal Service Fund budget shall be included in the Governor's budget recommendations to the General Assembly.</u>

The Office of State Budget and Management shall ensure that State agencies have an opportunity to adjust their budgets based on any rate changes proposed by the Office of Information Technology Services and approved by the Office of State Budget and Management.

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

SECTION 7.2.(b) IT Internal Service Fund. – For each year of the 2013-2015 fiscal biennium, receipts for the IT Internal Service Fund shall not exceed one hundred ninety million dollars ($190,000,000), excluding a 60-day balance for contingencies. Rates approved by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund shall be based on this fund limit. In the event the Fund exceeds the required limit, rates shall be adjusted within 30 days. In the event that an increase in receipts for the IT Internal Service Fund is required, the Office of Information Technology services may only implement the increase after consultation with the Joint Legislative Commission on Governmental Operations.

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

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

SECTION 7.2.(e) Unspecified Uses. – Any uses of the IT Internal Service Fund not specifically related to the operation of the Office of Information Technology Services, to include any transfers to other State agencies, shall immediately be reported to the Office of State Budget and Management and the Fiscal Research Division with a detailed explanation as to why it was necessary to use the Fund. The State Chief Information Officer may use the IT Internal Service Fund, and any other available resources, to accelerate desktop remediation and associated software upgrades, if it is in the State's best interest.

INFORMATION TECHNOLOGY OPERATIONS/FUNDING

SECTION 7.4.(a) The Office of the State Chief Information Officer (CIO) shall develop an inventory of servers and server locations in State agencies. Based on this inventory, the State CIO shall develop a plan to consolidate agency servers in State-owned data centers.

By November 1, 2013, the State CIO shall provide a written plan for accomplishing this to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.4.(b) The Office of the State CIO shall identify information technology applications that are hosted by vendors that are not backed up on State-owned infrastructure. The State CIO shall work with impacted State agencies to develop a plan to ensure that any State agency application hosted by a vendor is backed up on State-owned infrastructure. By January 1, 2014, the State CIO shall provide a plan for accomplishing this to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.4.(c) Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the Information Technology Fund shall be spent only as specified by the General Assembly. Changes shall not result in any degradation to the information technology operations or projects for which the funds were originally appropriated.

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

SECTION 7.4.(d) The Information Technology Reserve Fund shall be established in the Office of the State Chief Information Officer (CIO). It shall be interest-bearing and nonreverting. The State CIO shall follow established procedures for project approval. By August 1, 2013, the State Chief Information Officer shall provide a time line for completing initiatives included in the IT Reserve Fund to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division. The time line shall include the dates for completion of a strategic plan, an enterprise architecture, a new business case methodology, and implementation of a new project management process. Not later than the dates specified in the time line, each of these documents shall be submitted to the Joint Legislative Oversight Committee on Information Technology, the House Appropriations Subcommittee on Information Technology, and the Fiscal Research Division.

STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT

SECTION 7.5. Statewide information technology procurement shall be funded through fees charged to agencies using the services of the Statewide Information Technology Procurement Office. The Office of the State Chief Information Officer (CIO) shall provide to the Office of State Budget and Management (OSBM) a fee schedule to allow cost recovery. If an agency fails to pay for services within 30 days of billing, OSBM shall transfer the unpaid amount to the State Information Technology Procurement Office, following notification of the affected agency.

PUBLIC SCHOOL PROCUREMENT OF INFORMATION TECHNOLOGY

SECTION 7.6.(a) The State Chief Information Officer (CIO) shall work with the North Carolina Department of Public Instruction (DPI) and the Governor's Education Council to implement public school cooperative purchasing agreements for the procurement of information technology (IT) goods and services to support public schools. For purposes of this section, the phrase "public school cooperative purchasing agreement" means an agreement implemented pursuant to this section and available for local school administrative units, regional schools, charter schools, or some combination thereof, providing for collaborative or collective purchases of information technology goods and services in order to leverage economies of scale and to reduce costs.

SECTION 7.6.(b) Each public school cooperative purchasing agreement shall be based on a defined statewide information technology need to support education in the public schools. Each public school cooperative purchasing agreement shall allow for equal access to technology tools and services and shall provide a standard competitive cost throughout North Carolina for each tool or service. Public school cooperative purchasing agreements shall follow State information technology procurement laws, rules, and procedures.

SECTION 7.6.(c) By October 1, 2013, and quarterly thereafter, the Office of the State CIO and DPI shall report on the establishment of public school cooperative purchasing agreements, savings resulting from the establishment of the agreements, and any issues impacting the establishment of the agreements. The reports shall be made to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division.

INFORMATION TECHNOLOGY CONTRACTS

SECTION 7.7.(a) SCIO Review. – The State Chief Information Officer (CIO) shall review all State information technology (IT) contracts and shall develop a plan to consolidate duplicate IT contracts and multiple IT contracts with the same vendor.

SECTION 7.7.(b) Sole Sourcing Limited. – State IT contracts, including extensions of the period of performance or expansion of the scope of existing contracts, shall not be sole sourced, unless the State CIO grants a specific exception to allow sole sourcing. The State CIO shall immediately report any exceptions granted to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The report shall explain the reasons why any sole sourcing was deemed to be appropriate.

SECTION 7.7.(c) Contract Payments. – State payments under information technology contracts must be in return for value received or benefits conferred to the State in accordance with timely vendor performance of the contract. Therefore, all payments made by the State under information technology contracts shall be linked to vendor completion of specified performance standards and measures, the delivery of deliverables required under the contract, or both. State information technology contracts shall include terms requiring that vendors meet specific benchmarks within specified time periods. If vendors fail to meet benchmarks within the specified time period, the State CIO shall suspend or terminate the contract. If an agency develops a detailed risk versus reward analysis in advance that (i) is reviewed and approved by the Office of the State CIO and the Office of State Budget and Management and (ii) reflects industry practices, then contract payments provisions may consider the level of risk that a vendor assumes under the contract.

SECTION 7.7.(d) Guaranteed Savings. – If a selected vendor presents a proposal quantifying savings to the State over a specific time period, the savings shall be considered guaranteed. To ensure that the State receives the guaranteed savings, the vendor shall provide security to the State in the form acceptable to the Office of the State Treasurer and in an amount equal to one hundred percent (100%) of the total cost of the guaranteed savings contract to ensure the vendor's faithful performance. Any bonds required under this section shall be subject to the provisions of Article 3 of Chapter 44A of the General Statutes. If the savings resulting from a guaranteed contract are not as great as projected under the contract and all required shortfall payments to the State have not been made, the State Chief Information Officer may terminate the contract without incurring any additional obligation to the vendor.

SECTION 7.7.(e) The State CIO shall develop a plan to modify bulk purchasing contracts, while maintaining economies of scale, to provide agencies with the option of purchasing equipment on an "as-needed" basis. By September 15, 2013, the State CIO shall provide the plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The State CIO may modify the plan based upon input from the

Joint Legislative Oversight Committee on Information Technology and, following the review, shall begin implementation of the plan.

SECTION 7.7.(f) Enterprise Contracts. – The State Chief Information Officer shall consult participating agency chief information officers and obtain approval from the Office of State Budget and Management prior to the initiation of any enterprise project or contract and shall ensure that enterprise project and contract costs are allocated to participating agencies in an equitable manner. Enterprise agreements shall not exceed the participating State agencies' ability to financially support the contracts.

The State CIO shall not enter into any enterprise information technology contracts without obtaining written agreements from participating State agencies regarding the apportionment of the contract cost. State agencies agreeing to participate in a contract shall:

(1) Ensure that sufficient funds are budgeted to support their agreed shares of enterprise contracts throughout the life of the contract.

(2) Transfer the required funding to the Information Technology Internal Service Fund in sufficient time for the Office of Information Technology Services to meet vendor contract requirements.

SECTION 7.7.(g) Three-Year Contracts. – Notwithstanding the cash management provisions of G.S. 147-86.11, the Office of Information Technology Services (ITS) may procure information technology goods and services for periods up to a total of three years where the terms of the procurement contracts require payment of all or a portion of the contract price at the beginning of the contract agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

(1) Any advance payment can be accomplished within the IT Internal Service Fund budget.

(2) The State Controller receives conclusive evidence that the proposed agreement would be more cost-effective than a multiyear agreement that complies with G.S. 147-86.11.

(3) The procurement complies in all other aspects with applicable statutes and rules.

(4) The proposed agreement contains contract terms that protect the financial interest of the State against contractor nonperformance or insolvency through the creation of escrow accounts for funds, source codes, or both, or by any other reasonable means that have legally binding effect.

The Office of State Budget and Management shall ensure the savings from any authorized agreement shall be included in the IT Internal Service Fund rate calculations before approving annual proposed rates. Any savings resulting from the agreements shall be returned to agencies included in the contract in the form of reduced rates. Beginning October 1, 2013, ITS shall submit a quarterly written report of any authorizations granted under this section to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS

SECTION 7.8. Notwithstanding any provision of law to the contrary, no contract for information technology personal services, or that provides personnel to perform information technology functions, may be established or renewed without written approval from the Statewide Information Technology Procurement Office and the Office of State Budget and Management. To facilitate compliance with this requirement, the Statewide Information Technology Procurement Office shall develop and document the following:

(1) Standards for determining whether it is more appropriate for an agency to hire an employee or use the services of a vendor.

(2) A process to monitor all State agency personal services contracts, as well as any other State contracts providing personnel to perform information technology functions.

(3) A process for obtaining approval of contractor positions.

The Statewide Information Technology Procurement Office shall review current personal services contracts and determine if each contractor is performing a function that could more appropriately be performed by a State employee. Where the determination is made that a State employee should be performing the function, the Statewide Information Technology Procurement Office shall work with the impacted agency and the Office of State Personnel to identify or create the position.

Beginning October 1, 2013, the Statewide Information Technology Procurement Office shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on its progress toward standardizing information technology personal services contracts. In addition, the report shall include detailed information on the number of personal service contractors in each State agency, the cost for each, and the comparable cost (including benefits) of a State employee serving in that capacity rather than a contractor.

PREVENT DUPLICATION OF INFORMATION TECHNOLOGY CAPABILITIES

SECTION 7.9.(a) The Office of the State Chief Information Officer (CIO) shall develop a plan and adopt measures to prevent the duplication of information technology capabilities and resources across State agencies. When multiple agencies require the same, or substantially similar, information technology capabilities, the State CIO shall designate one State agency as the lead to coordinate and manage the capability for all State agencies, with the State CIO maintaining oversight of the effort. By October 1, 2013, the State CIO shall provide this plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.9.(b) The Office of the State Chief Information Officer shall do all of the following to carry out the purposes of this section:

(1) Review all current and future information technology projects to determine whether the capabilities required for each project already exist in a planned, ongoing, or completed information technology project developed by another State agency. For projects where the capability already exists, the Office of the State CIO shall assist the agency with implementing the existing capability.

(2) Identify existing projects that can best support a specific information technology capability for multiple agencies and work to transition all agencies requiring the specific capability to the identified projects.

(3) When State agencies request approval for new projects, determine if the information technology project can be implemented using an existing application, or if the new project has the potential to support multiple agencies' requirements.

(4) Provide quarterly reports on progress toward eliminating duplication to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(5) Ensure that contracts for information technology allow the addition of other agencies' requirements within the terms of the existing contracts.

SECTION 7.9.(c) The Office of the State Chief Information Officer shall include The University of North Carolina in the plan to prevent the duplication of information technology capabilities and resources, and the University shall provide all information requested to identify information technology capabilities and resources for the plan.

Notwithstanding G.S. 147-33.80, the University shall participate in enterprise projects and initiatives conducted pursuant to G.S. 143-135.9 involving the same, or substantially similar, information technology capabilities or provide common information technology infrastructure among Executive Branch agencies, including Enterprise Resource Planning.

SECTION 7.9.(d) G.S. 147-33.72C(e) reads as rewritten:

"(e) Performance Contracting. – All contracts between a State agency and a private party for information technology projects shall include provisions for vendor performance review and accountability. The State CIO may require that these contract provisions require a performance bond, include monetary ~~penalties~~ penalties, or require other performance assurance measures for projects that are not completed or performed within the specified time period or that involve costs in excess of those specified in the contract. The State CIO may utilize cost savings realized on government vendor partnerships, as defined in G.S. 143-135.9, as performance incentives for an information technology project vendor.~~require contract provisions requiring a vendor to provide a performance bond.~~"

SECTION 7.9.(e) All State agencies shall coordinate any Geographic Information System (GIS) initiatives through the Center for Geographic Information and Analysis (CGIA) in the Office of Information Technology Services, as well as the Office of the State CIO, to ensure that existing capabilities are not being duplicated. The CGIA shall monitor and approve all new GIS-related information technology projects and expansion budget requests. By January 1 of each year, the CGIA shall submit a written report on GIS duplication to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

The CGIA shall conduct a review of all GIS applications in State agencies, identify instances of duplication for existing applications, and develop a plan for consolidating duplicative projects. By November 1, 2013, the CGIA shall provide a report on the review to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

STATE INFORMATION TECHNOLOGY DATA ARCHIVING

SECTION 7.11.(a) The State Chief Information Officer (CIO) shall investigate the feasibility of creating an enterprise data archiving system for State agencies that will (i) allow for the effective management of data from multiple sources; (ii) provide for efficient, timely responses to discovery requests and investigations; and (iii) ensure real time State agency access to and use of archived files. The system shall be financed only by savings accrued as a result of the project.

SECTION 7.11.(b) By December 1, 2013, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the results of the feasibility assessment.

SECTION 7.11.(c) Subsequent to making the report required by this section, and only if the State CIO has developed a business case that is validated by the Office of State Budget and Management, then the State CIO may initiate the development of an enterprise data archiving system.

INFORMATION TECHNOLOGY/PRIVACY PROTECTION OF CITIZEN DATA

SECTION 7.12. The Joint Legislative Oversight Committee on Information Technology (the Committee), in collaboration with the State Chief Information Officer (CIO), shall study establishing State requirements to safeguard the personal data of individuals collected and managed by all branches of State government. The study shall be conducted with the participation and assistance of agency CIOs selected jointly by the Committee and State CIO. The Committee may report any legislative proposals to the 2014 Regular Session of the 2013 General Assembly.

STATE INFORMATION TECHNOLOGY INNOVATION CENTER

SECTION 7.13. The State Chief Information Officer (CIO) may operate a State Information Technology Innovation Center (Center) to develop and demonstrate technology solutions with potential benefit to the State and its citizens. The Center may facilitate the piloting of potential solutions to State technology requirements. In operating the Center, the State CIO shall ensure that all State laws, rules, and policies are followed. Vendor participation in the Center shall not be construed to (i) create any type of preferred status for vendors or (ii) abrogate the requirement that the State CIO ensure that agency and statewide requirements for information technology support (including those for the Office of the State CIO and the Office of Information Technology Services) are awarded based on a competitive process that follows information technology procurement guidelines. Beginning July 1, 2013, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on a quarterly basis on initiatives being developed and implemented within the Center, as well as on the sources and amounts of resources used to support the Center.

ENTERPRISE GRANTS MANAGEMENT

SECTION 7.14.(a) Effective August 1, 2013, the State Chief Information Officer (CIO) shall oversee the development and implementation of the enterprise grants management system. The State CIO shall review progress on the implementation of the enterprise grants management system and update the plan for its development and implementation. This plan shall include an updated inventory of current agency grants management systems and a detailed process for consolidating grants management within the State, to include a timeline for implementation. By October 1, 2013, the State CIO shall provide the updated plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.14.(b) There is established a Grants Management Oversight Committee to coordinate the development of an enterprise grants management system. The Committee shall be chaired by the State Chief Information Officer. Committee membership shall include the Director of the Office of State Budget and Management, the State Auditor, the Department of Transportation Chief Information Officer, and the State Controller. The Committee shall:

(1) Establish priorities for moving agencies to the enterprise system.
(2) Establish priorities for development and implementation of system capabilities.
(3) Define system requirements.
(4) Approve plans associated with system development and implementation.
(5) Review costs and approve funding sources for system development and implementation.
(6) Ensure any system benefits are realistic and realized.

SECTION 7.14.(c) Beginning September 1, 2013, the Office of the State CIO shall report quarterly to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the system, including the following information:

(1) Agencies currently participating in the system.
(2) Specific requirements for each agency project included in the system development.
(3) Cost and funding sources for each agency participating in the system.
(4) Status of each agency project included in the system.
(5) Comparison of the status of each project to the project's time line, with an explanation of any differences.
(6) Detailed descriptions of milestones completed that quarter and to be completed the next quarter.

(7) Any changes in project cost for any participating agency, the reason for the change, and the source of funding, if there is a cost increase.
(8) Actual project expenditures by agency, to date, and during that quarter.
(9) Any potential funding shortfalls, and their impact.
(10) Any issues identified during the quarter, with a corrective action plan and a time line for resolving each issue.
(11) Impact of any issues on schedule or cost.
(12) Any changes to agency projects, or the system as a whole.
(13) Any change requests and their costs.

VEHICLE MANAGEMENT

SECTION 7.16.(a) The Office of the State Chief Information Officer (CIO) shall develop an implementation plan for establishing a statewide motor fleet management system. The plan shall consider consolidating individual agency and institution motor fleet management systems and include an implementation time line, a cost estimate, and a continuing funding strategy to create and operate a statewide fleet management information system to which all State agencies and institutions would be required to provide vehicle identification, utilization, and direct cost data. In formulating an implementation plan, the Office of the State Chief Information Officer shall do the following:

(1) Consult with State agencies that own vehicles.
(2) Review the existing fleet management information systems used by State agencies.
(3) Examine fleet management information systems used by other state governments.
(4) Determine whether the State should (i) expand a fleet management information system currently used by a State agency for statewide use, (ii) develop a new in-house system, or (iii) purchase a new system from an outside vendor.
(5) Determine fees or other methods to pay the initial and ongoing costs for the system.

SECTION 7.16.(b) The Office of State Budget and Management shall assist and advise the Office of the State Chief Information Officer in developing the implementation plan and work with State agencies and institutions to identify funding from current and proposed projects and applications that could be used to support the development and implementation of the statewide motor fleet management system. The Office of State Controller shall assist and advise the Office of the State Chief Information Officer in developing the implementation plan for the statewide motor fleet management information system, including how the system interfaces with the statewide accounting system.

SECTION 7.16.(c) Beginning October 1, 2013, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the implementation plan for the statewide motor fleet management information system including progress toward the development of the enterprise system, the associated costs, identified sources of funding, and any issues associated with the project.

SECTION 7.16.(d) The State CIO shall also study the feasibility of implementing a tracking system for State vehicles, based on recommendations from the Program Evaluation Division, and report the results of the study to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Program Evaluation Oversight Committee, and the Fiscal Research Division by November 15, 2013.

SECTION 7.16.(e) Until July 1, 2015, no State or local governmental entity or officer may procure or operate an unmanned aircraft system or disclose personal information about any person acquired through the operation of an unmanned aircraft system unless the

State CIO approves an exception specifically granting disclosure, use, or purchase. Any exceptions to the prohibition in this subsection shall be reported immediately to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The following definitions apply in this section:

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

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

SECTION 7.16.(f) If the State Chief Information Officer determines that there is a requirement for unmanned aircraft systems for use by State or local agencies, planning may begin for the possible development, implementation, and operation of an unmanned aircraft system program within the State of North Carolina. This planning effort shall be accomplished in coordination with the Chief Information Officer for the Department of Transportation and the DOT Aviation Division Director. If the State CIO decides to plan for an unmanned aircraft system program, a proposal for the implementation of the program shall be provided by March 1, 2014, to the Joint Legislative Oversight Committee on Information Technology, the Joint Transportation Legislative Oversight Committee, and the Fiscal Research Division. At a minimum, the proposal shall include the following:

(1) Governance structure to include the appropriate use at each level of government.

(2) Guidelines for program implementation to include limitations on unmanned aircraft system use.

(3) Potential participants.

(4) Costs associated with establishing a program.

(5) Potential sources of funding.

(6) Issues associated with establishing a program to include limitations on entities that may already have purchased unmanned aircraft systems.

(7) Recommendations for legislative proposals.

TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE PARTNERSHIP AUTHORIZED

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Details of each public-private contract.

(2) The benefits from each contract.

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

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

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

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

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

The members of the Committee shall include the following:

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

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

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

USE OF MOBILE COMMUNICATIONS DEVICES

SECTION 7.18.(a) By October 1, 2013, every State agency shall submit to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research

Division a copy of the agency policy on the use of mobile communications devices. This reporting requirement is continuous such that any time a change is made to an existing policy, the agency shall submit an update immediately.

SECTION 7.18.(b) Beginning October 1, 2013, each State agency shall submit a quarterly report to the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of the State Chief Information Officer (CIO) on the use of mobile electronic communications devices within the agency. The report shall include the following information:

(1) The total number of devices issued by the agency.
(2) The total cost of mobile devices issued by the agency.
(3) The number and cost of new devices issued since the last report.
(4) The contracts used to obtain the devices.

SECTION 7.18.(c) The Office of the State Chief Information Officer shall review current enterprise, and any individual agency mobile electronic communications contracts, to develop a plan to consolidate the contracts. By October 1, 2013, the Office of the State CIO shall submit a report on progress toward consolidating State agency mobile communications device contracts to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.18.(d) The Office of the State CIO shall develop a policy for implementing a "bring your own device" plan for State employees. By September 1, 2013, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on how the plan is to be implemented, as well as on potential issues and costs. Following consultation with the Joint Legislative Oversight Committee on Information Technology, the State CIO may implement the "bring your own device" plan.

NEXT GENERATION SECURE DRIVER LICENSE SYSTEM

SECTION 7.19.(a) By August 1, 2013, the Chief Information Officer of the Department of Transportation shall provide a detailed report on the status of the Next Generation Secure Driver License System (NGSDLS) to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division. At a minimum, the report on the NGSDLS shall include the following information:

(1) Original project scope, deliverables, and milestones, including descriptions of any subsequent modifications and basis for each.
(2) Contractual status and amendments.
(3) Initial and current estimated costs for system development, implementation, and maintenance.
(4) Remaining deliverables and cost to complete by phase.
(5) Any issues, including vendor performance, identified during project development and implementation and planned corrective actions for each issue.
(6) Programmatic impacts for Division of Motor Vehicles driver license services.
(7) Requirements and costs to implement a process to allow persons who are homebound to apply for or renew a special photo identification card, with a color photo, and similar in size, shape, design, and background to a drivers license, by means other than personal appearance.

SECTION 7.19.(b) In the event of any changes in the NGSDLS project status occurring after submission of the report required by subsection (a) of this section, the Chief Information Officer of the Department of Transportation shall ensure that the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation

Oversight Committee, and the Fiscal Research Division are notified immediately of the changes.

STATE TITLING AND REGISTRATION SYSTEM/STATE AUTOMATED DRIVER LICENSE SYSTEM/LIABILITY INSURANCE TRACKING AND ENFORCEMENT SYSTEM

SECTION 7.20.(a) The Chief Information Officer of the Department of Transportation shall continue the replacement of the State Titling and Registration System (STARS), the State Automated Driver License System (SADLS), and the Liability Insurance Tracking and Enforcement System (LITES).

SECTION 7.20.(b) By August 1, 2013, and quarterly thereafter, the Chief Information Officer of the Department of Transportation shall report to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division on the status of each of the projects listed in subsection (a) of this section. At a minimum, the report shall include the following information for each project:

(1) Project scope, milestones, and anticipated business process improvements.
(2) Estimated development, implementation, and maintenance costs.
(3) Project status, including any modifications to the project scope or revisions to baseline cost estimates.
(4) Project accomplishments and changes in status for the previous quarter.
(5) Actual costs incurred, by purpose and funding source, for the previous quarter.
(6) Remaining cost to complete by project phase for the next two fiscal years.
(7) Any issues, including vendor performance, identified during project development and implementation and planned corrective actions.

STATE PORTAL

SECTION 7.22. The State Chief Information Officer (SCIO) shall develop a plan to implement an electronic portal that makes obtaining information, conducting online transactions, and communicating with State agencies more convenient for members of the public. The plan shall contain all of the following:

(1) A detailed description for development and implementation of the portal, to include a list of anticipated applications to be implemented during the State fiscal years of 2013-2017.
(2) A description of how the portal will be implemented, including the use of outside vendors, detailed information on vendor participation, and potential costs.
(3) Detailed information on the anticipated total cost of ownership of the portal and any applications proposed for implementation during the State fiscal years of 2013-2017, including the amount of any payments to be made to any vendors supporting the project for each application and the portal as a whole.
(4) A self-funding model for the implementation that does not increase the costs to the State.
(5) If outsourced, a detailed, fully executable plan to return portal operations to the State, with associated costs and a detailed analysis that demonstrates that it is more cost-effective to use a vendor than to develop an application internally.

The SCIO shall report the plan to the House Appropriations Subcommittee on Information Technology, to the Senate Appropriations Committee on General Government and

Information Technology, and to the Joint Legislative Oversight Committee on Information Technology prior to implementation. Participation by State agencies is voluntary, and the project shall meet all requirements for project management established by the Office of the State Chief Information Officer as well as other applicable State law and policies. No fees to support the operation of the portal may be charged by a vendor to a State agency without the express approval of the head of the agency.

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand seven hundred forty-three dollars and forty-eight cents ($3,743.48) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2013-2014 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 8.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred thirty-three dollars and one cent ($1,233.01) per child for fiscal year 2013-2014 and 2014-2015. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2013-2014 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

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

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

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

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

a. Anticipated county property tax revenue availability.

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

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

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

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

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

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

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

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

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

c. Add to the resulting amount the following:

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

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

3. Personal property value for the county.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

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

SECTION 8.3.(g) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2013-2015 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

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

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

SECTION 8.3.(i) Reports. – For the 2013-2015 fiscal biennium, the State Board of Education shall report to the Fiscal Research Division prior to May 1 of each year if it determines that counties have supplanted funds.

SECTION 8.3.(j) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 8.4.(a) Eligibility. – If the total average daily membership of all local school administrative units located in the county is less than 3,900, the county school administrative unit within that county shall be eligible for small school system supplemental funding for the 2013-2014 and 2014-2015 fiscal years.

SECTION 8.4.(b) Allotment. – Each eligible county school administrative unit shall receive a dollar allotment equal to the product of the following:

(1) A per student funding factor, equal to the product of the following:
  a. One, minus the local school administrative unit's average daily membership divided by the maximum small school system average daily membership.
  b. The maximum small school system dollars per student.

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

For the 2013-2014 and 2014-2015 fiscal years, the maximum small school system dollars per student shall be one thousand six hundred twenty-five dollars ($1,625).

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

Allotments for eligible local school administrative units shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2012-2013 in any fiscal year.

SECTION 8.4.(d) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2013-2015 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

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

SECTION 8.4.(e) Reports. – For the 2013-2015 fiscal biennium, the State Board of Education shall report to the Fiscal Research Division prior to May 1 of each year if it determines that counties have supplanted funds.

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

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

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

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

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

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

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

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

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

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

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

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

LITIGATION RESERVE FUNDS

SECTION 8.7. The State Board of Education may expend up to five hundred thousand dollars ($500,000) each year for the 2013-2014 and 2014-2015 fiscal years from unexpended funds for licensed employees' salaries to pay expenses related to litigation.

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

SECTION 8.8.(a) Funds appropriated for the Uniform Education Reporting System (UERS) shall not revert at the end of the 2012-2013 fiscal year. Funds appropriated for UERS for the 2013-2015 fiscal biennium shall not revert at the end of each fiscal year but shall remain available until expended.

SECTION 8.8.(b) This section becomes effective June 30, 2013.

REVISE NC VIRTUAL PUBLIC SCHOOLS (NCVPS) COST CALCULATION DATE

SECTION 8.9.(a) Section 7.22(d)(6) of S.L. 2011-145 is repealed.

SECTION 8.9.(b) In implementing the allotment formula for the North Carolina Virtual Public Schools (NCVPS) program, the State Board of Education shall calculate, no later than February 28 of each year, the actual instructional cost for each local school administrative unit and charter school based upon actual NCVPS enrollment as of that date.

SCHOOL BUS REPLACEMENT

SECTION 8.11.(a) G.S. 115C-249 reads as rewritten:

"**§ 115C-249. Purchase and maintenance of school buses, materials and supplies.**

(a) To the extent that the funds shall be made available to it for such purpose, a local board of education is authorized to purchase from time to time such additional school buses and service vehicles or replacements for school buses and service vehicles, as may be deemed by such board to be necessary for the safe and efficient transportation of pupils enrolled in the schools within such local school administrative unit. Any school bus so purchased shall be constructed and equipped as prescribed by the provisions of this Article and by the regulations of the State Board of Education issued pursuant thereto. Any school bus so purchased that is capable of operating on diesel fuel shall be capable of operating on diesel fuel with a minimum biodiesel concentration of B-20, as defined in G.S. 143-58.4. At least two percent (2%) of the total volume of fuel purchased annually by local school districts statewide for use in school bus diesel engine motor vehicles shall be biodiesel fuel of a minimum blend of B-20, to the extent that biodiesel blend is available and compatible with the technology of the vehicles or equipment used.

(b) The tax-levying authorities of any county are hereby authorized to make provision from time to time in the capital outlay budget of the county for the purchase of such school buses or service vehicles.

(c) Any funds appropriated from time to time by the General Assembly for the purchase of school buses or service vehicles shall be allocated by the State Board of Education to the respective local boards of education in accordance with the requirements of such boards as determined by the State Board of Education, and thereupon shall be paid over to the respective local boards of education in accordance with such allocation.

(c1) In determining which school buses in the statewide fleet are to be replaced with State funds in a given year, the State Board of Education shall give highest priority to safety concerns.

A bus is eligible for replacement with State funds based on its age and mileage when it is either 20 years old by model year or has been operated for 250,000 miles, except as follows:

(1) A bus that has been operated for less than 150,000 miles is not eligible for replacement regardless of its model year.

(2) A bus that is less than 15 years old by model year is not eligible for replacement until the bus has been operated for 300,000 miles.

(c2) The State Board of Education may authorize the replacement of up to 30 buses each year due to safety concerns regarding the bus or mechanical or structural problems that would place an undue burden on a local school administrative unit.

(c3) A local school administrative unit shall receive an incentive payment of two thousand dollars ($2,000) at the beginning of each school year for each bus that it continues to operate although the bus is eligible for replacement, until the bus is 23 years old by model year. The local school administrative unit may use these bonus funds for the additional maintenance costs of operating buses with higher mileage or for any other school purpose.

(d) The title to any additional or replacement school bus or service vehicle purchased pursuant to the provisions of this section, shall be taken in the name of the board of education of such local school administrative unit, and such bus shall in all respects be maintained and operated pursuant to the provisions of this Article in the same manner as any other public school bus.

(e) It shall be the duty of the county board of education to provide adequate buildings and equipment for the storage and maintenance of all school buses and service vehicles owned or operated by the board of education of any local school administrative unit in such county. It shall be the duty of the tax-levying authorities of such county to provide in its capital outlay budget for the construction or acquisition of such buildings and equipment as may be required for this purpose.

(f) In the event of the damage or destruction of any school bus or service vehicle by fire, collision, or otherwise, the board of education of the local school administrative unit which shall own or operate such bus or service vehicle may apply to the State Board of Education for funds with which to replace it. If the State Board of Education finds that such bus or service vehicle has been destroyed or damaged to the extent that it cannot be made suitable for further use, and if the State Board of Education finds that the replacement of such bus or service vehicle is necessary in order to enable such local school administrative unit to operate properly its school bus transportation system, the State Board of Education shall allot to the board of education of such local school administrative unit from the funds now held by the State Board of Education for the replacement of school buses or service vehicles, or from funds hereafter appropriated by the General Assembly for that purpose, a sum sufficient to purchase a new school bus or service vehicle to be used as a replacement for such damaged or destroyed bus or service vehicle and upon such allocation such sum shall be paid over to or for the account of the board of education of such local school administrative unit for such purpose.

(g) Repealed by Session Laws 2003-147, s. 3, effective for a local school administrative unit when the unit is certified as being E-Procurement compliant, or April 1, 2004, whichever occurs first.

(h) Appropriations by the General Assembly for the purchase of public school buses shall not revert to the General Fund. Any unexpended portion of those appropriations shall at the end of each fiscal year be transferred to a reserve account and be held, together with any other funds appropriated for the purpose, for the purchase of public school buses."

SECTION 8.11.(b) For the 2013-2015 fiscal biennium only, State funds shall be used, at the request of the local school administrative unit, to replace (i) all buses that are 20 years old by model year and (ii) all other buses eligible for replacement under G.S. 115C-249, as rewritten by subsection (a) of this section.

SCHOOL PERFORMANCE GRADES/EVAAS

SECTION 8.13.(a) Section 7A.3(e) of S.L. 2012-142 is repealed.

SECTION 8.13.(b) Article 8 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 1B. School Performance.

"**§ 115C-83.11. School performance scores and grades.**

(a) The State Board of Education shall award school performance scores, grades, and an indicator of student growth as required by G.S. 115C-12(9)c1., calculated as provided in this section.

(b) For schools serving students in any combination of grades three through eight, the school performance score shall be calculated based on the performance composite comprised of the following:

(1) Percent of students who score at or above proficient on annual assessments for reading in grades three through eight.

(2) Percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.

(3) Percent of students who score at or above proficient on annual assessments for science in grades five and eight.

(4) Percent of proficient scores in Algebra I/Integrated I, English II, and Biology end-of-course tests.

(c) For schools serving students in any combination of grades nine through 12, the school performance score shall be the average of the following five indicators:

(1) Percent of proficient scores in Algebra I/Integrated I, English II, and Biology end-of-course tests.

(2) Percent of students who complete a higher level mathematics class with a passing grade.

(3) Percent of college readiness benchmarks met on a nationally normed test of college readiness.

(4) Percent of students who graduate within four years of entering high school.

(5) Percent of students who demonstrate workplace readiness on a nationally normed test of workplace readiness.

(d) The State Board of Education shall calculate school performance scores using the State mean to set the criteria for each indicator. Each indicator will be translated to a common scale and averaged for the reporting of one school performance letter grade for each school.

(e) For schools that meet or exceed growth as determined by the Education Value-Added Assessment System (EVAAS), the final letter grade shall be increased by one grade.

(f) For schools serving students in third through eighth grade, their final letter grade shall be increased by one letter grade if the performance composite, comprising of the percent of proficient scores for reading, mathematics, and science, is at or above eighty percent (80%) for the current year and the two prior school years.

(g) For schools serving students in ninth through 12th grade, their final letter grade shall be increased by one letter grade if the performance composite, comprising of the percent of proficient scores for Algebra I/Integrated I, English II, and Biology end-of-course tests, is at or above eighty percent (80%) for the current year and the two prior school years.

(h) In calculating the overall school performance score earned by schools, the State Board of Education shall proportionally adjust the scale to account for the absence of a school performance element for award of scores to a school that does not have a measure of one of the school performance elements annually assessed for the grades taught at that school.

(i) The State Board of Education shall report to the Joint Legislative Education Oversight Committee annually by January 15 on any adjustments to the calculation and the distribution of the school performance grades."

SECTION 8.13.(c) G.S. 115C-12(9)c1 reads as rewritten:

"c1. To issue an annual "report card" for the State and for each local school administrative unit, assessing each unit's efforts to improve student performance based on the growth in performance of the students in each school and taking into account progress over the previous years' level of performance and the State's performance in comparison with other states. This assessment shall take into account factors that have been shown to affect student performance and that

the State Board considers relevant to assess the State's efforts to improve student performance. As a part of the annual "report card" for each local school administrative unit, the State Board shall ~~award~~award, in accordance with G.S. 115C-83.11, an overall numerical school performance score ~~on a scale of zero to 100~~ and a corresponding letter grade of A, B, C, D, or F earned by each school within the local school administrative unit. The school performance score and grade shall reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. For schools serving students in any grade from kindergarten to eighth grade, separate performance scores and grades shall also be awarded based on the school performance in reading and mathematics respectively. The annual "report card" for schools serving students in third grade also shall include the number and percentage of third grade students who (i) take and pass the alternative assessment of reading comprehension; (ii) were retained in third grade for not demonstrating reading proficiency as indicated in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.7(b)."

SECTION 8.13.(d) G.S. 115C-47(58) reads as rewritten:

"(58) To Inform the Public About the North Carolina School Report Cards Issued by the State Board of Education. – Each local board of education shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. Each local board of education shall ensure that the overall school performance score and grade calculated in accordance with G.S. 115C-83.11 and earned by each school in the local school administrative unit for the current and previous four school years is prominently displayed on the Web site of the local school administrative unit. If any school in the local school administrative unit is awarded a grade of D or F, the local board of education shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 8.13.(e) G.S. 115C-238.29F(l) reads as rewritten:

"(l) North Carolina School Report Cards. – A charter school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A charter school shall ensure that the overall school performance score and grade calculated in accordance with G.S. 115C-83.11 and earned by the charter school for the current and previous four school years is prominently displayed on the school Web site. If a charter school is awarded a grade of D or F, the charter school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 8.13.(f) G.S. 115C-238.66(11) reads as rewritten:

"(11) North Carolina School Report Cards. – A regional school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A regional school shall ensure that the overall school performance score and grade calculated in accordance with G.S. 115C-83.11 and earned by the regional school for the current and previous four school years is prominently displayed on the school Web site. If a regional school is awarded a grade of

D or F, the regional school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 8.13.(g) G.S. 115C-12(24) reads as rewritten:

"(24) Duty to Develop Standards for Alternative Learning Programs, Provide Technical Assistance on Implementation of Programs, and Evaluate Programs. – The State Board of Education shall adopt standards for assigning students to alternative learning programs. These standards shall include (i) a description of the programs and services that are recommended to be provided in alternative learning programs and (ii) a process for ensuring that an assignment is appropriate for the student and that the student's parents are involved in the decision. The State Board also shall adopt policies that define what constitutes an alternative school and an alternative learning program.

The State Board of Education shall also adopt standards to require that local school administrative units shall use (i) the teachers allocated for students assigned to alternative learning programs pursuant to the regular teacher allotment and (ii) the teachers allocated for students assigned to alternative learning programs only to serve the needs of these students.

The State Board of Education shall provide technical support to local school administrative units to assist them in developing and implementing plans and proposals for alternative learning programs.

The State Board shall evaluate the effectiveness of alternative learning programs and, in its discretion, of any other programs funded from the Alternative Schools/At-Risk Student allotment. Local school administrative units shall report to the State Board of Education on how funds in the Alternative Schools/At-Risk Student allotment are spent and shall otherwise cooperate with the State Board of Education in evaluating the alternative learning programs. As part of its evaluation of the effectiveness of these programs, the State Board shall, through the application of the accountability system developed under G.S. 115C-83.11 and G.S. 115C-105.35, measure the educational performance and growth of students placed in alternative schools and alternative programs. If appropriate, the Board may modify this system to adapt to the specific characteristics of these schools. Also as part of its evaluation, the State Board shall evaluate its standards adopted under this subdivision and make any necessary changes to those standards based on strategies that have been proven successful in improving student achievement and shall report to the Joint Legislative Education Oversight Committee by April 15, 2006 to determine if any changes are necessary to improve the implementation of successful alternative learning programs and alternative schools."

SECTION 8.13.(h) The State Board of Education shall issue the first annual report cards under G.S. 115C-12(9)c1, as amended by this section, no earlier than August 1, 2014.

SECTION 8.13.(i) The State Board of Education shall not be subject to the requirements of Section 7.7(b) of this act for the development of school performance scores and grades in accordance with G.S. 115C-12(9)c1, as amended by this section.

SECTION 8.13.(j) This section applies beginning with the 2013-2014 school year.

LEA BUDGETARY FLEXIBILITY

SECTION 8.14. G.S. 115C-105.25 reads as rewritten:

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

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

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

~~(1) In accordance with a school improvement plan accepted under G.S. 115C-105.27, State funds allocated for teacher assistants may be transferred only for personnel (i) to serve students only in kindergarten through third grade, or (ii) to serve students primarily in kindergarten through third grade when the personnel are assigned to an elementary school to serve the whole school. Funds allocated for teacher assistants may be transferred to reduce class size or to reduce the student-teacher ratio in kindergarten through third grade so long as the affected teacher assistant positions are not filled when the plan is amended or approved by the building-level staff entitled to vote on the plan or the affected teacher assistant positions are not expected to be filled on the date the plan is to be implemented. Any State funds appropriated for teacher assistants that were converted to certificated teachers before July 1, 1995, in accordance with Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter 103 of the 1993 Session Laws, may continue to be used for certificated teachers.~~

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

~~(2) In accordance with a school improvement plan accepted under G.S. 115C-105.27, (i) State funds allocated for classroom materials/instructional supplies/equipment may be transferred only for the purchase of textbooks; (ii) State funds allocated for textbooks may be transferred only for the purchase of instructional supplies, instructional equipment, or other classroom materials; and (iii) State funds allocated for noninstructional support personnel may be transferred only for teacher positions.~~

~~(2a) Up to three percent (3%) of State funds allocated for noninstructional support personnel may be transferred for staff development.~~

(3) No funds shall be transferred into the central office administration allotment category.

~~(4) Funds allocated for children with disabilities, for students with limited English proficiency, and for driver's education shall not be transferred.~~

~~(5) Funds allocated for classroom teachers may be transferred only for teachers of exceptional children, for teachers of at-risk students, and for authorized purposes under the textbooks allotment category and the classroom materials/instructional supplies/equipment allotment category.~~

(5a) Positions allocated for classroom teachers may be converted to dollar equivalents to contract for visiting international exchange teachers. These positions shall be converted at the statewide average salary for classroom teachers, including benefits. The converted funds shall be used only to cover the costs associated with bringing visiting international exchange teachers to the local school administrative unit through a State-approved visiting international exchange teacher program and supporting the visiting exchange teachers.

(5b) Except as provided in subdivision (5a) of this subsection, positions allocated for classroom teachers and instructional support personnel may be converted to dollar equivalents for any purpose authorized by the policies of the State Board of Education. These positions shall be converted at the salary on the first step of the "A" Teachers Salary Schedule. Certified position allotments shall not be transferred to dollars to hire the same type of position.

(5c) Funds allocated for school building administration may be converted for any purpose authorized by the policies of the State Board of Education. For funds related to principal positions, the salary transferred shall be based on the first step of the Principal III Salary Schedule. For funds related to assistant principal months of employment, the salary transferred shall be based on the first step of the Assistant Principal Salary Schedule. Certified position allotments shall not be transferred to dollars to hire the same type of position.

~~(6) Funds allocated for vocational education may be transferred only in accordance with any rules that the State Board of Education considers appropriate to ensure compliance with federal regulations.~~

~~(7) Funds allocated for career development shall be used in accordance with Section 17.3 of Chapter 324 of the 1995 Session Laws.~~

~~(8) Funds allocated for academically or intellectually gifted students may be used only (i) for academically or intellectually gifted students; (ii) to implement the plan developed under G.S. 115C-150.7; or (iii) in accordance with an accepted school improvement plan, for any purpose so long as that school demonstrates it is providing appropriate services to academically or intellectually gifted students assigned to that school in accordance with the local plan developed under G.S. 115C-150.7.~~

~~(9) Funds allocated in the Alternative Schools/At-Risk Student allotment shall be spent only for alternative learning programs, at-risk students, and school safety programs.~~

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

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

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

(3) A description of each allotment transfer that increased or decreased the initial allotment amount by more than five percent (5%) and the educational priorities that necessitated the transfer."

RESIDENTIAL SCHOOLS

SECTION 8.15.(a) The Department of Public Instruction shall not transfer any school-based personnel from the State's residential schools to central office administrative positions.

SECTION 8.15.(b) Notwithstanding G.S. 146-30 or any other provision of law, the Department of Public Instruction shall retain all proceeds generated from the rental of building space on the residential school campuses. The Department of Public Instruction shall use all receipts generated from these leases to staff and operate the North Carolina School for the

Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School. These receipts shall not be used to support administrative functions within the Department.

EXCELLENT PUBLIC SCHOOLS ACT/SUMMER READING CAMPS

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

PARTICIPATION IN COMMUNITIES IN SCHOOLS LEARNING INITIATIVE

SECTION 8.17.(a) The purpose of the Harvard University Reads for Summer Learning Initiative, which is conducted in concert with Communities In Schools of North Carolina, Inc. (CISNC), is to help at-risk children in grades two through four read at grade level by the fourth grade and to maintain their reading competency. Students who are enrolled in this initiative shall be exempt from mandatory retention requirements set out in G.S. 115C-83.7 and G.S. 115C-238.29F. Any student participating in this initiative and in need of more intensive intervention shall, however, be placed in a summer reading program as determined by the local school administrative unit and as approved by the child's parent or guardian.

SECTION 8.17.(b) CISNC shall report to the Joint Legislative Education Oversight Committee on the initiative by November 1, 2015. This report shall include reading competency outcome data for all participating students.

SECTION 8.17.(c) Subsection (a) of this section expires at the end of the 2014-2015 school year.

INSTRUCTIONAL IMPROVEMENT SYSTEM

SECTION 8.18.(a) It is the intent of the General Assembly that the optional portions of the Home Base Instructional Improvement System (System) shall be receipt-supported. The State Board of Education shall establish a cost not to exceed four dollars ($4.00) per average daily membership for local school administrative units and charter schools that elect to participate in the optional portions of the System. A local school administrative unit or charter school may identify budget reductions to State Public School Fund allotments to cover the required payment.

SECTION 8.18.(b) If funds collected pursuant to subsection (a) of this section are not sufficient to cover the cost of the optional portions of the System, the State Board of Education may use funds appropriated to the Department of Public Instruction or State Aid for Public Schools for this purpose.

SECTION 8.18.(c) If funds collected pursuant to subsection (a) of this section exceed the cost of the optional portions of the System, such funds shall not revert and shall be used to reduce the per-student cost in the subsequent fiscal years.

SECTION 8.18.(d) This section becomes effective July 1, 2014.

PHASE OUT CERTAIN TEACHER SALARY SUPPLEMENTS

SECTION 8.22. Notwithstanding Section 35.11 of this act, no teachers or instructional support personnel, except for instructional support personnel in positions for which a master's degree is required for licensure, shall be paid on the "M" salary schedule or receive a salary supplement for academic preparation at the six-year degree level or at the doctoral degree level for the 2014-2015 school year, unless they were paid on that salary schedule or received that salary supplement prior to the 2014-2015 school year.

COMPETITIVE GRANTS TO IMPROVE AFTER SCHOOL SERVICES

SECTION 8.24.(a) Of the funds appropriated for the At-Risk Student Services Alternative School Allotment, the State Board of Education shall use up to five million dollars

($5,000,000) for the 2014-2015 fiscal year for a three-year After School Quality Improvement Grant Program administered by the North Carolina Department of Public Instruction. Of these funds, the Department of Public Instruction may use up to two hundred thousand dollars ($200,000) to administer the program. The purpose of the program is to pilot after school learning programs for at-risk students that raise standards for student academic outcomes and that:

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

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

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

SECTION 8.24.(b) Grant recipients shall report to the Department of Public Instruction after the first year of funding on the progress of the grant, including alignment with Common Core Standards, data collection for reporting student progress, and other measures, before receiving funding for the next fiscal year. Grant recipients shall report after the second year of funding on key performance data, including statewide test results, attendance rates, and promotion rates. Grant allocations for the third year shall be based on student performance.

SECTION 8.24.(c) The Department of Public Instruction shall provide progress reports on the grant program to the Joint Legislative Education Oversight Committee by September 15, 2015, and September 15, 2016. The Department shall provide a final report on the program by September 15, 2017. The final report shall include the final results of the program and recommendations regarding effective after school program models, standards and performance measures, based on the experience of the grant recipients.

INVESTING IN INNOVATION GRANT

SECTION 8.25.(a) Section 7.17 of S.L. 2012-142 is repealed.

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

SECTION 8.25.(c) Grant funds shall be used to pay for all costs incurred by the local school administrative units and the community college partners to implement the grant,

including community college FTE. Community colleges shall not earn budget FTE for student course enrollments supported with this grant.

SECTION 8.25.(d) Research for the project shall address the effects of early college strategies in preparing students for college completion. The North Carolina New Schools Project shall report on the implementation of the grant to the State Board of Education, State Board of Community Colleges, Office of the Governor, and the Joint Legislative Education Oversight Committee no later than March 15, 2014, and annually thereafter until the end of the grant period.

LOCAL SCHOOL ADMINISTRATIVE UNIT BUDGET ADJUSTMENT

SECTION 8.26.(a) Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit and charter school of the amount the unit or charter school must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit and charter school on the basis of average daily membership.

SECTION 8.26.(b) Local school administrative units and charter schools shall report to the Department of Public Instruction on the flexibility budget reductions they have identified within 30 days of the date this act becomes law.

BROADEN SUCCESSFUL PARTICIPATION IN ADVANCED COURSES

SECTION 8.27.(a) G.S. 115C-12(9)c1. reads as rewritten:

"c1. To issue an annual "report card" for the State and for each local school administrative unit, assessing each unit's efforts to improve student performance based on the growth in performance of the students in each school and taking into account progress over the previous years' level of performance and the State's performance in comparison with other states. This assessment shall take into account factors that have been shown to affect student performance and that the State Board considers relevant to assess the State's efforts to improve student performance. As a part of the annual "report card" for each local school administrative unit, the State Board shall award an overall numerical school performance score on a scale of zero to 100 and a corresponding letter grade of A, B, C, D, or F earned by each school within the local school administrative unit. The school performance score and grade shall reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. For schools serving students in any grade from kindergarten to eighth grade, separate performance scores and grades shall also be awarded based on the school performance in reading and mathematics respectively. The annual "report card" for schools serving students in third grade also shall include the number and percentage of third grade students who (i) take and pass the alternative assessment of reading comprehension; (ii) were retained in third grade for not demonstrating reading proficiency as indicated in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.7(b). <u>The annual "report card" for high schools shall also include measures of Advanced Placement course participation and International Baccalaureate Diploma Programme participation and Advanced Placement and International Baccalaureate examination participation and performance.</u>"

SECTION 8.27.(b) Article 8 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-83.4A. Advanced courses.**

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

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

(2) Bonuses shall be awarded to teachers of Advanced Placement courses for students who earn scores of three or higher on Advanced Placement examinations and to teachers of International Baccalaureate Diploma Programme courses for students who score four or higher on International Baccalaureate examinations.

(b) Eligible secondary students shall be encouraged to enroll in advanced courses to expose them to more rigorous coursework while still in secondary school. Successfully completing advanced courses will increase the quality and level of students' preparation for postsecondary career paths and their pursuit of higher education.

(c) The results of student diagnostic tests administered pursuant to G.S. 115C-174.18 and G.S. 115C-174.22, such as the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) and ACT, shall be used to identify students who are prepared or who need additional work to be prepared to enroll and be successful in advanced courses.

(d) Local boards of education shall provide information to students and parents on available opportunities and the enrollment process for students to take advanced courses. The information shall explain the value of advanced courses in preparing students for postsecondary level coursework, enabling students to gain access to postsecondary opportunities, and qualifying for scholarships and other financial aid opportunities.

(e) Local boards of education shall ensure that all high school students have access to advanced courses in language arts, mathematics, science, and social studies. Such access may be provided through enrollment in courses offered through or approved by the North Carolina Virtual Public School.

(f) The State Board of Education shall seek a partner, such as the College Board, to form the North Carolina Advanced Placement Partnership, hereinafter referred to as Partnership, to assist in improving college readiness of secondary students and to assist secondary schools to ensure that students have access to high-quality, rigorous academics with a focus on access to Advanced Placement courses.

In order to implement its responsibilities under this section, the partner selected by the State Board of Education shall provide staff to do the following:

(1) Provide professional development in the form of support and training to enable teachers of Advanced Placement courses to have the necessary content knowledge, instructional skills, and materials to prepare students for success in Advanced Placement courses and examinations and mastery of postsecondary course content.

(2) Provide administrators, including principals and counselors, with professional development that will enable them to create strong and effective Advanced Placement courses in their schools.

(3) Provide teachers of students in grades seven through 12 with preadvanced course professional development and materials that prepare students for success in Advanced Placement courses.

(4) Provide consulting expertise and technical assistance to support implementation.

(5) Prioritize assistance to schools designated as low-performing by the State Board of Education and provide for frequent visits to the schools targeted by the Partnership.

(g) The Partnership shall report annually to the Department of Public Instruction on the Partnership's implementation of its responsibilities under subsection (f) of this section.

(h) Beginning October 1, 2014, the State Board of Education shall report annually to the Joint Legislative Education Oversight Committee on advanced courses in North Carolina. The report shall include, at a minimum, the following information:

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

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

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

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

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

(6) Number and distribution of teachers awarded bonuses for student advanced course examination performance.

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

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

(9) Other trends in advanced courses and examinations."

SECTION 8.27.(c) G.S. 115C-174.18 reads as rewritten:

"**§ 115C-174.18. Opportunity to take ~~Preliminary Scholastic Aptitude Test.~~Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT).**

Every student in the eighth through tenth grades who has completed Algebra I or who is in the last month of Algebra I shall be given an opportunity to take a version of ~~the Preliminary Scholastic Aptitude Test (PSAT)~~ either the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) or the ACT, at the discretion of the local school administrative unit, one time at ~~State expense.~~no cost to the student. The maximum amount of State funds used for this purpose shall be the cost of the PSAT/NMSQT."

SECTION 8.27.(d) Of the funds appropriated to the Department of Public Instruction to implement the requirements of this section, ten million eight hundred thirty-one thousand one hundred eighty-four dollars ($10,831,184) for the 2014-2015 fiscal year shall be used to fund fees for testing in advanced courses and three million four hundred seventy-one thousand six hundred sixteen dollars ($3,471,616) for the 2014-2015 fiscal year shall be used for teacher bonuses, and one million five hundred thousand dollars ($1,500,000) for each fiscal year shall be used by the North Carolina Advanced Placement Partnership to carry out its responsibilities as set forth in this section. Funding appropriated for professional development may be used by the State Board of Education to contract with an independent evaluator to assess the implementation and impact of advanced course programs in North Carolina. For the

purposes this of section, the term "advanced courses" means an Advanced Placement or International Baccalaureate Diploma Programme course.

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

(1) Provide incentive funding to local school administrative units to be distributed to teachers of advanced courses as follows:

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

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

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

b. An additional bonus of five hundred dollars ($500.00) to each advanced course teacher who teaches in a school identified as low-performing under G.S. 115C-105.37 by the State Board of Education and who is eligible to receive a bonus under sub-subdivision a. of this subdivision. The teacher shall be eligible to receive the additional bonus regardless of the number of classes taught or the number of students receiving scores which make the teacher eligible to receive a bonus under sub-subdivision a. of this subdivision.

c. No teacher shall be awarded a bonus pursuant to this subdivision that exceeds two thousand dollars ($2,000) in any given school year. The bonus awarded to a teacher pursuant to this subdivision shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

(2) Provide funds to local school administrative units to pay testing fees for advanced courses for all students.

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

SECTION 8.27.(f) Except as otherwise provided in this section, this section applies beginning with the 2013-2014 school year.

INCREASE SUCCESSFUL CAREER AND TECHNICAL EDUCATION (CTE) PARTICIPATION

SECTION 8.28.(a) G.S. 115C-12 is amended by adding a new subdivision to read:

"(41) To Establish Career and Technical Education Incentives. – The State Board of Education shall establish, implement, and determine the impact of a career and technical education incentive program as provided under G.S. 115C-156.2."

SECTION 8.28.(b) Article 10 of Chapter 115C of the General Statutes is amended by adding a new section to read:

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

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

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

(2) Bonus funds shall be awarded to local school administrative units in amounts provided under subdivision (4) of this section, pursuant to rules adopted by the State Board of Education under this section. Each school year the State Board of Education shall make an award to those local school administrative units who have at least one student in one school having earned an industry-recognized certification or credential that has been identified by the State Board of Education, in consultation with the State Department of Commerce, as an occupation in high need of additional skilled employees at the time the student enrolled in a career and technical education course that leads to an industry certification or credential.

(3) Bonus funds shall be used by local school administrative units to (i) collaborate with local industries and employers to meet workforce needs and (ii) award bonuses to teachers of students earning approved industry certifications or credentials. No teacher shall be awarded a bonus pursuant to this subdivision that exceeds two thousand dollars ($2,000) in any given school year. Direct instruction personnel bonuses shall be distributed as follows:

a. A bonus in the amount of twenty-five dollars ($25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a two hundred fifty dollar ($250.00) value ranking.

b. A bonus in the amount of fifty dollars ($50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a five hundred dollar ($500.00) value ranking.

(4) The State Board of Education, in consultation with the State Department of Commerce, shall rank each industry certification based on academic rigor and employment value and award five hundred dollars ($500.00) or two hundred fifty dollars ($250.00) to the local school administrative unit per student completing the industry certification based upon ranking. If funds appropriated from the General Assembly for this purpose are insufficient to provide bonuses for each industry certification that has been achieved, then the State Board of Education shall prorate the bonus award amounts. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:

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

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

(5) Each school year, at such time as agreed to by the Department of Commerce and the State Board of Education, the Department of Commerce shall provide the State Board of Education with a list of those occupations in high

need of additional skilled employees. If the occupations identified in such list are not substantially the same as those occupations identified in the list from the prior year, reasonable notice of such changes shall be provided to local school administrative units.

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

(b) Beginning in 2014, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by September 1 of each year on the number of students in career and technical education courses who earned (i) community college credit and (ii) related industry certifications and credentials. Beginning in 2015, the annual report shall also include the names of local school administrative units receiving bonus funds and the amount of bonus funds received by each local school administrative unit."

SECTION 8.28.(c) This section applies beginning with the 2013-2014 school year.

OPPORTUNITY SCHOLARSHIPS

SECTION 8.29.(a) Article 39 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 2A. Scholarship Grants.

"**§ 115C-562.1. Definitions.**

The following definitions apply in this Part:

(1) Authority. – The State Education Assistance Authority.

(2) Eligible students. – A student who has not yet received a high school diploma and who meets all of the following requirements:

a. Meets one of the following criteria:

1. Was a full-time student assigned to and attending a public school pursuant to G.S. 115C-366 during the previous semester.

2. Received a scholarship grant during the previous school year.

3. Is entering either kindergarten or the first grade.

4. Is a child in foster care as defined in G.S. 131D-10.2(9).

5. Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship grant application.

b. Resides in a household with an income level not in excess of one hundred thirty-three percent (133%) of the amount required for the student to qualify for the federal free or reduced-price lunch program.

(3) Division. – The Division of Nonpublic Education, Department of Administration.

(4) Local school administrative unit. – A local school administrative unit, charter school, or regional school.

(5) Nonpublic school. – A school that meets the requirements of Part 1 or Part 2 of this Article as identified by the Division.

(6) Scholarship grants. – Grants awarded annually by the Authority to eligible students.

"**§ 115C-562.2. Scholarship grants.**

(a) The Authority shall make available no later than February 1 annually applications to eligible students for the award of scholarship grants to attend any nonpublic school. Information about scholarship grants and the application process shall be made available on the

Authority's Web site. Beginning March 1, the Authority shall begin awarding scholarship grants according to the following criteria:

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

(2) After scholarship grants have been awarded to prior recipients as provided in subdivision (1) of this subsection, scholarships shall be awarded with remaining funds as follows:

a. At least fifty percent (50%) of the remaining funds shall be used to award scholarship grants to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program.

b. No more than thirty-five percent (35%) of the remaining funds shall be used to award scholarship grants to eligible students entering either kindergarten or first grade.

c. Any remaining funds shall be used to award scholarship grants to all other eligible students.

(b) Scholarship grants awarded to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program shall be for amounts of up to four thousand two hundred dollars ($4,200) per year. Scholarship grants awarded to eligible students residing in households with an income level in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program shall be for amounts of not more than ninety percent (90%) of the required tuition and fees for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school. No scholarship grant shall exceed four thousand two hundred dollars ($4,200) per year per eligible student, and no scholarship grant shall exceed the required tuition and fees for the nonpublic school the eligible student will attend.

(c) The Authority shall permit an eligible student receiving a scholarship grant to enroll in a different nonpublic school and remain eligible. An eligible student receiving a scholarship grant who transfers to another nonpublic school during the year may be eligible to receive a pro rata share of any unexpended portion of the scholarship grant for tuition and fees at the nonpublic school to which the student transfers.

(d) The Authority shall establish rules and regulations for the administration and awarding of scholarship grants and may include in those rules a lottery process for selection of scholarship grant recipients within the criteria established by this section.

"**§ 115C-562.3. Verification of eligibility.**

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

(b) Household members of applicants for scholarship grants shall authorize the Authority to access information needed for verification efforts held by other State agencies, including the Department of Revenue, the Department of Health and Human Services, and the Department of Public Instruction.

"**§ 115C-562.4. Identification of nonpublic schools and distribution of scholarship grant information.**

(a) The Division shall provide annually by February 1 to the Authority a list of all nonpublic schools operating in the State that meet the requirements of Part 1 or Part 2 of this Article. The Division shall notify the Authority of any schools included in the list that the Division has determined to be ineligible within five business days of the determination of ineligibility.

(b) The Authority shall provide information about the scholarship grant program to the Division, including applications and the obligations of nonpublic schools accepting eligible students receiving scholarship grants. The Division shall ensure that information about the scholarship grant program is provided to all qualified nonpublic schools on an annual basis.

"**§ 115C-562.5. Obligations of nonpublic schools accepting eligible students receiving scholarship grants.**

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

(1) Provide to the Authority documentation for required tuition and fees charged to the student by the nonpublic school.

(2) Conduct a criminal background check for the staff member with the highest decision-making authority, as defined by the bylaws, articles of incorporation, or other governing document to ensure that person has not been convicted of any crime listed in G.S. 115C-238.29K.

(3) Provide to the parent or guardian of an eligible student, whose tuition and fees are paid in whole or in part with a scholarship grant, an annual written explanation of the student's progress, including the student's scores on standardized achievement tests.

(4) Administer, at least once in each school year, a nationally standardized test or other nationally standardized equivalent measurement selected by the chief administrative officer of the nonpublic school to all eligible students whose tuition and fees are paid in whole or in part with a scholarship grant enrolled in grades three and higher. The nationally standardized test or other equivalent measurement selected must measure achievement in the areas of English grammar, reading, spelling, and mathematics. Test performance data shall be submitted to the Authority by July 15 of each year. Test performance data reported to the Authority under this subdivision is not a public record under Chapter 132 of the General Statutes.

(5) Provide to the Authority graduation rates of the students receiving scholarship grants in a manner consistent with nationally recognized standards.

(6) Contract with a certified public accountant to perform a financial review, consistent with generally accepted accounting principles, for each school year in which the school accepts students receiving more than three hundred thousand dollars ($300,000) in scholarship grants awarded under this Part.

(b) A nonpublic school that accepts students receiving scholarship grants shall not require any additional fees based on the status of the student as a scholarship grant recipient.

(c) A nonpublic school enrolling more than 25 students whose tuition and fees are paid in whole or in part with a scholarship grant shall report to the Authority on the aggregate standardized test performance of eligible students. Aggregate test performance data reported to the Authority which does not contain personally identifiable student data shall be a public record under Chapter 132 of the General Statutes. Test performance data may be shared with public or private institutions of higher education located in North Carolina and shall be

provided to an independent research organization selected by the Authority for research purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.

(d) A nonpublic school accepting students receiving scholarship grants that fails to comply with the requirements of this section shall be ineligible to receive future scholarship grants if the Authority determines that the nonpublic school is not in compliance with the requirements of this section. The nonpublic school shall notify the parent or guardian of any enrolled student receiving a scholarship grant that the nonpublic school is no longer eligible to receive future scholarship grants. A nonpublic school may appeal for reconsideration of eligibility after one year.

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

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

"**§ 115C-562.7. Authority reporting requirements.**

(a) The Authority shall report to the Department of Public Instruction annually, no later than August 1, the number of students who have received scholarship grants for the current school year and who were enrolled the prior semester in a local school administrative unit or charter school by the previously attended local school administrative unit or charter school. The Department of Public Instruction shall adjust the allotments of local school administrative units and charter schools based on the number of students awarded a scholarship grant who attended a local school administrative unit or charter school during the prior semester. The amount of the adjustment shall equal the average per pupil allocation for average daily membership from the local school administrative unit or charter school.

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

(1) Total number, grade level, race, ethnicity, and sex of eligible students receiving scholarship grants.

(2) Total amount of scholarship grant funding awarded.

(3) Number of students previously enrolled in local school administrative units or charter schools in the prior semester by the previously attended local school administrative unit or charter school.

(4) Nonpublic schools in which scholarship grant recipients are enrolled, including numbers of scholarship grant students at each nonpublic school.

(5) Nonpublic schools deemed ineligible to receive scholarships.

(c) The Authority shall report annually, no later than December 1, to the Department of Public Instruction and the Joint Legislative Education Oversight Committee on the following:

(1) Learning gains or losses of students receiving scholarship grants. The report shall include learning gains of participating students on a statewide basis and shall compare, to the extent possible, the learning gains or losses of eligible students by nonpublic school to the statewide learning gains or losses of public school students with similar socioeconomic backgrounds, using aggregate standardized test performance data provided to the Authority by nonpublic schools and by the Department of Public Instruction.

(2) Competitive effects on public school performance on standardized tests as a result of the scholarship grant program. The report shall analyze the impact of the availability of scholarship grants on public school performance on standardized tests by local school administrative units to the extent possible, and shall provide comparisons of the impact by geographic region and between rural and urban local school administrative units.

This report shall be conducted by an independent research organization to be selected by the Authority, which may be a public or private entity or university. The independent research organization shall report to the Authority on the results of its research. The Joint Legislative Education Oversight Committee shall review reports from the Authority and shall make ongoing recommendations to the General Assembly as needed regarding improving administration and accountability for nonpublic schools accepting students receiving scholarship grants."

SECTION 8.29.(b) G.S. 110-86(2) reads as rewritten:

"(2) Child care. – A program or arrangement where three or more children less than 13 years old, who do not reside where the care is provided, receive care on a regular basis of at least once per week for more than four hours but less than 24 hours per day from persons other than their guardians or full-time custodians, or from persons not related to them by birth, marriage, or adoption. Child care does not include the following:

…

f. Nonpublic schools described in Part 2 of Article 39 of Chapter 115C of the General Statutes that are accredited by national or regional accrediting agencies with early childhood standards ~~the Southern Association of Colleges and Schools~~ and that operate a child care facility as defined in subdivision (3) of this section for less than six and one-half hours per day either on or off the school site;

…."

SECTION 8.29.(c) G.S. 115C-555 reads as rewritten:

"**§ 115C-555. Qualification of nonpublic schools.**

The provisions of this Part shall apply to any nonpublic school which has one or more of the following characteristics:

(1) It is accredited by the State Board of Education.

(2) It is accredited by ~~the Southern Association of Colleges and Schools.~~a national or regional accrediting agency.

(3) It is an active member of the North Carolina Association of Independent Schools.

(4) It receives no funding from the State of North Carolina. For the purposes of this Article, scholarship grant funds awarded pursuant to Part 2A of this Article to eligible students attending a nonpublic school shall not be considered funding from the State of North Carolina."

SECTION 8.29.(d) G.S. 116-204 reads as rewritten:

"**§ 116-204. Powers of Authority.**

The Authority is hereby authorized and empowered:

…

(11) To administer the awarding of scholarship grants to students attending nonpublic schools as provided in Part 2A of Article 39 of Chapter 115 of the General Statutes."

SECTION 8.29.(e) For the 2013-2014 school year, the State Education Assistance Authority (Authority) shall award scholarship grants to eligible students to attend nonpublic schools that meet the requirements of Article 39 of Chapter 115C of the General Statutes, as

identified by the Division of Nonpublic Education, Department of Administration. The Authority shall make applications available no later than August 1, 2013, and shall begin awarding grants no later than August 15, 2013. Information about scholarship grants and the application process shall be made available on the Authority's Web site. The Division of Nonpublic Education, Department of Administration, shall make available to the Authority a list of all nonpublic schools operating in the State that meet the requirements of Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes no later than August 1, 2013.

SECTION 8.29.(f) For the 2013-2014 school year, to be eligible to receive a scholarship grant, a student shall meet both of the following criteria:

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

(2) Be a full-time student who has not yet received a high school diploma and was assigned to and attending a public school pursuant to G.S. 115C-366 during the 2013 spring semester.

SECTION 8.29.(g) Scholarship grants for 2013-2014 shall be for amounts of up to four thousand two hundred dollars ($4,200) for required tuition and fees for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school. No scholarship grant shall exceed the required tuition and fees for the nonpublic school the eligible student will attend.

SECTION 8.29.(h) The Authority shall permit an eligible student receiving a scholarship grant in 2013-2014 to enroll in a different nonpublic school and remain eligible. An eligible student receiving a scholarship grant who transfers to another nonpublic school during the year may be eligible to receive a pro rata share of any unexpended portion of the scholarship grant for tuition and fees at the nonpublic school to which the student transfers.

SECTION 8.29.(i) The Authority shall establish temporary rules and regulations for the administration and awarding of scholarship grants in 2013-2014, which may include a process for awarding grants using a random lottery system.

SECTION 8.29.(j) G.S. 115C-562.3 through G.S. 115C-562.7, as enacted by this section, shall apply to any scholarship grant awarded for the 2013-2014 school year.

SECTION 8.29.(k) It is the intent of the General Assembly to appropriate fifty million dollars ($50,000,000) in recurring funds beginning in the 2015-2016 fiscal year to be awarded to eligible students as scholarship grants. The Authority may retain up to four hundred thousand dollars ($400,000) annually for administrative costs associated with the scholarship grant program. Beginning in the 2014-2015 fiscal year, funds shall be appropriated to the public schools for assistance to at-risk students and to community organizations serving the educational needs of at-risk students still enrolled in public schools in an amount equal to the cost-savings created by the award of opportunity scholarship grants.

SECTION 8.29.(l) The Authority shall select an independent research organization, as required by G.S. 115C-562.7, as enacted by this section, beginning with the 2016-2017 school year. The first learning gains report required by G.S. 115C-562.7, as enacted by this section, shall not be due until December 1, 2017. The first financial review for a nonpublic school that accepts scholarship grant funds, as required by G.S. 115C-562.5(a)(6), as enacted by this section, shall not be required until the 2014-2015 school year.

SECTION 8.29.(m) This section applies beginning with the 2013-2014 school year. For the 2013-2014 school year, scholarship grants shall be awarded as provided in subsections (e) through (j) of this section. Beginning with the 2014-2015 school year and thereafter, scholarship grants shall be awarded in accordance with Part 2A of Article 39 of Chapter 115C of the General Statutes, as enacted by this section.

REPEAL REQUIREMENT THAT SCHOOLS PROVIDE READING WORKSHOPS FOR PARENTS OF STUDENTS WHO HAVE BEEN RETAINED

SECTION 8.30. G.S. 115C-83.8(d) is repealed.

TASK FORCE TO STUDY TEACHER AND SCHOOL ADMINISTRATOR EFFECTIVENESS AND COMPENSATION

SECTION 8.31.(a) Establishment. – The North Carolina Educator Effectiveness and Compensation Task Force is established.

SECTION 8.31.(b) Membership. – The Task Force shall be composed of 18 members as follows:

(1) Nine members appointed by the Speaker of the House of Representatives as follows:
  a. Four persons who are members of the House of Representatives at the time of appointment, at least two of whom represent the minority party.
  b. A representative of the Department of Public Instruction.
  c. A classroom teacher, as recommended by the North Carolina Association of Educators.
  d. A school principal, as recommended by the North Carolina Association of School Administrators.
  e. A representative of a North Carolina institution of higher education that offers a teacher education program and a master's degree program in education or school administration.
  f. A representative from the Professional Educators of North Carolina.

(2) Nine members appointed by the President Pro Tempore of the Senate as follows:
  a. Four persons who are members of the Senate at the time of appointment, at least two of whom represent the minority party.
  b. A representative of the State Board of Education.
  c. A classroom teacher, as recommended by the North Carolina Association of Educators.
  d. A school system superintendent, as recommended by the North Carolina Association of School Administrators.
  e. A local school board member, as recommended by the North Carolina School Boards Association.
  f. A representative from the Professional Educators of North Carolina.

The Task Force shall have two cochairs, one designated by the President Pro Tempore of the Senate and one designated by the Speaker of the House of Representatives from among their appointees. The Task Force shall meet upon the call of the cochairs. Vacancies shall be filled by the appointing authority. A quorum of the Task Force shall be a majority of the members.

SECTION 8.31.(c) Duties. – The Task Force shall make recommendations on whether to create a statewide model of incentives to encourage the recruitment and retention of highly effective educators and to consider the transition to an alternative compensation system for educators. In developing recommendations, the Task Force shall consider at least the following factors:

(1) Alternatives to or simplification of the current teacher and school principal salary schedules, including the need for "hold harmless" options or a choice in compensation structure to avoid reduction in pay for current educators.

(2) Incorporating the feedback of educators in order to maximize buy-in.

(3) The integration of school-level performance measures in an alternative compensation system.
(4) Whether local school administrative units may create their own customized alternative compensation systems in lieu of or in addition to a statewide system, including necessary parameters such as funding flexibility and guidelines for local boards of education.
(5) The use of incentive pay to recruit and retain educators to teach in hard to staff areas.
(6) The recognition of educator responsibilities and leadership roles such as mentoring of beginning teachers and instructional coaching.
(7) Methods for identifying effective teaching and its relationship to an alternative compensation system, including:
a. The correlation of student outcomes with effective teaching.
b. The use of multiple teacher evaluation measures and feedback methods to recognize effective teaching such as classroom observations, student surveys, video training for teachers, and standard measures of student achievement.
c. The use of multiple teacher observations, including at least one observer from outside of the teacher's school.
d. The correlation to annual student growth and performance data, evaluations, effectiveness levels, and a three-year average of student growth.
(8) Barriers to the implementation of alternative compensation systems.
(9) Educator compensation reform in other states and North Carolina pilot programs currently utilizing alternative compensation.
(10) Effective strategies for retaining effective teachers.

SECTION 8.31.(d) Compensation; Administration. – Members of the Task Force shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. With the prior approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional and clerical staff to assist in the work of the Task Force. With the prior approval of the Legislative Services Commission, the Task Force may hold its meetings in the State Legislative Building or the Legislative Office Building. The Task Force may also meet at various locations around the State in order to promote greater public participation in its deliberations. The Task Force, while in the discharge of its official duties, may exercise all the powers provided under the provisions of G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from their records or otherwise available to them, and the power to subpoena witnesses.

SECTION 8.31.(e) Report. – The Task Force shall report its findings and recommendations to the 2014 Regular Session of the 2013 General Assembly no later than April 15, 2014. The Task Force shall terminate on December 31, 2014, or upon the filing of its final report, whichever occurs first.

RESTORE TEACHING FELLOWS PROGRAM

SECTION 8.32. Section 1.38 of S.L. 2011-266 is repealed.

RURAL CHARTER SCHOOL DEVELOPMENT PILOT PROGRAM

SECTION 8.33.(a) Parents for Educational Freedom in North Carolina, Inc. (PEFNC) shall use up to four hundred sixty-four thousand one hundred dollars ($464,100) in recurring funds made available to it under this act for each fiscal year of the 2013-2015 fiscal

biennium to develop and administer a pilot program that provides grant funding to participants for the development of up to 12 charter schools in counties with currently less than a sixty-five percent (65%) average passage rate on end-of-grade and end-of-course tests.

SECTION 8.33.(b) PEFNC shall match State funds available to it under this act on the basis of one dollar ($1.00) in grant funds for every one dollar ($1.00) in nongrant funds. Matching funds shall not include other State funds. Matching funds may include in-kind contributions. PEFNC may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the subsequent fiscal year. Failure to obtain a one hundred percent (100%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the pilot program for the subsequent fiscal year.

SECTION 8.33.(c) PEFNC shall require that grant recipients participating in the pilot program to meet at least all of the following conditions:

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

(2) The charter school shall be located in a county with less than a sixty-five percent (65%) average passage rate on end-of-grade and end-of-course tests.

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

SECTION 8.33.(d) PEFNC may provide grants of up to one hundred thousand dollars ($100,000) to recipients for an initial planning year.

SECTION 8.33.(e) By March 15, 2014, and annually thereafter, PEFNC shall submit a report on the progress of the pilot program, an accounting of expenditures, and the status of grant recipients to the Joint Legislative Education Oversight Committee.

EDUCATION AND WORKFORCE INNOVATION PROGRAM

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

"Article 6C.

"Education and Workforce Innovation Program.

"**§ 115C-64.10. North Carolina Education and Workforce Innovation Commission.**

(a) There is created the North Carolina Education and Workforce Innovation Commission (Commission). The Commission shall be located administratively in the Department of Public Instruction but shall exercise all its prescribed powers independently of the Department of Public Instruction. Of the funds appropriated for the Education and Workforce Innovation Program established under G.S. 115C-64.11, up to two hundred thousand dollars ($200,000) each fiscal year may be used by the Department of Public Instruction to provide technical assistance and administrative assistance, including staff, to the Commission and reimbursements and expenses for the Commission.

(b) The Commission shall consist of the following 11 members:

(1) The Secretary of Commerce.

(2) The State Superintendent of Public Instruction.

(3) The Chair of the State Board of Education.

(4) The President of The University of North Carolina.

(5) The President of the North Carolina Community College System.

(6) Two members appointed by the Governor who have experience in education.

(7) Two members appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121, who have experience in businesses operating in North Carolina.

(8) Two members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in

G.S. 120-121, who have experience in businesses operating in North Carolina.

(c) The Commission members shall elect a chair from the membership of the Commission. The Commission shall meet at least three times annually on the call of the Chair or as additionally provided by the Commission. A quorum is six members of the Commission. Members may not send designees to Commission meetings nor may they vote by proxy.

(d) The Commission shall develop and administer the Education and Workforce Innovation Program, as established under G.S. 115C-64.11, and make awards of grants under the Program. The Commission shall work closely with the North Carolina New Schools in administering the program.

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

(1) An accounting of how funds and personnel resources were utilized and their impact on student achievement, retention, and employability.

(2) Recommended statutory and policy changes.

(3) Recommendations for improvement of the program.

"**§ 115C-64.11. The Education and Workforce Innovation Program.**

(a) Program Establishment. – There is established the Education and Workforce Innovation Program (Program) to foster innovation in education that will lead to more students graduating career and college ready. Funds appropriated to the Program shall be used to award competitive grants to an individual school, a local school administrative unit, or a regional partnership of more than one local school administrative unit to advance comprehensive, high-quality education that equips teachers with the knowledge and skill required to succeed with all students. Before receiving a grant, applicants must meet all of the following conditions:

(1) Form a partnership, for the purposes of the grant, with either a public or private university or a community college.

(2) Form a partnership, for the purposes of the grant, with regional businesses and business leaders.

(3) Demonstrate the ability to sustain innovation once grant funding ends.

(b) Applicant Categories and Specific Requirements. –

(1) Individual schools. – Individual public schools must demonstrate all of the following in their applications:

a. Partnerships with business and industry to determine the skills and competencies needed for students' transition into growth sectors of the regional economy.

b. Aligned pathways to employment, including students' acquisition of college credit or industry recognized credentials.

c. Development of systems, infrastructure, capacity, and culture to enable teachers and school leaders to continuously focus on improving individual student achievement.

(2) Local school administrative units. – Local school administrative units must demonstrate all of the following in their applications:

a. Implementation of comprehensive reform and innovation.

b. Appointment of a senior leader to manage and sustain the change process with a specific focus on providing parents with a portfolio of meaningful options among schools.

(3) Regional partnerships of two or more local school administrative units. – Partnerships of two or more local school administrative units must demonstrate all of the following in their applications:

a. Implementation of resources of partnered local school administrative units in creating a tailored workforce development system for the regional economy and fostering innovation in each of the partnered local school administrative units.

b. Promotion of the development of knowledge and skills in career clusters of critical importance to the region.

c. Benefits of the shared strengths of local businesses and higher education.

d. Usage of technology to deliver instruction over large geographic regions and build networks with industry.

e. Implementation of comprehensive reform and innovation that can be replicated in other local school administrative units.

(c) Consideration of Factors in Awarding of Grants. – All applications must include information on at least the following in order to be considered for a grant:

(1) Describe the aligned pathways from school to high-growth careers in regional economies.

(2) Leverage technology to efficiently and effectively drive teacher and principal development, connect students and teachers to online courses and resources, and foster virtual learning communities among faculty, higher education partners, and business partners.

(3) Establish a comprehensive approach to enhancing the knowledge and skills of teachers and administrators to successfully implement the proposed innovative program and to graduate all students ready for work and college.

(4) Link to a proven provider of professional development services for teachers and administrators capable of providing evidence-based training and tools aligned with the goals of the proposed innovative program.

(5) Form explicit partnerships with businesses and industry, which may include business advisory councils, internship programs, and other customized projects aligned with relevant workforce skills.

(6) Partner with community colleges or public or private universities to enable communities to challenge every student to graduate with workplace credentials or college credit.

(7) Align K-12 and post-secondary instruction and performance expectations to reduce the need for college remediation courses.

(8) Secure input from parents to foster broad ownership for school choice options and to foster greater understanding of the need for continued education beyond high school.

(9) Provide a description of the funds that will be used and a proposed budget for five years.

(10) Describe the source of matching funds required in subsection (d) of this section.

(11) Establish a strategy to achieve meaningful analysis of program outcomes due to the receipt of grant funds under this section.

(d) Matching Private and Local Funds. – All funds appropriated by the State must be matched by a combination of private and local funds. All grant applicants must fund twenty-five percent (25%) of program costs through local funds. An additional twenty-five percent (25%) of program costs must be raised by private funds.

(e) Grants. – Any grants awarded by the Commission may be spent over a five-year period from the initial award.

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

SECTION 8.34.(b) The North Carolina Education and Workforce Innovation Commission (Commission), as established by G.S. 115C-64.10, as enacted by this section, shall conduct a study to determine the most efficient way to fund dual enrollment for high school students in college coursework. The Commission shall report the results of this study to the Joint Legislative Education Oversight Committee by October 1, 2014.

SECTION 8.34.(c) The appointments to the Commission as set forth in G.S. 115C-64.10, as enacted by this section, shall be made by the appointing entities no later than September 1, 2013. The Commission shall hold its first meeting no later than October 1, 2013.

SCHOOL PSYCHOLOGISTS, SCHOOL COUNSELORS, AND SOCIAL WORKERS

SECTION 8.35.(a) Grants to local school administrative units, regional schools, and charter schools for additional school psychologists, school counselors, and social workers 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 expended for school psychologists, school counselors, and social workers.

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. The State Board shall also give lower priority to local school administrative units, regional schools, and charter schools that have received a grant for school resource officers pursuant to Section 8.36 of this act.

SECTION 8.35.(b) Article 21 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-316.1. Duties of school counselors.**

(a) School counselors shall implement a comprehensive developmental school counseling program in their schools. Counselors shall spend at least eighty percent (80%) of their work time providing direct services to students. Direct services do not include the coordination of standardized testing. Direct services shall consist of:

(1) Delivering the school guidance curriculum through large group guidance, interdisciplinary curriculum development, group activities, and parent workshops;

(2) Guiding individual student planning through individual or small group assistance and individual or small group advisement;

(3) Providing responsive services through consultation with students, families, and staff; individual and small group counseling; crisis counseling; referrals; and peer facilitation; and

(4) Performing other student services listed in the Department of Public Instruction school counselor job description that has been approved by the State Board of Education.

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

SECTION 8.35.(c) Prior to the 2013-2014 school year, each local board of education shall develop a transition plan for implementing subsection (b) of this section within existing resources by reassigning duties within its schools.

The State Board of Education shall distribute guidelines to all local school administrative units on the implementation of subsection (b) of this section.

GRANTS FOR SCHOOL RESOURCE OFFICERS IN ELEMENTARY AND MIDDLE SCHOOLS

SECTION 8.36. Grants to local school administrative units, regional schools, and charter schools for school resource officers in elementary and middle schools shall be matched on the basis of two dollars ($2.00) 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 school resource officers.

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.

Local school administrative units, regional schools, and charter schools may use these funds to employ school resource officers in elementary and middle schools, to train them, or both. Any such training shall include instruction on research into the social and cognitive development of elementary school and middle school children.

PANIC ALARM SYSTEMS

SECTION 8.37.(a) G.S. 115C-47(40) reads as rewritten:

"(40) To adopt emergency response plans. – Local boards of education ~~may~~shall, in coordination with local law enforcement agencies, adopt emergency response plans relating to incidents of school violence. These plans are not a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

SECTION 8.37.(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.

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 8.37.(c) Effective July 1, 2015, every public school shall have a panic alarm system that connects with the nearest local law enforcement agency in the local board of education's emergency response plan.

SCHOOL SAFETY EXERCISES

SECTION 8.38.(a) Article 8C of Chapter 115C of the General Statutes is amended by adding a new section to read:

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

(a) At least every two years each local school administrative unit shall hold a full systemwide school safety and school lockdown exercise with the local law enforcement agencies that are part of the local board of education's emergency response plan. The purpose of the exercise shall be to permit participants to (i) discuss simulated emergency situations in a low-stress environment, (ii) clarify their roles and responsibilities and the overall logistics of dealing with an emergency, and (iii) identify areas in which the emergency response plan needs to be modified.

(b) At least once a year each school shall hold a full school-wide school safety and lockdown exercise with the local law enforcement agencies that are part of the local board of education's emergency response plan."

SECTION 8.38.(b) This section applies beginning with the 2013-2014 school year.

SCHEMATIC DIAGRAMS OF SCHOOL FACILITIES

SECTION 8.39.(a) Article 8C of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-105.50. Schematic diagram of school facilities.**

(a) Each local school administrative unit shall prepare schematic diagrams of its school facilities and provide (i) the schematic diagrams and (ii) keys to the main entrance of all school facilities to local law enforcement agencies. Each local school administrative unit shall provide updates of the schematic diagrams to local law enforcement agencies when substantial modifications such as new facilities or modifications to doors and windows are made to school facilities.

(b) The Department of Public Instruction, in consultation with the Department of Public Safety, shall develop standards and guidelines for the preparation and content of schematic diagrams and necessary updates.

(c) The schematic diagrams are not public records under Chapter 132 of the General Statutes."

SECTION 8.39.(b) The schematic diagrams and keys to the main entrance of all school facilities referenced in this section shall be provided to local law enforcement prior to January 1, 2014.

SECTION 8.39.(c) This section applies beginning with the 2013-2014 school year.

ANONYMOUS TIP LINE

SECTION 8.40.(a) Article 8C of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-105.51. Anonymous tip lines.**

(a) Each local school administrative unit shall develop and operate an anonymous tip line, in coordination with local law enforcement and social services agencies, to receive anonymous information on internal or external risks to school buildings and school-related activities.

(b) The Department of Public Instruction, in consultation with the Department of Public Safety, shall develop standards and guidelines for the development, operation, and staffing of tip lines.

(c) The Department of Public Instruction shall provide information to local school administrative units on federal, State, local, and private grants available for this purpose."

SECTION 8.40.(b) This section applies beginning with the 2013-2014 school year.

SCHOOL SAFETY COMPONENT OF SCHOOL IMPROVEMENT PLANS

SECTION 8.41.(a) G.S. 115C-105.27 reads as rewritten:

"**§ 115C-105.27. Development and approval of school improvement plans.**

(a) School Improvement Team. – ~~In order to improve student performance, each school shall develop a school improvement plan that takes into consideration the annual performance goal for that school that is set by the State Board under G.S. 115C-105.35 and the goals set out in the mission statement for the public schools adopted by the State Board of Education.~~ The principal of each school, representatives of the assistant principals, instructional personnel, instructional support personnel, and teacher assistants assigned to the school building, and parents of children enrolled in the school shall constitute a school improvement ~~team to~~ team. The team shall develop a school improvement plan to improve student performance.

Representatives of the assistant principals, instructional personnel, instructional support personnel, and teacher assistants shall be elected by their respective groups by secret ballot.

Unless the local board of education has adopted an election policy, parents shall be elected by parents of children enrolled in the school in an election conducted by the parent and teacher organization of the school or, if none exists, by the largest organization of parents formed for this purpose. Parents serving on school improvement teams shall reflect the racial and socioeconomic composition of the students enrolled in that school and shall not be members of the building-level staff.

Parental involvement is a critical component of school success and positive student achievement; therefore, it is the intent of the General Assembly that parents, along with teachers, have a substantial role in developing school improvement plans. To this end, school improvement team meetings shall be held at a convenient time to assure substantial parent participation.

~~All school improvement plans shall be, to the greatest extent possible, data-driven. School improvement teams shall use the Education Value-Added Assessment System (EVAAS) or a compatible and comparable system approved by the State Board of Education, to analyze student data to identify root causes for problems, to determine actions to address them, and to appropriately place students in courses such as Algebra I. School improvement plans shall contain clear, unambiguous targets, explicit indicators and actual measures, and expeditious time frames for meeting the measurement standards.~~

(a1) Open Meetings. – School improvement team meetings are subject to the open meetings requirements of Article 33C of Chapter 143 of the General Statutes. Deliberations on the school safety components of the plan shall be in closed session in accordance with G.S. 143-318.11(a)(8). The principal shall ensure that these requirements are met.

(a2) Public Records. – The school improvement plan, except for the school safety components of the plan, is a public record subject to Chapter 132 of the General Statutes and shall be posted on the school Web site. The names of the members of the school improvement team, their positions, and the date of their election to the school improvement team shall also be posted on the Web site.

The school safety components of the plan are not public records subject to Chapter 132 of the General Statutes.

(b) School Improvement Plan. – In order to improve student performance, the school improvement team at each school shall develop a school improvement plan that takes into consideration the annual performance goal for that school that is set by the State Board under G.S. 115C-105.35 and the goals set out in the mission statement for the public schools adopted by the State Board of Education. All school improvement plans shall be, to the greatest extent possible, data-driven. School improvement teams shall use the Education Value-Added Assessment System (EVAAS) or a compatible and comparable system approved by the State Board of Education to (i) analyze student data and identify root causes for problems, (ii) determine actions to address them, and (iii) appropriately place students in courses such as Algebra I. School improvement plans shall contain clear, unambiguous targets, explicit indicators and actual measures, and expeditious time frames for meeting the measurement standards.

The strategies for improving student performance:

(1) Shall include a plan for the use of staff development funds that may be made available to the school by the local board of education to implement the school improvement plan. The plan may provide that a portion of these funds is used for mentor training and for release time and substitute teachers while mentors and teachers mentored are meeting;

(1a) Repealed by Session Laws 2012-142, s. 7A.1(c), effective July 2, 2012.

(2) Shall include a plan to address school safety and discipline concerns;

(3) May include a decision to use State funds in accordance with G.S. 115C-105.25;

(4) Shall include a plan that specifies the effective instructional practices and methods to be used to improve the academic performance of students identified as at risk of academic failure or at risk of dropping out of school;

(5) May include requests for waivers of State laws, rules, or policies for that school. A request for a waiver shall meet the requirements of G.S. 115C-105.26;

(6) Shall include a plan to provide a duty-free lunch period for every teacher on a daily basis or as otherwise approved by the school improvement team; and

(7) Shall include a plan to provide duty-free instructional planning time for every teacher under G.S. 115C-301.1, with the goal of providing an average of at least five hours of planning time per week.

(c) School Vote on the Plan. – Support among affected staff members is essential to successful implementation of a school improvement plan to address improved student performance at that school. The principal of the school shall present the proposed school improvement plan to all of the principals, assistant principals, instructional personnel, instructional support personnel, and teacher assistants assigned to the school building for their review and vote. The vote shall be by secret ballot. The principal shall submit the school improvement plan to the local board of education only if the proposed school improvement plan has the approval of a majority of the staff who voted on the plan.

(c1) Consideration of the School Safety Components of the Plan. – The superintendent shall review the school safety components of the school improvement plans and make written recommendations on them to the local board of education. Prior to a vote to accept a school's improvement plan in accordance with G.S. 115C-105.25(d), the local board of education shall review the school safety components of the plan for that school in closed session. The board shall make findings on the safety components of the plan. Neither the safety components of the plan nor the board's findings on the safety components of the plan shall be set out in the minutes of the board.

(d) Adoption of the Plan. – The local board of education shall accept or reject the school improvement plan. The local board shall not make any substantive changes in any school improvement plan that it accepts. If the local board rejects a school improvement plan, the local board shall state with specificity its reasons for rejecting the plan; the school improvement team may then prepare another plan, present it to the principals, assistant principals, instructional personnel, instructional support personnel, and teacher assistants assigned to the school building for a vote, and submit it to the local board to accept or reject. If no school improvement plan is accepted for a school within 60 days after its initial submission to the local board, the school or the local board may ask to use the process to resolve disagreements recommended in the guidelines developed by the State Board under G.S. 115C-105.20(b)(5). If this request is made, both the school and local board shall participate in the process to resolve disagreements. If there is no request to use that process, then the local board may develop a school improvement plan for the school. The General Assembly urges the local board to utilize the school's proposed school improvement plan to the maximum extent possible when developing such a plan.

(e) Effective Period of the Plan. – A school improvement plan shall remain in effect for no more than two years; however, the school improvement team may amend the plan as often as is necessary or appropriate. If, at any time, any part of a school improvement plan becomes unlawful or the local board finds that a school improvement plan is impeding student performance at a school, the local board may vacate the relevant portion of the plan and may direct the school to revise that portion. The procedures set out in this subsection shall apply to amendments and revisions to school improvement plans.

(f) Elimination of Other Unnecessary Plans. – If a local board of education finds that a school improvement plan adequately covers another plan that the local school administrative unit is otherwise required to prepare, the local school administrative unit shall not be required to prepare an additional plan on the matter.

(g) Compliance With Requirements. – Any employee, parent, or other interested individual or organization is encouraged to notify the principal of any concerns regarding compliance with this section. In addition, any employee, parent, or other interested individual or organization may submit in writing to the superintendent concerns regarding compliance with this section. The superintendent shall make a good-faith effort to investigate the concern. The superintendent shall upon request provide a written response to the concern."

SECTION 8.41.(b) G.S. 143-318.11(a)(8) reads as rewritten:

"(a) Permitted Purposes. – It is the policy of this State that closed sessions shall be held only when required to permit a public body to act in the public interest as permitted in this section. A public body may hold a closed session and exclude the public only when a closed session is required:

…

(8) To formulate plans by a local board of education relating to emergency response to incidents of school violence or to formulate and adopt the school safety components of school improvement plans by a local board of education or a school improvement team."

SECTION 8.41.(c) This section applies beginning with the 2013-2014 school year.

CRISIS KITS

SECTION 8.42.(a) Article 8C of Chapter 115C of the General Statutes is amended by adding a new section to read:

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

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

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

SECTION 8.42.(b) This section applies beginning with the 2013-2014 school year.

SCHOOL SAFETY/CONFORMING CHANGES FOR CHARTER SCHOOLS AND REGIONAL SCHOOLS

SECTION 8.43.(a) G.S. 115C-238.29F is amended by adding a new subsection to read:

"(a1) Emergency Response Plan. – A charter school shall, in coordination with local law enforcement agencies, adopt an emergency response plan relating to incidents of school violence. These plans are not a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

Charter schools shall also comply with the provisions in G.S. 115C-105.49(b), 115C-105.50, and 115C-105.52."

SECTION 8.43.(b) G.S. 115C-238.66 is amended by adding a new subdivision to read:

"(7a) Emergency Response Plan. – A regional school shall, in coordination with local law enforcement agencies, adopt an emergency response plan relating to incidents of school violence. These plans are not a public record as the

term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6. Regional schools shall also comply with the provisions in G.S. 115C-105.49(b), 115C-105.50, and 115C-105.52."

SECTION 8.43.(c) This section applies beginning with the 2013-2014 school year.

EMERGENCY AND CRISIS TRAINING

SECTION 8.44. The Department of Public Safety, through the North Carolina Center for Safer Schools and in conjunction with the Department of Justice and the Department of Public Instruction, shall develop school emergency and crisis training modules for school employees and provide them to schools as soon as practicable.

VOLUNTEER SCHOOL SAFETY RESOURCE OFFICER PROGRAM

SECTION 8.45.(a) G.S. 14-269.2(a) is amended by adding a new subdivision to read:

"(3a) Volunteer school safety resource officer. – A person who volunteers as a school safety resource officer as provided by G.S. 162-26 or G.S. 160A-288.4."

SECTION 8.45.(b) G.S. 14-269.2(g) is amended by adding a new subdivision to read:

"(g) This section shall not apply to any of the following:

…

(7) A volunteer school safety resource officer providing security at a school pursuant to an agreement as provided in G.S. 115C-47(61) and either G.S. 162-26 or G.S. 160A-288.4, provided that the volunteer school safety resource officer is acting in the discharge of the person's official duties and is on the educational property of the school that the officer was assigned to by the head of the appropriate local law enforcement agency."

SECTION 8.45.(c) G.S. 115C-47 is amended by adding a new subdivision to read:

"**§ 115C-47. Powers and duties generally.**

In addition to the powers and duties designated in G.S. 115C-36, local boards of education shall have the power or duty:

…

(61) To Provide a Safe School Environment. – Local boards of education may enter into an agreement with the sheriff, chief of police of a local police department, or chief of police of a county police department to provide security at the schools by assigning volunteer school safety resource officers who meet the selection standards and criteria developed by the head of the appropriate local law enforcement agency and the criteria set out in G.S. 162-26 or G.S. 160A-288.4, as appropriate."

SECTION 8.45.(d) G.S. 160A-282(c) reads as rewritten:

"(c) The board of commissioners of any county may provide that persons who are deputized by the sheriff of the county as special deputy sheriffs or persons who are serving as volunteer law-enforcement officers at the request of the sheriff and under his authority, while undergoing official training and while performing duties on behalf of the county pursuant to orders or instructions of the sheriff, shall be entitled to benefits under the North Carolina Workers' Compensation Act and to any fringe benefits for which such persons qualify.

This subsection shall not apply to volunteer school safety resource officers as described in G.S. 162-26."

SECTION 8.45.(e) Article 3 of Chapter 162 of the General Statutes is amended by adding a new section to read:

"**§ 162-26. Sheriff may establish volunteer school safety resource officer program.**

(a) The sheriff may establish a volunteer school safety resource officer program to provide nonsalaried special deputies to serve as school safety resource officers in public schools. To be a volunteer in the program, a person must have prior experience as either (i) a sworn law enforcement officer or (ii) a military police officer with a minimum of two years' service. If a person with experience as a military police officer is no longer in the armed services, the person must also have an honorable discharge. A program volunteer must receive training on research into the social and cognitive development of elementary, middle, and high school children and must also meet the selection standards and any additional criteria established by the sheriff.

(b) Each volunteer shall report to the sheriff and shall work under the direction and supervision of the sheriff or the sheriff's designee when carrying out the volunteer's duties as a school safety resource officer. No volunteer may be assigned to a school as a school safety resource officer until the volunteer has updated or renewed the volunteer's law enforcement training and has been certified by the North Carolina Sheriff's Education and Training Standards Commission as meeting the educational and firearms proficiency standards required of persons serving as special deputy sheriffs. A volunteer is not required to meet the physical standards required by the North Carolina Sheriff's Education and Training Standards Commission but must have a standard medical exam to ensure the volunteer is in good health. A person selected by the sheriff to serve as a volunteer under this section shall have the power of arrest while performing official duties as a volunteer school safety resource officer.

(c) The sheriff may enter into an agreement with the local board of education to provide volunteer school safety resource officers who meet both the criteria established by this section and the selection and training requirements set by the sheriff of the county for the schools. The sheriff shall be responsible for the assignment of any volunteer school safety resource officer assigned to a public school and for the supervision of the officer.

(d) There shall be no liability on the part of and no cause of action shall arise against a volunteer school safety resource officer, the Sheriff or employees of the sheriff supervising a volunteer school safety officer, or the public school system or its employees for any good-faith action taken by them in the performance of their duties with regard to the volunteer school safety resource officer program established pursuant to this section."

SECTION 8.45.(f) Article 13 of Chapter 160A of the General Statutes is amended by adding a new section to read:

"**§ 160A-288.4. Police chief may establish volunteer school safety resource officer program.**

(a) The chief of police of a local police department or of a county police department may establish a volunteer school safety resource officer program to provide nonsalaried special law enforcement officers to serve as school safety resource officers in public schools. To be a volunteer in the program, a person must have prior experience as either (i) a sworn law enforcement officer or (ii) a military police officer with a minimum of two years' service. If a person with experience as a military police officer is no longer in the armed services, the person must also have an honorable discharge. A program volunteer must receive training on research into the social and cognitive development of elementary, middle, and high school children and must also meet the selection standards and any additional criteria established by the chief of police.

(b) Each volunteer shall report to the chief of police and shall work under the direction and supervision of the chief of police or the chief's designee when carrying out the volunteer's duties as a school safety resource officer. No volunteer may be assigned to a school as a school safety resource officer until the volunteer has updated or renewed the volunteer's law enforcement training and has been certified by the North Carolina Criminal Justice Education and Training Standards Commission as meeting the educational and firearms proficiency

standards required of persons serving as criminal justice officers. A volunteer is not required to meet the physical standards required by the North Carolina Criminal Justice Education and Training Standards Commission but must have a standard medical exam to ensure the volunteer is in good health. A person selected by the chief of police to serve as a volunteer under this section shall have the power of arrest while performing official duties as a volunteer school safety resource officer.

(c) The chief of police may enter into an agreement with the local board of education to provide volunteer school safety resource officers who meet both the criteria established by this section and the selection and training requirements set by the chief of police of the municipality or county in which the schools are located. The chief of police shall be responsible for the assignment of any volunteer school safety resource officer assigned to a public school and for the supervision of the officer.

(d) There shall be no liability on the part of and no cause of action shall arise against a volunteer school safety resource officer, the chief of police or employees of the local law enforcement agency supervising a volunteer school safety officer, or the public school system or its employees for any good-faith action taken by them in the performance of their duties with regard to the volunteer school safety resource officer program established pursuant to this section."

SECTION 8.45.(g) This section becomes effective December 1, 2013.

INFORMATION TECHNOLOGY OVERSIGHT CAPACITY

SECTION 8.46. Notwithstanding G.S. 143C-6-4, the State Superintendent of Public Instruction shall realign existing resources within the Department of Public Instruction to increase the information technology oversight capacity of the Department. The Superintendent shall identify two positions for this purpose in order to establish a Chief Information Officer and a Project Management Officer. The realignment of the positions and resources is subject to the approval of the Office of State Budget and Management.

PILOT PROGRAM/SPORTS FOR STUDENTS WITH DISABILITIES

SECTION 8.47. Of the funds appropriated to the Department of Public Instruction or State Aid for Public Schools for the 2013-2015 fiscal biennium, the Department may use up to three hundred thousand dollars ($300,000) each fiscal year to develop and implement a pilot program for an integrated community-based adapted sports program for students with disabilities in grades kindergarten through 12. If the Department uses funds for this purpose, the pilot program shall be consistent with the "Dear Colleague" letter addressing equal access to extracurricular athletics for students with disabilities released by the U.S. Department of Education, Office for Civil Rights, on January 25, 2013. The pilot program shall also include specific strategies to overcome barriers to the participation of students with disabilities in extracurricular athletics and incorporate a philosophy of personal empowerment for those students. The pilot program may be conducted in one or more local school administrative units and provide for collaboration with universities and community colleges and other community organizations to achieve the purposes of the program.

STUDY VIRTUAL CHARTER SCHOOLS

SECTION 8.48. The State Board of Education shall study and determine needed modifications for authorization and oversight of virtual charter schools, including application requirements, enrollment growth, and funding allocations, and shall prepare these recommendations in the form of draft rules and proposed statutory changes. The State Board shall present the draft rules and the proposed statutory changes to the Joint Legislative Education Oversight Committee by February 1, 2014.

This section shall not be construed to affect litigation pending as of the date of the enactment of this section.

PART IX. THE EXCELLENT PUBLIC SCHOOLS ACT OF 2013

MODIFY TEACHER LICENSURE FEES

SECTION 9.3.(a) G.S. 115C-296 reads as rewritten:

"§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor programs.

…

(a2) The State Board of Education shall ~~impose the following~~ establish a schedule of fees for teacher licensure and administrative ~~changes:~~changes. The fees established under this subsection shall not exceed the actual cost of providing the service. The schedule may include fees for any of the following services:

(1) Application for demographic or administrative changes to a ~~license, $30.00.~~license.

(2) Application for a duplicate license or for copies of documents in the licensure ~~files, $30.00.~~files.

(3) Application for a renewal, extension, addition, upgrade, reinstatement, and variation to a ~~license, $55.00.~~license.

(4) Initial application for a New, In-State Approved Program ~~Graduate, $55.00.~~Graduate.

(5) Initial application for an Out-of-State ~~license, $85.00.~~license.

(6) All other ~~applications, $85.00.~~applications.

~~The~~An applicant must pay ~~the fee~~any nonrefundable service fees at the time ~~the~~an application is submitted.

(a3) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15 in any year that the amount of fees in the fee schedule established under subsection (a2) of this section has been modified during the previous 12 months. The report shall include the number of personnel paid from licensure receipts, any change in personnel paid from receipts, other related costs covered by the receipts, and the estimated unexpended receipts as of June 30 of the year reported.

…."

SECTION 9.3.(b) For the 2013-2014 fiscal year only and notwithstanding Article 2A of Chapter 150B of the General Statutes, the State Board of Education shall be exempt from rule making in establishing a schedule of fees for teacher licensure and administrative changes pursuant to G.S. 115C-296(a2), as amended by this section.

PART X. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

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

SECTION 10.1.(b) This section expires June 30, 2014.

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 10.2. Of the funds appropriated to the Community Colleges System Office for the 2013-2015 fiscal biennium for the College Information System, up to one million two hundred fifty thousand dollars ($1,250,000) shall not revert at the end of each fiscal year

but shall remain available until expended. These funds may be used only to purchase periodic system upgrades.

BASIC SKILLS PLUS

SECTION 10.3.(a) Notwithstanding any other provision of law, the State Board of Community Colleges may authorize a local community college to use up to twenty percent (20%) of the State Literacy Funds allocated to it to provide employability skills, job-specific occupational and technical skills, and developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate.

SECTION 10.3.(b) Notwithstanding any other provision of law, if a community college is authorized by the State Board to provide employability skills, job-specific occupational or technical skills, or developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate, the college may waive the tuition and registration fees associated with this instruction.

ENROLLMENT FUNDING

SECTION 10.4.(a) Beginning with the 2013-2015 fiscal biennium, community colleges shall receive funding based on the number of full-time equivalent (FTE) students enrolled in curriculum, continuing education, and Basic Skills courses, by tiered funding level. Community colleges shall calculate this enrollment as the higher of the current year's total enrollment or the average enrollment of the last two academic years.

The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by February 1, 2014, on the use of nonrecurring funds appropriated to it to phase in this new enrollment funding model.

SECTION 10.4.(b) G.S. 115D-5 is amended by adding a new subsection to read:

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

SECTION 10.4.(c) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by October 1, 2014, on FTE for the 2014 summer term.

SECTION 10.4.(d) Subsection (b) of this section is effective when it becomes law and applies beginning with the summer 2014 term.

TIERED ENROLLMENT FUNDING

SECTION 10.4A.(a) Beginning with the 2014-2015 fiscal year, the State Board of Community Colleges shall implement a fourth tier in the Tiered Funding Formula adopted by the State Board to allocate funds to community colleges based on the number of full-time equivalent (FTE) students enrolled in curriculum, continuing education, and Basic Skills courses in order to fund curriculum programs leading to immediate employment at the highest available funding level.

SECTION 10.4A.(b) By March 15, 2014, the State Board of Community Colleges shall report to the House Appropriations Committee, Senate Appropriations/Base Budget Committee, the House Appropriations Subcommittee on Education, and the Senate Appropriations on Education/Higher Education on a plan for implementation of the additional funding level for curriculum programs leading to immediate employment as required by subsection (a) of this section.

PERFORMANCE FUNDING

SECTION 10.5.(a) G.S. 115D-31.3 reads as rewritten:

"**§ 115D-31.3. Institutional performance accountability.**

(a) ~~Creation~~Implementation of Accountability Measures and Performance Standards. – The State Board of Community Colleges shall ~~create new~~ adopt and implement a system of accountability measures and performance standards for the Community College System. ~~The~~At least once every three years, the State Board of Community Colleges shall ~~review~~ review, and revise if necessary, ~~annually~~ the accountability measures and performance standards to ensure that they are appropriate for use in recognition of successful institutional performance. If the State Board determines that accountability measures and performance standards must be revised following a review required by this subsection, the State Board shall report to the Joint Legislative Education Oversight Committee prior to the implementation of any proposed revisions.

(b) through (d) Repealed by Session Laws 2000-67, s. 9.7, effective July 1, 2000.

(e) Mandatory Performance Measures. – The State Board of Community Colleges shall evaluate each college on the following eight performance measures:

(1) Progress of basic skills students.

(2) ~~Passing rate for~~Attainment of General Educational Development (GED) ~~diploma examinations.~~diplomas by students.

(3) Performance of students who transfer to a four-year institution.

(4) Success ~~rates~~ of developmental students in subsequent college-level English courses.

(5) Success ~~rates~~ of developmental students in subsequent college-level math courses.

(5a) Progress of first-year curriculum students.

(6) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.

(7) Curriculum student retention and graduation.

(8) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.

(9) ~~Passing rate for~~ Attainment of licensure and ~~certification examinations.~~certifications by students.

The State Board may also evaluate each college on additional performance measures.

(f) Publication of Performance Ratings. – Each college shall publish its performance on the eight measures set out in subsection (e) of this section (i) annually in its electronic catalog or on the Internet and (ii) in its printed catalog each time the catalog is reprinted.

The Community Colleges System Office shall publish the performance of all colleges on all eight measures.

(g) Recognition ~~for~~ of Successful Institutional Performance. – For the purpose of recognition ~~for~~ of successful institutional performance, the State Board of Community Colleges shall evaluate each college on the eight performance ~~measures.~~ measures set out in subsection (e) of this section. ~~For each of these eight performance measures on which a college performs successfully, the college may retain and carry forward into the next fiscal year one-fourth of one percent (1/4 of 1%) of its final fiscal year General Fund appropriations.~~Subject to the availability of funds, the State Board may allocate funds among colleges based on the evaluation of each institution's performance, including at least the following components:

(1) Program quality evaluated by determining a college's rate of student success on each measure as compared to a systemwide performance baseline and goal.

(2) Program impact on student outcomes evaluated by the number of students succeeding on each measure.

(g1) Carryforward of Funds Allocated Based on Performance. – A college that receives funds under subsection (g) of this section may retain and carry forward an amount up to or equal to its performance-based funding allocation for that year into the next fiscal year.

~~(h) Recognition for Exceptional Institutional Performance. – Funds not allocated to colleges in accordance with subsection (g) of this section shall be used to reward exceptional institutional performance. A college is deemed to have achieved exceptional institutional performance if it succeeds on all eight performance measures. After all State aid budget obligations have been met, the State Board of Community Colleges shall distribute the remainder of these funds to colleges that achieve exceptional institutional performance status based on the pro rata share of total full time equivalent (FTE) students served at each college. The State Board may withhold the portion of funds for which a college may qualify as an exceptional institution while the college is under investigation by a State or federal agency or if its performance does not meet the standards established by the Southern Association of Colleges and Schools, the State Auditor's Office, or the State Board of Community Colleges. The State Board may release the funds at such time as the investigations are complete and the issues are resolved.~~

~~(i) Permissible Uses of Funds. – Funds retained by colleges or distributed to colleges pursuant to this section shall be used for the purchase of equipment, initial program start-up costs including faculty salaries for the first year of a program, and one-time faculty and staff bonuses. These funds shall not be used for continuing salary increases or for other obligations beyond the fiscal year into which they were carried forward. These funds shall be encumbered within 12 months of the fiscal year into which they were carried forward.~~

~~(j) Use of funds in low-wealth counties. – Funds retained by colleges or distributed to colleges pursuant to this section may be used to supplement local funding for maintenance of plant if the college does not receive maintenance of plant funds pursuant to G.S. 115D-31.2, and if the county in which the main campus of the community college is located meets all of the following:~~

~~(1) Is designated as a Tier 1 county in accordance with G.S. 143B-437.08.~~

~~(2) Had an unemployment rate of at least two percent (2%) above the State average or greater than seven percent (7%), whichever is higher, in the prior calendar year.~~

~~(3) Is a county whose wealth, as calculated under the formula for distributing supplemental funding for schools in low-wealth counties, is eighty percent (80%) or less of the State average.~~

~~Funds may be used for this purpose only after all local funds appropriated for maintenance of plant have been expended.~~"

SECTION 10.5.(b) Section 9.2(b) of S.L. 1999-237 is repealed.

SECTION 10.5.(c) Section 8.6 of S.L. 2012-142 is repealed.

SECTION 10.5.(d) Effective only for the 2011-2012 reporting year, and notwithstanding G.S. 115D-31.3, the State Board of Community Colleges shall not require a college to report its performance on the progress of basic skills students as part of the mandatory performance standards prescribed by G.S. 115D-31.3(e), as amended by this section. In distributing performance-based funding allocations for the 2013-2014 fiscal year, notwithstanding G.S. 115D-31.3, the State Board of Community Colleges shall not consider the progress of basic skills students or the attainment of GED diplomas for the purpose of recognizing successful institutional performance. However, the State Board of Community Colleges shall distribute a portion of the Basic Skills block grant appropriated under this act for the 2013-2014 fiscal year based on the number of GED diplomas awarded by each college.

SECTION 10.5.(e) Beginning with the 2012-2013 reporting year, the State Board of Community Colleges shall require a college to report its performance on all eight of the

mandatory performance standards prescribed by G.S. 115D-31.3(e), as amended by this section.

REPEAL OF SENIOR CITIZEN TUITION WAIVER

SECTION 10.6. G.S. 115D-5(b)(11) is repealed.

STUDY OF THE APPROVAL PROCESS FOR MULTICAMPUS CENTERS

SECTION 10.7. The State Board of Community Colleges shall develop a process for approval of community college multicampus centers. The Board shall report to the Joint Legislative Education Oversight Committee by January 1, 2014, on its plan for a multicampus approval process and any statutory changes necessary to implement the plan.

CLARIFY EMPLOYEE ACADEMIC ASSISTANCE

SECTION 10.12. G.S. 115D-5(b1) reads as rewritten:

"(b1) The State Board of Community Colleges shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, ten-, eleven-, or twelve-month term. Community colleges may also use State and local funds to pay tuition and registration fees for professional development courses and for other courses consistent with the academic assistance program authorized by the State Personnel Commission."

REVISE TARGETED ASSISTANCE CRITERIA

SECTION 10.13. G.S. 115D-40.1(b) reads as rewritten:

"(b) Targeted Assistance. – Notwithstanding subsection (a) of this section, the State Board may allocate ~~no more than~~ up to ten percent (10%) of the funds appropriated for Financial Assistance for Community College Students ~~to:~~to the following students:

(1) Students who ~~do not qualify for need-based assistance but who~~ enroll in low-enrollment programs that prepare students for high-demand ~~occupations, and~~occupations.

(2) Students with disabilities who have been referred by the Department of Health and Human Services, Division of Vocational ~~Rehabilitation~~ Rehabilitation, and are enrolled in a community college."

REPURPOSE OF FUNDS

SECTION 10.14.(a) Of the funds appropriated to Forsyth Technical Community College in fiscal year 2005-2006 for the construction of the Center for Emerging Technologies at Forsyth Technical Community College, the sum of three million dollars ($3,000,000) for fiscal year 2013-2014 shall be transferred by the Office of State Budget and Management to Budget Code 26800 to be administered by the North Carolina Community Colleges System Office. The Community Colleges System Office shall allocate up to three hundred thousand dollars ($300,000) of these funds each fiscal year to Forsyth Technical Community College for the operating costs and lease expenses for the community college's biotechnology, nanotechnology, design, and advanced information technology programs; Small Business Center; and Corporate and Industrial Training programs. The Community Colleges System Office shall continue to allocate these funds to Forsyth Technical Community College for this purpose until those funds are expended. No additional State funds shall be made available to Forsyth Technical Community College to be used for the purposes described in this section.

SECTION 10.14.(b) The Office of State Budget and Management shall transfer all funds in Budget Codes 40520 and 40620 that are unencumbered as of July 1, 2013, except those funds to be transferred in accordance with subsection (a) of this section, to Budget Code

16800. Of the funds transferred to Budget Code 16800 under this subsection, the State Board of Community Colleges shall allocate those funds to the community colleges to which the funds were appropriated. These funds shall be used for community college equipment.

CLARIFY COMMUNITY COLLEGE AUDITS

SECTION 10.15.(a) Effective July 1, 2015, G.S. 115D-5(m) is repealed.

SECTION 10.15.(b) Effective July 1, 2015, G.S. 115D-58.16 reads as rewritten:

"**§ 115D-58.16. Audits.**

(a) Each community college shall be ~~audited~~subject to a financial audit a minimum of once every two years. Community colleges may use State funds to contract with the State Auditor or with a certified public accountant to perform the audits. The colleges shall submit the results of the audits to the State Board of Community Colleges.

The State Board of Community Colleges shall ensure that all colleges are audited in accordance with this section.

(b) Notwithstanding the provisions of Chapter 143D of the General Statutes, a community college shall not be subject to the EAGLE program administered by the Office of the State Controller unless (i) there is a finding of internal control problems in the most recent financial audit of the college or (ii) the State Board of Community Colleges determines that a college should be subject to the program."

SECTION 10.15.(c) The Community Colleges System Office, in consultation with the constituent institutions, shall develop procedures for streamlining community college audits to minimize the administrative burden on the institutions being audited. The System Office shall report the results of its study to the Joint Legislative Education Oversight Committee by January 1, 2015.

PART XI. UNIVERSITIES

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS/STUDY SCHOLARSHIPS FOR CHILDREN OF WAR VETERAN'S PROGRAM

SECTION 11.1.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of thirty-seven million two hundred eighty-seven thousand two hundred forty-two dollars ($37,287,242) for the 2013-2014 fiscal year and the sum of thirty-seven million two hundred eighty-seven thousand two hundred forty-two dollars ($37,287,242) for the 2014-2015 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 11.1.(b) There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of fifteen million two hundred forty-six thousand three hundred seventy-three dollars ($15,246,373) for the 2013-2014 fiscal year and the sum of sixteen million three hundred thirty-five thousand dollars ($16,335,000) for the 2014-2015 fiscal year to be used for community college grants.

SECTION 11.1.(c) There is appropriated from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs, the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2013-2014 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2014-2015 fiscal year to be used for need-based student financial aid.

SECTION 11.1.(d) The funds appropriated by this section shall be allocated by the State Education Assistance Authority (SEAA) for need-based student financial aid in accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no

circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated under this section remain uncommitted for need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

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

SECTION 11.1.(f) G.S. 116B-7(a) reads as rewritten:

"(a) The income derived from the investment or deposit of the Escheat Fund shall be distributed annually on or before ~~July 15~~ August 15 to the State Education Assistance Authority for grants and loans to aid worthy and needy students who are residents of this State and are enrolled in public institutions of higher education in this State. Such grants and loans shall be made upon terms, consistent with the provisions of this Chapter, pursuant to which the State Education Assistance Authority makes grants and loans to other students under G.S. 116-201 to 116-209.23, Article 23 of Chapter 116 of the General Statutes, policies of the Board of Governors of The University of North Carolina regarding need-based grants for students of The University of North Carolina, and policies of the State Board of Community Colleges regarding need-based grants for students of the community colleges."

SECTION 11.1.(g) The Joint Legislative Education Oversight Committee shall study the Scholarships for Children of War Veterans Program in the Department of Administration and no later than March 1, 2014, shall report its findings to the Chairs of the House of Representatives Appropriations Subcommittee on General Government, to the Chairs of the Senate Appropriations Committee on General Government and Information Technology, and to the General Assembly. The report shall include findings and recommendations regarding all of the following:

(1) Which State agency is the appropriate entity to administer the program.

(2) Ways in which the Program could be redesigned so as to increase cost predictability. This part of the report shall specifically include recommendations regarding the desirability of imposing time limits and scholarship award maximums on scholarships made available under the Program.

(3) Methods of coordinating with other scholarship programs so as to ensure that non-State resources are maximized before Program resources are used.

UNC NEED-BASED FINANCIAL AID FORWARD FUNDING RESERVE/PROVIDE FUNDS FOR UNC NEED-BASED GRANTS

SECTION 11.2.(a) It is the intent of the General Assembly to move the UNC Need-Based Financial Aid Program grant funding into a reserve in the North Carolina Student Loan Fund designated for that purpose so that funds appropriated for grants in a fiscal year are awarded to students for the following academic year. This change will provide additional program stability.

SECTION 11.2.(b) The UNC Need-Based Financial Aid Forward Funding Reserve is established as a reserve in the North Carolina Student Loan Fund. The funds in the UNC Need-Based Financial Aid Forward Funding Reserve shall be held in reserve until the

sum in reserve is sufficient to implement the forward funding of grants awarded to students in accordance with the intent set out in subsection (a) of this section.

SECTION 11.2.(c) The following funds shall be transferred to the UNC Need-Based Financial Aid Forward Funding Reserve (Reserve):

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

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

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

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

SECTION 11.2.(d) There is appropriated from the Escheat Fund for the 2013-2014 fiscal year to the UNC Need-Based Financial Aid Forward Funding Reserve the sum of one million eighty-eight thousand six hundred twenty-seven dollars ($1,088,627).

SECTION 11.2.(e) G.S. 116-209.40 is repealed.

COORDINATED RESIDENCY DETERMINATION PROCESS

SECTION 11.3.(a) The General Assembly finds that it is in the best interest of the State for the University System, the Community College System, and the State Education Assistance Authority to apply the criteria in G.S. 116-143.1 to determine residency for tuition purposes in a coordinated and similar manner. Therefore, The University of North Carolina, the North Carolina Community College System, and the State Education Assistance Authority shall jointly develop and implement a coordinated and centralized process to be used by those three entities when determining the residency for tuition purposes of students who apply for admission and are admitted to a constituent institution of The University of North Carolina or a community college under the jurisdiction of the State Board of Community Colleges and for private college students receiving State-funded financial aid. In developing a centralized residency determination process, The University of North Carolina General Administration, the North Carolina Community College System, and the State Education Assistance Authority shall consult with the North Carolina Independent Colleges and Universities.

SECTION 11.3.(b) No later than January 1, 2014, The University of North Carolina, the North Carolina Community College System, and the State Education Assistance Authority shall report to the Joint Legislative Education Oversight Committee regarding the progress in developing and implementing a coordinated and centralized process and any necessary statutory changes.

IMPLEMENT TUITION SURCHARGE STUDY RECOMMENDATIONS

SECTION 11.4.(a) G.S. 116-143.7 is amended by adding a new subsection to read:

"(d) Each constituent institution shall implement procedures to notify students regarding the tuition surcharge and to provide appropriate advance notice to a student when the student is approaching the credit hour limit regarding the tuition surcharge. The procedures shall comply with the tuition surcharge notification principles established by the Board of Governors."

SECTION 11.4.(b) G.S. 116-11 is amended by adding a new subdivision to read:

"(7a) The Board of Governors shall develop a uniform core set of notification principles regarding the tuition surcharge, including a process for each campus to notify students at orientation and through each semester's tuition statements and a process to provide appropriate advance notification to a student when the student is approaching the credit hour limit regarding the tuition surcharge. The Board of Governors shall direct each constituent institution to implement these procedures."

SECTION 11.4.(c) This section applies to the 2013 fall academic semester and each subsequent academic semester.

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 11.5.(a) The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but in a manner that recognizes the importance of the academic missions and differences among The University of North Carolina entities.

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

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

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

SECTION 11.5.(b) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2013-2015 biennium to any of the following:

(1) UNC Need-Based Financial Aid.
(2) North Carolina Need-Based Scholarship.

SECTION 11.5.(c) The University of North Carolina shall report on the implementation of the management flexibility reduction in subsection (a) of this section to the Office of State Budget and Management and the Fiscal Research Division no later than October 1, 2013. This report shall identify both of the following by campus:

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

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 11.6.(a) G.S. 116-11 is amended by adding a new subdivision to read:

"(9a) The Board of Governors shall report to the Joint Legislative Education Oversight Committee and the Office of State Budget and Management by

March 1 of each year regarding the sum of facilities and administrative fees and overhead receipts for The University of North Carolina that are collected and expended by each constituent institution. The report shall include all of the following information:

a. The collection of facilities and administrative fees and overhead receipts by line item and by grant or program.

b. The use of facilities and administrative fees and overhead receipts showing line item expenditures by grant or program.

c. The sum of facilities and administrative fees and overhead receipts collected or expended by each constituent institution for maintenance and operation of facilities that were constructed with or at any time operated by funds from the General Fund."

SECTION 11.6.(b) Section 31.14 of S.L. 2001-424 is repealed.

STUDENT CHARGES AT THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATH

SECTION 11.7.(a) G.S. 116-40.22 reads as rewritten:

"**§ 116-40.22. Management flexibility.**

…

(c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the General Statutes to the contrary, in addition to any tuition and fees set by the Board of Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may recommend to the Board of Governors tuition and fees for program-specific and institution-specific needs at that institution without regard to whether an emergency situation exists and not inconsistent with the actions of the General Assembly. Any tuition and fees set pursuant to this subsection are appropriated for use by the institution. Notwithstanding this subsection, neither the Board of Governors of The University of North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at the North Carolina School of Science and Mathematics without the approval of the General ~~Assembly.~~Assembly, except as provided in subsection (e) of this section.

…

(e) The Board of Governors of The University of North Carolina may approve, upon the recommendation of the Board of Trustees of the North Carolina School of Science and Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for distance education services provided by the North Carolina School of Science and Mathematics to nonresidents and for students participating in extracurricular enrichment programs sponsored by the School."

SECTION 11.7.(b) G.S. 116-143 reads as rewritten:

"**§ 116-143. State-supported institutions of higher education required to charge tuition and fees.**

…

(b) In the event that said students are unable to pay the cost of tuition and required academic fees as the same may become due, in cash, the said several boards of trustees are hereby authorized and empowered, in their discretion, to accept the obligation of the student or students together with such collateral or security as they may deem necessary and proper, it being the purpose of this Article that all students in State institutions of higher learning shall be required to pay tuition, and that free tuition is hereby abolished. Notwithstanding this section, neither the Board of Governors of The University of North Carolina nor its Board of Trustees shall impose any tuition or mandatory fee at the North Carolina School of Science and Mathematics without the approval of the General ~~Assembly.~~Assembly, except as provided in subsection (e) of this section.

…

(e) The Board of Governors of The University of North Carolina may approve, upon the recommendation of the Board of Trustees of the North Carolina School of Science and Mathematics, the imposition of fees not inconsistent with actions of the General Assembly for distance education services provided by the North Carolina School of Science and Mathematics to nonresidents and for students participating in extracurricular enrichment programs sponsored by the School."

SECTION 11.7.(c) This section applies to the 2013-2014 spring academic semester and each subsequent academic semester.

STUDENT CHARGES AT THE UNC SCHOOL OF THE ARTS

SECTION 11.8.(a) Article 4 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-68.1. Fees.**

The Board of Governors of The University of North Carolina may set fees, not inconsistent with the actions of the General Assembly, to be paid by in-State high school students enrolled at the University of North Carolina School of the Arts to assist with expenses of the institution. The Board of Trustees may recommend to the Board of Governors of The University of North Carolina that fees be set, not inconsistent with actions of the General Assembly, to be paid by in-State high school students enrolled at the University of North Carolina School of the Arts to assist with expenses of the institution. The University of North Carolina School of the Arts may charge and collect fees established as provided by this section from in-State high school students enrolled at the University of North Carolina School of the Arts."

SECTION 11.8.(b) This section applies to the 2014-2015 academic year and each subsequent academic year.

AUTHORIZE STATE EDUCATION ASSISTANCE AUTHORITY TO CONTINUE TO COLLECT NORTH CAROLINA TEACHING FELLOWS REPAYMENTS

SECTION 11.9. Subsection (b) of Section 1.38 of S.L. 2011-266 is repealed.

UNC STRATEGIC DIRECTION INITIATIVE

SECTION 11.14.(a) Data Analytics Projects. – Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium to be used for data analytics, the sum of five hundred thousand dollars ($500,000) for the 2013-2014 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2014-2015 fiscal year shall be allocated to the University of North Carolina at Wilmington to complete the construction of the Predictive Analytics Project and to make the project available as a model for data analytics that may be used by the other constituent institutions. The Board of Governors shall allocate the remaining funds appropriated by this act for data analytics among the other constituent institutions to construct data analytic projects similar to the model project at the University of North Carolina at Wilmington.

The University of North Carolina at Wilmington shall report the progress in implementing its Predictive Analytics Project and the information gained through the Project to the House of Representatives Education Appropriations Subcommittee and the Senate Education Appropriations Committee by the convening of the 2014 Regular Session of the 2013 General Assembly. The information in the report shall include the expenditures at the Wilmington campus for the 2012-2013 fiscal year set out separately by degree level.

The General Administration of The University of North Carolina shall make a final report to the 2015 General Assembly by the time it convenes regarding the implementation of the Predictive Analytics Project at the University of North Carolina at Wilmington and the progress in implementing data analytics projects at the other campuses in The University of

North Carolina System. The report shall include the expenditures at each campus set out separately by degree level and by campus for the 2013-2014 fiscal year and the plans to continue to make the expenditure information available in the same manner for each subsequent fiscal year.

SECTION 11.14.(b) Tuition Assistance for Nonresident Veterans. – Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium to increase degree attainment, the sum of three million dollars ($3,000,000) for the 2013-2014 fiscal year and the sum of three million dollars ($3,000,000) for the 2014-2015 fiscal year shall be used to provide funding to assist nonresident veteran students with the difference in cost between resident and nonresident tuition. The University of North Carolina is encouraged to use these funds to increase participation in the federal Yellow Ribbon Program to maximize available resources.

SECTION 11.14.(c) Funds for UNC Investments in Faculty, Research, and Scholarship. – Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2013-2015 fiscal biennium, the sum of two million four hundred thousand dollars ($2,400,000) in recurring funds and the sum of one million dollars ($1,000,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of twelve million one hundred thousand dollars ($12,100,000) in recurring funds and the sum of ten million dollars ($10,000,000) in nonrecurring funds for the 2014-2015 fiscal year for focused investments in faculty, research, and scholarship that support certain priorities of The University System shall be allocated as follows:

	FY 2013-2014	**FY 2014-2015**
Advanced Manufacturing:		
Faculty and Staff	$200,000 (R)	$1,000,000 (R)
Advanced Manufacturing:		
Operations and Support	$200,000 (R)	$500,000 (R)
Data Sciences:		
Faculty and Staff	$200,000 (R)	$900,000 (R)
Data Sciences:		
Operations and Support	$200,000 (R)	$400,000 (R)
Defense, Military, and Security:		
Faculty and Staff	$200,000 (R)	$1,000,000 (R)
Defense, Military, and Security:		
Operations and Support	$200,000 (R)	$500,000 (R)
Energy:		
Faculty and Staff	$200,000 (R)	$1,000,000 (R)
Energy:		
Operations and Support	$200,000 (R)	$500,000 (R)
Marine and Coastal Sciences:		
Faculty and Staff	$400,000 (R)	$1,300,000 (R)
Marine and Coastal Sciences:		
Operations and Support	$200,000 (R)	$400,000 (R)
Pharmaco-Engineering:		
Faculty and Staff	$200,000 (R)	$3,400,000 (R)
Pharmaco-Engineering:		
Graduate Fellowship/Support	—	$200,000 (R)
Capital Facilities Lease Costs	—	$1,000,000 (R)
Startup and Infrastructure	—	$7,000,000 (NR)
Shared Research Equipment	$1,000,000 (NR)	$3,000,000 (NR)

SECTION 11.14.(d) The Board of Governors shall allocate the funds designated for data sciences in subsection (c) of this section to the University of North Carolina at Charlotte.

STUDENT FINANCIAL AID/SEMESTER LIMIT

SECTION 11.15.(a) G.S. 115C-499.2(6) is repealed.

SECTION 11.15.(b) Article 35A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-499.2A. Semester limitation on eligibility for scholarship.**

(a) Except as otherwise provided by subsection (c) of this section, a student with a matriculated status at a constituent institution of The University of North Carolina shall not receive a scholarship for more than 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the Board of Governors as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a scholarship for more than 12 full-time academic semesters or the equivalent if enrolled part-time.

(b) Except as otherwise provided by subsection (c) of this section, a student with a matriculated status at a community college shall not receive a scholarship for more than six full-time academic semesters, or the equivalent if enrolled part-time.

(c) Upon application by a student, the appropriate postsecondary institution may grant a waiver to the student who may then receive a scholarship for the equivalent of one additional full-time academic semester if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree, diploma, or certificate: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The Board of Governors or the State Board of Community Colleges, as appropriate, shall establish policies and procedures to implement the waiver provided by this subsection."

SECTION 11.15.(c) Article 3 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-40.2. Semester limitation on eligibility for North Carolina Community College grants.**

(a) Except as otherwise provided by this section, a student shall not receive a need-based grant from the North Carolina Community College Grant Program for more than six full-time academic semesters, or the equivalent if enrolled part-time.

(b) Upon application by a student, the community college may grant a waiver to the student who may then receive a grant from the North Carolina Community College Grant Program for the equivalent of one additional full-time academic semester if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree, diploma, or certificate: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The State Board shall establish policies and procedures to implement the waiver provided by this subsection."

SECTION 11.15.(d) G.S. 116-25.1 reads as rewritten:

"**§ 116-25.1. ~~Limit receipt of~~ Semester limitation on eligibility for The University of North Carolina need-based financial aid ~~grants to traditional time period required to earn baccalaureate degree.~~grants.**

(a) Except as otherwise provided by this section, a student shall not receive a grant from The University of North Carolina Need-Based Financial Aid Program for more than ~~nine~~ 10 full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the Board of Governors as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not

receive a need-based grant from The University of North Carolina Need-Based Financial Aid Program for more than ~~11~~ 12 full-time academic semesters or its equivalent if enrolled part-time.

(b) Upon application by a student, ~~the student may receive a grant for one additional part-time or full-time academic semester as appropriate,~~ the constituent institution may grant a waiver to the student who may then receive a grant for the equivalent of one additional full-time academic semester if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary ~~hardship, including inability to enroll in the appropriate courses due to reduced course offerings.~~ hardship. The Board of Governors shall establish ~~the appropriate~~policies and procedures to implement the ~~additional semester extension~~waiver provided by this subsection."

SECTION 11.15.(e) G.S. 116-281(6) is repealed.

SECTION 11.15.(f) Article 34 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-281.1. Semester limitation on eligibility for scholarship.**

(a) A student shall not receive a scholarship under this Article for more than 10 full-time academic semesters, or the equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the eligible private postsecondary institution as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a scholarship under this Article for more than 12 full-time academic semesters or the equivalent if enrolled part-time.

(b) Upon application by a student, the eligible private postsecondary institution may grant a waiver to the student who may then receive a scholarship for the equivalent of one additional full-time academic semester if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a baccalaureate degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship. The eligible private postsecondary institution shall establish policies and procedures to implement the waiver provided by this subsection."

SECTION 11.15.(g) Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-209.19A. Limit semesters eligible for need-based grants and scholarships.**

The Authority administers the following need-based grant and scholarship programs: the Education Lottery Scholarships, North Carolina Community College Grant Program, The University of North Carolina Need-Based Financial Aid Program, and Need-Based Scholarships for Students Attending Private Institutions of Higher Education. G.S. 115C-499.2A, 115D-40.2, 116-25.1, and 116-281.1 limit the number of semesters that a student may receive a grant or scholarship from any of those programs and also provide the circumstances in which a waiver to those limits may be granted by the appropriate postsecondary institution. The Authority shall enforce these limitations in administering these programs so that unless a waiver is granted by the appropriate postsecondary institution, no student shall receive a grant or scholarship from any of those programs or any combination of those financial aid programs while pursuing a degree, diploma, or certificate for more than any of the following time periods: (i) 10 full-time academic semesters or its equivalent if enrolled part-time or (ii) 12 full-time academic semesters or its equivalent if the student is enrolled in a program officially designated as a five-year degree program.

A postsecondary institution that grants a waiver under G.S. 115C-499.2A, 115D-40.2, 116-25.1, or 116-281.1 shall certify the granting of the waiver in a manner acceptable to the Authority and shall also maintain documentation substantiating the reason for the waiver."

SECTION 11.15.(h) The State Education Assistance Authority shall structure its payment schedule to encourage students to complete an average of 30 credit hours per academic year. The State Education Assistance Authority shall report to the Joint Legislative Education Oversight Committee by March 1, 2014, regarding the measures implemented by the Authority pursuant to this subsection.

SECTION 11.15.(i) This section applies to the 2014-2015 academic year and each subsequent academic year.

STUDY SCHOOL OF SCIENCE AND MATHEMATICS/MORGANTON CAMPUS

SECTION 11.16.(a) The Board of Governors of The University of North Carolina, the North Carolina School of Science and Mathematics (School of Science and Math), and the Department of Public Instruction shall jointly study the feasibility of establishing a western campus for the School of Science and Math at the School for the Deaf in Morganton. In its study, the Board of Governors, the School of Science and Math, and the Department of Public Instruction shall consider the number of students with excellent academic records who apply to the School of Science and Math but are not accepted because of the School's lack of physical space to accommodate additional students. They may also consult with the Department of Administration regarding what, if any, renovations would be required at the School for the Deaf if a western campus for the School of Science and Math were located at that facility.

If it is determined that the School for the Deaf is not a suitable site for the location of a western campus, the Board of Governors, School of Science and Math, and the Department of Public Instruction in consultation with the Department of Administration may consider other sites in western North Carolina that are available as a site.

SECTION 11.16.(b) The Department of Administration shall, upon request by the Board of Governors, the North Carolina School of Science and Math, and the Department of Public Instruction, provide information regarding renovations that may be required to locate a western campus for the School of Science and Math at the School for the Deaf and shall also provide, upon request, information regarding other State-owned real property that may be available for such a purpose.

SECTION 11.16.(c) The Board of Governors, the School of Science and Math, and the Department of Public Instruction shall report their findings and recommendations to the House of Representatives and Senate Appropriations Subcommittees on Education by February 1, 2014.

NC GUARANTEED ADMISSION PROGRAM

SECTION 11.17.(a) The Board of Governors of The University of North Carolina, in consultation with the State Board of Community Colleges, shall develop the North Carolina Guaranteed Admission Program (NC GAP). The goals of NC GAP are to encourage and assist more students to obtain a baccalaureate degree within a shorter time period; to provide students with a college education at significantly lower costs for both the student and the State; to help decrease the amount of debt resulting from loans that a student may owe upon graduation; to provide a student with an interim degree that may increase a student's job opportunities if the student chooses not to continue postsecondary education; and to provide easier access to academic counseling that will assist a student in selecting coursework that reflects the student's educational and career goals and helps the student succeed academically.

The purpose of the program is to provide an option for students who apply for admission to a constituent institution and satisfy the admission criteria, but whose academic credentials are not as competitive as other students admitted to the institution. A student who chooses to participate in NC GAP shall agree to defer admission to the constituent institution for at least two years and in return shall be guaranteed admission to the constituent institution

for the student's junior year, provided the student enrolls in a community college and earns an associate degree.

SECTION 11.17.(b) The State Board of Community Colleges, in consultation with the Board of Governors of The University of North Carolina, shall adopt rules to ensure that a student participating in NC GAP is provided counseling and assistance in selecting coursework that reflects the student's educational and career goals and that provides a smooth transition from the community college to the constituent institution.

SECTION 11.17.(c) The State Board of Community Colleges shall allocate a portion of the nonrecurring funds appropriated to the Board by this act for the 2014-2015 fiscal year to assist community colleges with students who are participating in NC GAP.

SECTION 11.17.(d) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by March 1, 2014, on the development and implementation of NC GAP. The report shall include a comprehensive description of the program and the academic counseling required to help students in NC GAP succeed academically.

SECTION 11.17.(e) NC GAP shall be implemented for the 2014-2015 academic year and shall continue for each subsequent academic year.

UNC ISCHOOL/CAREER AND COLLEGE PROMISE PROGRAM

SECTION 11.18. The University of North Carolina at Greensboro and the Department of Public Instruction shall jointly study the feasibility of restarting the UNC-G iSchool by incorporating it as a part of the Career and College Promise Program. As part of the study, the University of North Carolina at Greensboro and the Department of Public Instruction shall consider the cost of incorporating the iSchool within the existing structure of the Career and College Promise Program. The University of North Carolina at Greensboro and the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee by March 1, 2014, regarding their findings and recommendations.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

DEPARTMENT FLEXIBILITY TO ACHIEVE DEPARTMENTAL PRIORITIES AND ENHANCE FISCAL OVERSIGHT AND ACCOUNTABILITY

SECTION 12A.1.(a) Notwithstanding any other provision of law to the contrary and consistent with G.S. 143B-10, the Secretary of the Department of Health and Human Services may reorganize positions and related operational costs within the Department (i) upon a demonstration by the Department of cost-effectiveness and (ii) after approval by the Office of State Budget and Management (OSBM) of a written proposal submitted by the Department to OSBM. Proposals submitted to OSBM under this section shall, at a minimum, identify the positions involved and the strategies to be implemented in order to achieve efficiencies.

SECTION 12A.1.(b) In order to enhance fiscal oversight and accountability, the Secretary of the Department of Health and Human Services may realign existing resources to expand its internal audit capacity. The Secretary may identify up to 32 existing positions for this purpose. Any realignment of resources and positions pursuant to this subsection is subject to the prior approval of OSBM. Notwithstanding any provision of law to the contrary, these realignments shall be reflected in the authorized budget. The expanded Office of Internal Audit shall provide the Department's management personnel with independent reviews and analyses of various functions and services within the Department, including operational audits, performance audits, compliance audits, financial audits, and other special reviews.

SECTION 12A.1.(c) By no later than June 30, 2014, the Department shall report any actions undertaken pursuant to this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall, at a minimum, identify the positions involved and the strategies implemented to achieve efficiencies, to expand internal audit capacity, or both.

FUNDING FOR NONPROFIT ORGANIZATIONS/ESTABLISH COMPETITIVE GRANTS PROCESS

SECTION 12A.2.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of nine million five hundred twenty-nine thousand one hundred thirty-four dollars ($9,529,134) for the 2013-2014 fiscal year only and the sum of three million twenty-one thousand three hundred twenty-three dollars ($3,021,323) appropriated in Section 12J.1 of this act for each year of the 2013-2015 fiscal biennium shall be used to allocate funds for nonprofit organizations.

SECTION 12A.2.(b) For fiscal year 2013-2014 only, from funds appropriated under subsection (a) of this section, the Department shall allocate the designated amounts to the following nonprofit organizations:

(1)	North Carolina Senior Games, Inc.	$ 111,908
(2)	ARC of North Carolina	281,517
(3)	ARC of North Carolina – Wilmington	47,025
(4)	Autism Society of North Carolina	2,710,003
(5)	The Mariposa School for Children with Autism	313,097
(6)	Easter Seals UCP of North Carolina	1,491,827
(7)	ABC of North Carolina Child Development Center	337,807
(8)	Residential Services, Inc.	227,006
(9)	Oxford House, Inc.	184,240
(10)	Brain Injury Association of North Carolina	207,475
(11)	Food Bank of Central and Eastern North Carolina, Inc.	460,600
(12)	Food Bank of the Albemarle	460,600
(13)	Manna Food Bank	460,600
(14)	Second Harvest Food Bank of Metrolina, Inc.	460,600
(15)	Second Harvest Food Bank of Northwest North Carolina, Inc.	460,600
(16)	Second Harvest Food Bank of Southeast North Carolina	460,600
(17)	Prevent Blindness NC	422,060
(18)	Maternity Homes	345,450
(19)	NC High School Athletic Association (NCHSAA)	306,291
(20)	Work First – Boys & Girls Clubs	2,259,243
(21)	Vocational Rehabilitation Services – Easter Seal Society/UCP North Carolina	173,428
(22)	ALS Jim "Catfish" Hunter	368,480

SECTION 12A.2.(c) It is the intent of the General Assembly that beginning fiscal year 2014-2015 the Department implement a competitive grants process for nonprofit funding. To that end, the Department shall develop a plan that establishes a competitive grants process to be administered by the Division of Central Management and Support. The Department shall develop a plan that, at a minimum, includes each of the following:

(1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis.

(2) A requirement that nonprofits match a minimum of ten percent (10%) of the total amount of the grant award.

(3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.

(4) A process that awards grants to nonprofits dedicated to providing services on a statewide basis and that support any of the following State health and wellness initiatives:

a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.

b. A comprehensive program of education, advocacy, and support related to brain injury and those affected by brain injury.

c. A system of residential supports for those afflicted with substance abuse addiction.

d. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.

e. Supports and services to children and adults with developmental disabilities or mental health diagnoses.

f. A food distribution system for needy individuals.

g. The provision and coordination of services for the homeless.

h. The provision of services for individuals aging out of foster care.

i. Programs promoting wellness, physical activity, and health education programming for North Carolinians.

j. A program focused on enhancing vision screening through the State's public school system.

k. Provision for the delivery of after-school services for at-risk youth.

l. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.

(5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

SECTION 12A.2.(d) By no later than December 1, 2013, each nonprofit organization receiving funding pursuant to subsection (b) of this section shall submit to the Division of Central Management and Support a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:

(1) The entity's mission, purpose, and governance structure.

(2) A description of the types of programs, services, and activities funded by State appropriations.

(3) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.

(4) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities.

(5) A detailed program budget and list of expenditures, including all positions funded and funding sources.

(6) The source and amount of any matching funds received by the entity.

SECTION 12A.2.(e) By no later than February 1, 2014, the Secretary of Health and Human Services shall develop a plan for the implementation of the competitive grants process for nonprofit funding and shall report to the Joint Legislative Oversight Committee on Health and Human Services on the plan.

SECTION 12A.2.(f) By no later than April 1, 2014, the Secretary of Health and Human Services shall implement the plan for the competitive grants process.

SECTION 12A.2.(g) By no later than July 1, 2014, the Secretary shall announce the recipients of the competitive grant awards. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.
(2) The amount of funding awarded to each grantee.
(3) The number of persons served by each grantee, broken down by program or initiative.

SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES

SECTION 12A.2A.(a) As used in this act, "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3), and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

SECTION 12A.2A.(b) From the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of eight million dollars ($8,000,000) in nonrecurring funds shall be used to provide temporary, short-term financial assistance in the form of a monthly payment to group homes on behalf of each resident who meets all of the following criteria:

(1) Was eligible for Medicaid-covered personal care services (PCS) prior to January 1, 2013, but was determined to be ineligible for PCS on or after January 1, 2013, due to Medicaid State Plan changes in PCS eligibility criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.
(2) Has continuously resided in a group home since December 31, 2012.

SECTION 12A.2A.(c) These monthly payments shall be subject to all of the following requirements and limitations:

(1) The amount of the monthly payments authorized by this section shall not exceed four hundred sixty-four dollars and thirty cents ($464.30) per month for each resident who meets all criteria specified in subsection (b) of this section.
(2) A group home that receives the monthly payments authorized by this section shall not, under any circumstances, use these payments for any purpose other than providing, as necessary (i) non-hands-on assistance, (ii) supervision, and (iii) medication management for a resident who meets all criteria specified in subsection (b) of this section.
(3) The Department shall make monthly payments authorized by this section to a group home on behalf of each resident who meets all criteria specified in subsection (b) of this section only for the period commencing July 1, 2013, and ending June 30, 2014, or upon depletion of the eight million dollars ($8,000,000) in nonrecurring funds appropriated in this act to the Division of Central Management and Support for the 2013-2014 fiscal year for the purpose of this section, whichever is earlier.
(4) The Department shall make monthly payments authorized by this section only to the extent sufficient funds are available from the eight million dollars ($8,000,000) in nonrecurring funds appropriated in this act to the Division of Central Management and Support for the 2013-2014 fiscal year for the purpose of this section.

(5) The Department shall not make monthly payments authorized by this section to a group home on behalf of a resident during the pendency of an appeal by or on behalf of the resident under G.S. 108A-70.9A.

(6) The Department shall terminate all monthly payments pursuant to this section on June 30, 2014, or upon depletion of the funds appropriated in this act to the Division of Central Management and Support for the 2013-2014 fiscal year for the purpose of this section, whichever is earlier.

SECTION 12A.2A.(d) The Department shall use an existing mechanism to administer these funds in the least restrictive manner that ensures compliance with this section and timely and accurate payments to group homes. The Department shall not, under any circumstances, use any portion of the eight million dollars ($8,000,000) appropriated in this act to the Division of Central Management and Support for the purpose of this section for any other purpose.

SECTION 12A.2A.(e) By no later than April 1, 2014, the Department of Health and Human Services shall study and submit to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division a plan for a long-term solution for individuals residing in group homes who would like to continue residing in this setting and, as a result of an independent assessment, have been determined to need only one or more of the following: (i) non-hands-on assistance, (ii) supervision, and (iii) medication management.

SECTION 12A.2A.(f) Nothing in this section shall be construed as an obligation by the General Assembly to appropriate funds for the purpose of this section, or as an entitlement by any group home, resident of a group home, or other person to receive temporary, short-term financial assistance under this section.

SECTION 12A.2A.(g) This section expires June 30, 2014.

HEALTH INFORMATION TECHNOLOGY

SECTION 12A.3.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities does so within the area of its greatest expertise and technical capability and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into HIT infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physicians' offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.

(7) Facilitating health and clinical research.

(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 12A.3.(b) The Department of Health and Human Services shall establish and direct an HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system, and (ii) unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including identifying resources and available opportunities for North Carolina institutions of higher education.

(7) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(8) Monitoring HIT efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.

(9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(10) Monitoring the progress and recommendations of the HIT Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.

(11) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 12A.3.(c) Section 10.24(c) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.24.(c)** ~~Beginning October 1, 2011, the Department of Health and Human Services shall provide quarterly written reports~~By no later than January 15, 2015, the Department of Health and Human Services shall provide a written report on the status of HIT efforts to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The ~~reports due each January 1 and July 1 shall consist of updates to substantial initiatives or challenges that have occurred since the most recent comprehensive report. The reports due each October 1 and April 1~~report shall be comprehensive and shall include all of the following:

(1) Current status of federal HIT initiatives.

(2) Current status of State HIT efforts and initiatives among both public and private entities.

(3) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.

(4) Department efforts to coordinate HIT initiatives within the State and any obstacles or impediments to coordination.

(5) HIT research efforts being conducted within the State and sources of funding for research efforts.
(6) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.
(7) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues."

FUNDS FOR REPLACEMENT MEDICAID MANAGEMENT INFORMATION SYSTEM/IMPLEMENTATION OF REPLACEMENT MMIS

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

SECTION 12A.4.(b) The Department shall make full development of the replacement MMIS a top priority. During development and implementation of the replacement MMIS, the Department shall develop plans to ensure the timely and effective implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premiums or other payments required by law.
(2) Compatibility with the Health Information System.

SECTION 12A.4.(c) The Department shall make every effort to expedite the implementation of the enhancements. The replacement MMIS shall have the capability to fully implement the administration of NC Health Choice, Ticket to Work, CAP Children's Program, all relevant Medicaid waivers, and the Medicare 646 waiver as it applies to Medicaid eligibles.

SECTION 12A.4.(d) The Office of the State Chief Information Officer (SCIO) and the Office of Information Technology Services (ITS) shall work in cooperation with the Department to ensure the timely and effective implementation of the replacement MMIS and any enhancements. The SCIO shall ensure that the replacement MMIS meets all State requirements for project management and shall immediately report any failure to meet these requirements to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The SCIO shall also immediately report if any replacement MMIS project, or portion of a project, is listed as red in the project portfolio management tool.

SECTION 12A.4.(e) Notwithstanding G.S. 114-2.3, the Department shall consult with the Office of the SCIO concerning the retention of private counsel for the replacement MMIS, and as directed by the Office of the SCIO, retain private counsel with expertise in pertinent information technology and computer law to negotiate and review contract amendments associated with the replacement MMIS. The private counsel engaged by the Department shall review the replacement MMIS contract amendments between the Department and the vendors to ensure that the requirements of subsection (c) of this section are met in their entirety and that the terms of the contract amendments are in the State's best interest.

SECTION 12A.4.(f) The Department shall immediately report any changes to the replacement MMIS implementation schedules to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information

Technology, the Fiscal Research Division, and the Office of State Budget and Management, with a full explanation of the reason for the change and any associated costs.

SECTION 12A.4.(g) The Department shall provide the following reports on the replacement MMIS by the dates specified in this subsection to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management:

(1) By no later than August 1, 2013, a progress report on full implementation of the replacement MMIS, which shall include at least all of the following:

a. An updated estimate of the costs associated with operating and maintaining the system during the 2013-2014 fiscal year and during the 2014-2015 fiscal year, with an explanation for any changes from previous submissions.

b. Any issues encountered following the "go-live" date of July 1, 2013, how each issue was resolved, any cost associated with the resolution of each issue, and the source of funding for the associated cost.

c. Any system requirements for manual workarounds, any cost associated with these system requirements, the source of funding used to pay for the associated cost, the time line for implementing an automated solution for each manual workaround, the cost associated with transitioning to each automated solution, and the source of funding for each identified cost.

d. A comparison of timeliness and accuracy of payments for legacy system and replacement system transactions, using the same criteria for both.

e. Required capabilities that are not available in the replacement MMIS on the "go-live" date of July 1, 2013, with a date for the implementation of each, as well as any cost associated with implementation.

(2) By no later than September 1, 2013, a plan for the elimination of the Office of Medicaid Management Information System Services (OMMISS) and the transfer of its remaining operations to other Divisions within the Department of Health and Human Services. This plan shall include at least all of the following:

a. The specific operations to be transferred to other Divisions within the Department, the specific Division to which each operation will be transferred, the State personnel that will be impacted by each transfer, costs associated with each transfer, and sources of funding to enable the identified Divisions to assume these transferred operations.

b. Any State personnel costs that will result from the dissolution of OMMISS, including the costs of any severance payments and any compensatory time earned during the course of the project, broken down by employee; and any identified sources of funding to pay for these personnel costs.

c. A plan for transitioning out of the space currently leased by the State for OMMISS, costs associated with this transition, and any savings that will result from the transition.

(3) By no later than October 1, 2013, a preliminary report on the Department's plan for achieving system certification, which shall include at least all of the following:

a. A description of the process.
b. A detailed time line.
c. Any issues that could impact the timing of system certification and plans to mitigate identified issues.
d. Any costs associated with system certification.
e. Any identified funding sources to pay for costs associated with system certification.

SECTION 12A.4.(h) The Department shall complete the Reporting and Analytics Project solution simultaneously with the implementation of the replacement MMIS.

SECTION 12A.4.(i) Notwithstanding any other provision of law and to the extent permitted by federal law, the Department shall not approve any overtime or compensatory time related to the replacement MMIS after the replacement MMIS "go-live" date of July 1, 2013, without the prior written approval of the Office of State Personnel for each specific instance of overtime or compensatory time.

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

SECTION 12A.6.(a) Funds appropriated in this act in the amount of eight hundred sixty-four thousand six hundred fifty-five dollars ($864,655) for State fiscal year 2014-2015 along with the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing Services through Technology (NC FAST) project shall be used to match federal funds in fiscal years 2013-2014 and 2014-2015 to expedite the development and implementation of the Eligibility Information System (EIS), Child Care, Low Income Energy Assistance, and Crisis Intervention Programs, and Child Service components of the NC FAST project.

SECTION 12A.6.(b) The Department of Health and Human Services shall report on NC FAST's performance in providing eligibility determinations for Medicaid applicants on the federally facilitated Health Benefit Exchange, a required function of NC FAST directed by Section 2 of S.L. 2013-5. The report shall contain a description of the following:

(1) Funding sources, funding amounts, and expenditures for the project beginning in fiscal year 2012-2013 through the time of the report.
(2) Any challenges with the eligibility determination project and how NC FAST solved those challenges.
(3) The number of eligibility determinations performed for applicants on the federally facilitated Health Benefit Exchange, including an analysis of on what days and for how many persons eligibility determinations were performed as well as how many applicants were determined to be eligible.

The Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Information Technology three months after open enrollment begins for the federally facilitated Health Benefit Exchange.

LIABILITY INSURANCE

SECTION 12A.7. Article 31 of Chapter 58 of the General Statutes is amended by adding a new section to read:

"**§ 58-31-26. Medical liability insurance for certain physicians and dentists.**

(a) The Secretary of the Department of Health and Human Services and the Secretary of the Department of Public Safety may provide medical liability insurance not to exceed one million dollars ($1,000,000) per incident on behalf of employees of these Departments who are licensed to practice medicine or dentistry; on behalf of all licensed physicians who are faculty

members of The University of North Carolina who perform work on a contractual basis for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs; and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

(b) The coverage provided pursuant to this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States, or that arises out of any sexual, fraudulent, criminal, or malicious act or out of any act amounting to willful or wanton negligence.

(c) The coverage provided pursuant to this section shall not require any additional appropriations and, except as provided in subsection (a) of this section, shall not apply to any individual providing contractual service to the Department of Health and Human Services or the Department of Public Safety."

ELIMINATION OF UNNECESSARY AND REDUNDANT REPORTS

SECTION 12A.8.(a) Eliminate Outcomes Evaluation Study on the Effectiveness of Substance Abuse Services Provided to Person Convicted of DWI. – G.S. 122C-142.1(j) is repealed.

SECTION 12A.8.(b) Eliminate Evaluation of Efficiency and Effectiveness of Family Resource Center Grant Program. – G.S. 143B-152.15(b) is repealed.

SECTION 12A.8.(c) Eliminate Annual Report on Progress of MH/DD/SAS State Plan. – G.S. 122C-102(c) is repealed.

SECTION 12A.8.(d) Eliminate Annual Report on North Carolina State Plan on Healthcare Associated Infections. – G.S. 130A-150(e) is repealed.

SECTION 12A.8.(e) Eliminate Annual Report on The Health Insurance Program for Children. – G.S. 108A-70.27(b) is repealed.

SECTION 12A.8.(f) Eliminate Annual Report by State Child Fatality Review Team. – G.S. 143B-150.20(h) is repealed.

CANCER COORDINATION REPORTING

SECTION 12A.9. G.S. 130A-33.51(b) reads as rewritten:

"(b) The Committee shall submit a written report not later than May 1, 1994, and not later than October 1 of each subsequent year, to ~~the Governor and to the Joint Legislative Commission on Governmental Operations.~~ the Secretary. The report shall address the progress in implementation of a cancer control program. The report shall include an accounting of funds expended and anticipated funding needs for full implementation of recommended programs."

MEETINGS OF CANCER COORDINATION COMMITTEE

SECTION 12A.10. G.S. 130A-33.50(b) reads as rewritten:

"(b) The Committee shall have up to 34 members, including the Secretary of the Department or the Secretary's designee. The members of the Committee shall elect a chair and vice-chair from among the Committee membership. The Committee shall meet not more than twice a year at the call of the chair. Six of the members shall be legislators, three of whom shall be appointed by the Speaker of the House of Representatives, and three of whom shall be appointed by the President Pro Tempore of the Senate. Four of the members shall be cancer survivors, two of whom shall be appointed by the Speaker of the House of Representatives, and

two of whom shall be appointed by the President Pro Tempore of the Senate. The remainder of the members shall be appointed by the Governor as follows:

(1) One member from the Department of Environment and Natural Resources;
(2) Three members, one from each of the following: the Department, the Department of Public Instruction, and the North Carolina Community College System;
(3) Four members representing the cancer control programs at North Carolina medical schools, one from each of the following: the University of North Carolina at Chapel Hill School of Medicine, the Bowman Gray School of Medicine, the Duke University School of Medicine, and the East Carolina University School of Medicine;
(4) One member who is an oncology nurse representing the North Carolina Nurses Association;
(5) One member representing the Cancer Committee of the North Carolina Medical Society;
(6) One member representing the Old North State Medical Society;
(7) One member representing the American Cancer Society, North Carolina Division, Inc.;
(8) One member representing the North Carolina Hospital Association;
(9) One member representing the North Carolina Association of Local Health Directors;
(10) One member who is a primary care physician licensed to practice medicine in North Carolina;
(11) One member representing the American College of Surgeons;
(12) One member representing the North Carolina Oncology Society;
(13) One member representing the Association of North Carolina Cancer Registrars;
(14) One member representing the Medical Directors of the North Carolina Association of Health Plans; and
(15) Up to four additional members at large.

Except for the Secretary, the members shall be appointed for staggered four-year terms and until their successors are appointed and qualify. The Governor may remove any member of the Committee from office in accordance with the provisions of G.S. 143B-13. Members may succeed themselves for one term and may be appointed again after being off the Committee for one term."

ANNUAL REPORT OF LAPSED SALARY FUNDS

SECTION 12A.11. Section 10.20 of S.L. 2012-142 reads as rewritten:

"**SECTION 10.20.** Beginning no later than November 1, 2012, and annually thereafter, the Department of Health and Human Services shall submit ~~quarterly reports~~a report to the Joint Legislative Oversight Committee on Health and Human ~~Services, the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services,~~ Services and the Fiscal Research Division on the use of lapsed salary funds by each Division within the Department. For each Division, the report shall include the following information about the preceding ~~calendar quarter~~ State fiscal year:

(1) The total amount of lapsed salary funds.
(2) The number of full-time equivalent positions comprising the lapsed salary funds.
(3) The Fund Code for each full-time equivalent position included in the number reported pursuant to subdivision (2) of this section.
(4) The purposes for which the Department expended lapsed salary funds."

PRISON REPORT

SECTION 12A.12. G.S. 148-19(d) reads as rewritten:

"(d) The Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services shall adopt standards for the delivery of mental health and mental retardation services to inmates in the custody of the Division of Adult Correction of the Department of Public Safety. The Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services shall give the Secretary of Public Safety an opportunity to review and comment on proposed standards prior to promulgation of such standards; however, final authority to determine such standards remains with the Commission. The Secretary of the Department of Health and Human Services shall designate an agency or agencies within the Department of Health and Human Services to monitor the implementation by the Division of Adult Correction of the Department of Public Safety of these standards and of substance abuse standards adopted by the Division of Adult Correction of the Department of Public Safety. ~~The Secretary of Health and Human Services shall send a written report on the progress which the Division of Adult Correction of the Department of Public Safety has made on the implementation of such standards to the Governor, the Lieutenant Governor, and the Speaker of the House. Such reports shall be made on an annual basis beginning January 1, 1978.~~"

MODIFICATIONS TO JUSTUS-WARREN TASK FORCE

SECTION 12A.13. G.S. 143B-216.60 reads as rewritten:

"**§ 143B-216.60. The Justus-Warren Heart Disease and Stroke Prevention Task Force.**

…

(e) The Task Force shall meet ~~at least quarterly or more frequently~~ not more than twice annually at the call of the Chair.

~~(f) The Task Force Chair may establish committees for the purpose of making special studies pursuant to its duties, and may appoint non-Task Force members to serve on each committee as resource persons. Resource persons shall be voting members of the committees and shall receive subsistence and travel expenses in accordance with G.S. 138-5 and G.S. 138-6. Committees may meet with the frequency needed to accomplish the purposes of this section.~~

…."

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K

SECTION 12B.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. Income eligibility requirements for the program shall be based on a child whose family's gross income is at or below one hundred thirty percent (130%) of the federal poverty guidelines. In addition, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces, who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces, who was injured or killed while serving on active duty. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

SECTION 12B.1.(b) Multiyear Contracts. – The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 12B.1.(c) Programmatic Standards. – All entities operating prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 12B.1.(d) NC Pre-K Committees. – The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding prekindergarten classroom slots and student selection.

SECTION 12B.1.(e) SEEK. – All prekindergarten classrooms shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

SECTION 12B.1.(f) Pilot Program. – The Division of Child Development and Early Education shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual regions that are geographically diverse. The local NC Pre-K administrator shall contract with the provider for operation of a classroom established pursuant to the pilot program. The Division shall provide a report on the status of the pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than January 31, 2014. The report shall include the following:

(1) The number of students served.
(2) The amount of funds paid for each classroom.
(3) The amount of funds paid per student.
(4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure.
(5) Information on the number of students and students' families using the Subsidized Early Education for Kids (SEEK) system.
(6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

SECTION 12B.1.(g) Reporting. – The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in the NC Pre-K program by county.
(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.
(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.
(4) The results of an annual evaluation of the NC Pre-K program.

SECTION 12B.1.(h) Child Care Commission. – G.S. 143B-168.4(b) reads as rewritten:

"(b) Members shall be appointed as follows:

(1) Of the Governor's initial appointees, four shall be appointed for terms expiring June 30, ~~1986,~~2015, and three shall be appointed for terms expiring June 30, ~~1987;~~2016;

(2) Of the General Assembly's initial appointees appointed upon recommendation of the President of the Senate, two shall be appointed for terms expiring June 30, ~~1986,~~2015, and two shall be appointed for terms expiring June 30, ~~1987;~~2016;

(3) Of the General Assembly's initial appointees appointed upon recommendation of the Speaker of the House of Representatives, two shall be appointed for terms expiring June 30, ~~1986,~~2015, and two shall be appointed for terms expiring June 30, ~~1987.~~2016.

Appointments by the General Assembly shall be made in accordance with G.S. 120-121. After the initial appointees' terms have expired, all members shall be appointed to serve two-year terms. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term."

SECTION 12B.1.(i) The terms of all members currently serving on the Child Care Commission shall expire on January 1, 2014. A new Commission of 17 members shall be appointed in the manner provided by G.S. 143B-168.4(a) and (b), as amended in subsection (h) of this section. Members appointed pursuant to subsection (h) of this section shall be appointed no later than July 1, 2014.

CHILD CARE SUBSIDY RATES

SECTION 12B.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 12B.3.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%

SECTION 12B.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) No payments shall be made for transportation services or registration fees charged by child care facilities.

(5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.

(6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

SECTION 12B.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 12B.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development and Early Education shall also calculate a statewide rate and regional market rate for each rated license level for each age category.

SECTION 12B.3.(f) The Division of Child Development and Early Education shall continue implementing policies that improve the quality of child care for subsidized children, including a policy in which child care subsidies are paid, to the extent possible, for child care in the higher quality centers and homes only. The Division shall define higher quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those counties with an inadequate number of four- and five-star rated facilities, the Division shall continue a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The Division may allow exemptions in counties where there is an inadequate number of four- and five-star rated facilities for nonstar rated programs, such as religious programs.

SECTION 12B.3.(g) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by subsection (f) of this section, no separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 12B.3.(h) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12B.3.(i) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 12B.3.(j) Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

CHILD CARE ALLOCATION FORMULA

SECTION 12B.4.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

(3) For fiscal years 2013-2014 and 2014-2015, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2012-2013 fiscal year.

(4) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2013-2014 and 2014-2015 fiscal years.

SECTION 12B.4.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county.

CHILD CARE FUNDS MATCHING REQUIREMENTS

SECTION 12B.5. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).

CHILD CARE REVOLVING LOAN

SECTION 12B.6. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 12B.7. The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at three percent (3%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan or eighty thousand dollars ($80,000), whichever is greater.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT ADJUSTMENTS

SECTION 12B.9.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall establish policies that focus the North Carolina Partnership for Children, Inc.'s mission on improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

(1) Increase children's literacy.
(2) Increase the parents' ability to raise healthy, successful children.
(3) Improve children's health.
(4) Assist four- and five-star rated facilities in improving and maintaining quality.

SECTION 12B.9.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall develop a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract management system and shall be directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 12B.9.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

(1) The population of the area serviced by a local partnership.
(2) The amount of State funds administered.
(3) The amount of total funds administered.
(4) The professional experience of the individual to be compensated.
(5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local

partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection.

SECTION 12B.9.(d) Match Requirements. – It is the intent of the General Assembly to continue to increase the percentage of the match of cash and in-kind contributions required of the North Carolina Partnership for Children, Inc., and the local partnerships. The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than three percent (3%) for a total match requirement of fourteen percent (14%) for the 2013-2014 fiscal year; and contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than four percent (4%) for a total match requirement of fifteen percent (15%) for the 2014-2015 fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.
(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
(3) Not include expenses funded by State funds.
(4) Be supplemental to and not supplant preexisting resources for related program activities.
(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
(6) Be otherwise allowable under federal or State law.
(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a fourteen percent (14%) match by June 30 of the 2013-2014 fiscal year and a fifteen percent (15%) match by June 30 of the 2014-2015 fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 12B.9.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.

(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.

(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 12B.9.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-2013 funding level.

SECTION 12B.9.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 12B.9.(h) Expenditure Restrictions. – The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2013-2014 and 2014-2015 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2013-2014 and 2014-2015. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2013-2014 and 2014-2015.

For fiscal years 2013-2014 and 2014-2015, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

REVISE DATES/TANF BENEFIT IMPLEMENTATION

SECTION 12C.1.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan 2012-2015," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2012, through September 30, 2015. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section and as amended by this act or any other act of the 2013 General Assembly, to the United States Department of Health and Human Services.

SECTION 12C.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan 2012-2015, as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 12C.1.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2012 through 2015 pursuant to G.S. 108A-27(e) shall operate under the Electing County budget requirements effective July 1, 2012. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2015.

SECTION 12C.1.(d) For the 2013-2014 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2012-2013 fiscal year,

provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 12C.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2013-2014 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 12C.2.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 12C.2.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

(1) An established follow-up system with a minimum of six months of follow-up services.
(2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.
(3) Cost-benefit data.
(4) Data on long-term benefits associated with IFPS. This data shall be obtained by tracking families through the intervention process.
(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.
(6) The number and percentage, by race, of children who received IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 12C.2.(c) The Department shall establish a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

CHILD CARING INSTITUTIONS

SECTION 12C.3. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of

the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 12C.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. The Division of Social Services shall design the Guardianship Assistance Program (GAP) in such a manner that no additional expenses are incurred beyond the funds budgeted for foster care. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules establishing a Guardianship Assistance Program to implement this section, including defining the phrase "legal guardian" as used in this section.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 12C.5.(a) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of one hundred eighty-seven thousand two hundred seventy-five dollars ($187,275) for the 2013-2014 fiscal year and three hundred sixty-four thousand four hundred fifteen dollars ($364,415) for the 2014-2015 fiscal year shall be used to expand support for the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 108711. These funds shall be allocated by the State Education Assistance Authority.

SECTION 12C.5.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars ($50,000) for the 2013-2014 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2014-2015 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 12C.5.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2013-2014 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2014-2015 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 12C.5.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

WORK FIRST FAMILY ASSISTANCE ELIGIBILITY AND PAYMENT LEVELS

SECTION 12C.8. The maximum net family annual income eligibility standards for Work First Family Assistance are the same standards of need for eligibility for the categorically needy under the Medicaid Program. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

REVISE DUTIES OF STATE CHILD FATALITY PREVENTION TEAM/REPEAL TASK FORCE

SECTION 12C.9.(a) G.S. 7B-1405 reads as rewritten:

"**§ 7B-1405. State Team – duties.**

The State Team shall:

…

~~(2) Report to the Task Force during the existence of the Task Force, in the format and at the time required by the Task Force, on the State Team's activities and its recommendations for changes to any law, rule, and policy that would promote the safety and well-being of children;~~

…

The State Team may report to the Governor or General Assembly, within the first week of the convening or reconvening of the General Assembly, on the State Team's activities and its recommendations for changes to any law, rule, or policy that would promote the safety and well-being of children. Any recommendations of changes to law, rule, or policy shall be accompanied by specific legislative or policy proposals and detailed fiscal notes setting forth the costs to the State."

SECTION 12C.9.(b) G.S. 7B-1413 reads as rewritten:

"**§ 7B-1413. Access to records.**

(a) The State ~~Team, the Local Teams, and the Task Force during its existence,~~Team and the Local Teams shall have access to all medical records, hospital records, and records maintained by this State, any county, or any local agency as necessary to carry out the purposes of this Article, including police investigations data, medical examiner investigative data, health records, mental health records, and social services records. The State ~~Team, the Task Force,~~Team and the Local Teams shall not, as part of the reviews authorized under this Article, contact, question, or interview the child, the parent of the child, or any other family member of the child whose record is being reviewed. Any member of a Local Team may share, only in an official meeting of that Local Team, any information available to that member that the Local Team needs to carry out its duties.

…

(c) All otherwise confidential information and records acquired by the State ~~Team, the Local Teams, and the Task Force during its existence,~~Team and the Local Teams in the exercise of their duties are confidential; are not subject to discovery or introduction into evidence in any proceedings; and may only be disclosed as necessary to carry out the purposes of the State ~~Team, the Local Teams, and the Task Force.~~Team and the Local Teams. In addition, all otherwise confidential information and records created by a Local Team in the exercise of its duties are confidential; are not subject to discovery or introduction into evidence in any proceedings; and may only be disclosed as necessary to carry out the purposes of the Local Team. No member of the State Team, a Local Team, nor any person who attends a meeting of the State Team or a Local Team, may testify in any proceeding about what transpired at the meeting, about information presented at the meeting, or about opinions formed by the person as a result of the meetings. This subsection shall not, however, prohibit a person from testifying in a civil or criminal action about matters within that person's independent knowledge.

…."

SECTION 12C.9.(c) G.S. 7B-1414 reads as rewritten:

"**§ 7B-1414. Administration; funding.**

(a) To the extent of funds available, the ~~chairs of the Task Force and~~State Team may hire staff or consultants to assist ~~the Task Force and~~the State Team in completing ~~their~~ its duties.

(b) Members, staff, and consultants of the ~~Task Force or~~State Team shall receive travel and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6, as the

case may be, paid from funds appropriated to implement this Article and within the limits of those funds.

~~(c) With the approval of the Legislative Services Commission, legislative staff and space in the Legislative Building and the Legislative Office Building may be made available to the Task Force.~~"

SECTION 12C.9.(d) G.S. 7B-1401(4) is repealed.

SECTION 12C.9.(e) G.S. 7B-1402, 7B-1403, and 7B-1412 are repealed.

SECTION 12C.9.(f) The Revisor of Statutes shall delete the phrases "Child Fatality Task Force" or "North Carolina Child Fatality Task Force" wherever those phrases appear in Article 14 of Chapter 7B of the General Statutes or anywhere in the General Statutes. In making the changes authorized by this subsection, the Revisor is also authorized to adjust subject and verb agreement and the placement of conjunctions.

SECTION 12C.9.(g) This section becomes effective July 1, 2014.

A FAMILY FOR EVERY CHILD/PROVISION OF FOSTER CARE

SECTION 12C.10.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of one million five hundred thousand dollars ($1,500,000) for the 2013-2014 fiscal year and the sum of one million five hundred thousand dollars ($1,500,000) for the 2014-2015 fiscal year shall be used to restore funding to the Adoption Promotion Fund to (i) reimburse private nonprofit organizations pursuant to performance-based contracts to support adoption programs and (ii) provide a financial incentive to public county departments of social services to complete adoptions above an established baseline.

SECTION 12C.10.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, the sum of one million dollars ($1,000,000) for the 2013-2014 fiscal year and the sum of two million seven hundred fifty thousand dollars ($2,750,000) for the 2014-2015 fiscal year shall be used solely for the Permanency Innovation Initiative Fund for services provided by the Children's Home Society of North Carolina as established by G.S. 131D-10.9B, enacted in subsection (e) of this section.

SECTION 12C.10.(c) G.S. 108A-50.2 reads as rewritten:

"**§ 108A-50.2. ~~Special Children~~ Adoption Promotion Fund.**

(a) Funds appropriated by the General Assembly to the Department of Health and Human Services, Division of Social Services, for the ~~Special Children~~ Adoption Promotion Fund shall be used as provided in this section. The Division of Social Services of the Department of Health and Human Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the ~~Special Children~~ Adoption Promotion Fund by participating agencies shall be used exclusively to enhance the adoption services. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the ~~Special Children~~ Adoption Promotion Fund may be used for post-adoption services for families whose income exceeds two hundred percent (200%) of the federal poverty level.

(b) Of the total funds appropriated for the ~~Special Children~~ Adoption Promotion Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31 of each State fiscal year, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

(c) The Division of Social Services shall monitor the total expenditures in the ~~Special Children~~ Adoption Promotion Fund and redistribute unspent funds to ensure that the funds are used in accordance with the guidelines established in subsection (a) of this section."

SECTION 12C.10.(d) G.S. 131D-10.1 through G.S. 131D-10.9 are recodified as Part 1 of Article 1A of Chapter 131D of the General Statutes.

SECTION 12C.10.(e) Article 1A of Chapter 131D of the General Statutes is amended by adding the following new Part to read:

"Part 2. A Family for Every Child Initiative.

"**§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.**

(a) Creation and Membership. – The Permanency Innovation Initiative Oversight Committee is established. The Committee shall be located administratively in the General Assembly. The Committee shall consist of 11 members serving staggered terms. In making appointments, each appointing authority shall select members who have appropriate experience and knowledge of the issues to be examined by the Committee and shall strive to ensure racial, gender, and geographical diversity among the membership. The initial Committee members shall be appointed on or after July 1, 2013, as follows:

(1) Four members shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives. Of the members appointed under this subdivision, at least one shall be a member of the judiciary who shall serve for a term of two years and at least one shall be a representative from the Children's Home Society of North Carolina who shall serve for a term of three years. One member of the House shall be appointed for a one-year term. The remaining appointee shall serve a one-year term.

(2) Four members shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate. Of the members appointed under this subdivision, at least one shall be a representative from the Department of Health and Human Services, Division of Social Services, who shall serve for a term of two years and at least one shall be a representative from The Duke Endowment who shall serve for a term of three years. One member of the Senate shall be appointed for a one-year term. The remaining appointee shall serve a one-year term.

(3) Three members shall be appointed by the Governor. Of the members appointed under this subdivision, at least one shall be a representative from a county department of social services who shall serve for a term of three years and at least one shall be a representative from the University of North Carolina at Chapel Hill who shall serve for a term of two years. The remaining member shall serve a one-year term.

(b) Terms. – Upon the expiration of the terms of the initial Committee members, each member shall be appointed for a term of three years and shall serve until a successor is appointed. No member may serve more than two consecutive full terms. A vacancy shall be filled within 30 days by the authority making the initial appointment.

(c) Purpose and Powers. – The Committee shall:

(1) Design and implement a data tracking methodology to collect and analyze information to gauge the success of the initiative.

(2) Develop a methodology to identify short- and long-term cost-savings in the provision of foster care and any potential reinvestment strategies.

(3) Oversee program implementation to ensure fidelity to the program models identified under subdivisions (1) and (2) of G.S. 131D-10.9B(a).

(4) Study, review, and recommend other policies and services that may positively impact permanency and well-being outcomes.

(d) Reports. – The Committee shall report its analysis and any findings and recommendations to the General Assembly by September 15 of each year.

(e) Organization. – The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Committee. The Committee shall meet at least once a quarter upon the joint call of the cochairs. A quorum of the Committee is seven members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

(f) Funding. – From funds available to the General Assembly, the Legislative Services Commission shall allocate monies to fund the work of the Committee. Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and G.S. 138-5.

(g) Staff. – The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Director of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

"**§ 131D-10.9B. Permanency Innovation Initiative Fund.**

(a) There is created the Permanency Innovation Initiative Fund that will support a demonstration project with services provided by Children's Home Society of North Carolina to (i) improve permanency outcomes for children living in foster care through reunification with parents, providing placement or guardianship with other relatives, or adoption, (ii) improve engagement with biological relatives of children in or at risk of entering foster care, and (iii) reduce costs associated with maintaining children in foster care. In implementing these goals, the Permanency Innovation Initiative Fund shall support the following strategies:

(1) Family Finding, which is a program that uses intensive biological family engagement services to discover and engage biological relatives of children living in public foster care to provide permanent emotional and relational support, including adoption, legal guardianship, or legal custody.

(2) Child Specific Adoption Recruitment Services, which is a program that follows the Wendy's Wonderful Kids Model as developed by The Dave Thomas Foundation for Adoption and works with children in public foster care to develop and execute adoption recruitment plans tailored to the needs of the individual child.

(3) Permanency Training Services, which are services delivered by Children's Home Society of North Carolina to assess the readiness of county departments of social services to implement the permanency strategies under subdivisions (1) and (2) of this subsection and provide training services to support the delivery of the services.

(b) This program shall not constitute an entitlement and is subject to the availability of funds.

(c) The Social Services Commission shall adopt rules to implement the provisions of this section."

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES

TIERED STATE-COUNTY SPECIAL ASSISTANCE PILOT

SECTION 12D.2.(a) It is the intent of the General Assembly to create a State-County Special Assistance program that allows counties greater flexibility in serving individual needs within their communities and greater control over how county funds are used to support this program in light of the fact that counties are required to pay for fifty percent (50%) of the costs of this program. To that end, the General Assembly directs the Department

of Health and Human Services to establish a pilot program in accordance with subsection (b) of this section.

SECTION 12D.2.(b) The Department of Health and Human Services, Division of Aging and Adult Services, shall establish a pilot program to implement a tiered rate structure within the State-County Special Assistance program for individuals residing in group homes, in-home living arrangements, and assisted living residences as defined in G.S. 131D-2.1. The purposes of the pilot program are to (i) determine the best way to implement a block grant for this program statewide and (ii) test the feasibility and effectiveness of implementing a tiered rate structure to address program participants' intensity of need, including medication management. The Department shall select a minimum of four and a maximum of six counties to participate in the pilot program, at least two of which shall be rural counties and at least two of which shall be urban counties. The pilot program shall be implemented during the 2013-2014 fiscal year, and shall operate for at least a 12-month period in a manner that complies with any agreements in effect with the federal government.

SECTION 12D.2.(c) The Department shall implement the pilot program in collaboration with the local departments of social services in the counties selected for participation. As part of the pilot program, the selected counties shall receive a State General Fund allocation as a block grant to be equally matched with county general funds. The General Fund allocation provided to each county participating in the pilot program shall be calculated based upon the average annual Special Assistance expenditures for that county during the 2011-2013 fiscal biennium, adjusted for the amount of projected annual growth in the number of Special Assistance recipients in that county during the 2013-2015 fiscal biennium. These funds may be used to pay for room, board, and personal care services, including medication management, for individuals eligible to receive State-County Special Assistance, subject to the following limitations and requirements:

(1) These funds shall not be used to cover any portion of the cost of providing services for which an individual receives Medicaid coverage.

(2) The pilot program shall comply with all federal and State requirements governing the existing State-County Special Assistance program, except that Section 12D.3 does not apply to the pilot program.

(3) The tiered rate structure shall be based upon intensity of need, and an individual's placement within a tier shall be based upon an independent assessment of the individual's need for room, board, and assistance with activities of daily living, including medication management.

SECTION 12D.2.(d) By no later than February 1, 2014, the Department shall submit a progress report on the implementation and operation of the pilot program, including any obstacles to implementation; and by no later than February 1, 2015, the Department shall submit a final report on the results of the pilot program, along with any recommendations based on these results, to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report due by February 1, 2015, shall include information from all participating counties on at least all of the following:

(1) The amount of the tiered rates implemented as part of the pilot program.

(2) The cost methodology for determining these tiered rates.

(3) The number of individuals participating in the pilot program while residing in a group home.

(4) The number of individuals participating in the pilot program while residing in an in-home living arrangement.

(5) The number of individuals participating in the pilot program while residing in an assisted living residence as defined by G.S. 131D-2.1, broken down by facility type.

(6) A comparison of the number of recipients of State-County Special Assistance prior to and during the pilot program, broken down by county and living arrangement.

(7) Any other information the Department deems relevant for determining the best way to implement a block grant statewide for the State-County Special Assistance program.

SECTION 12D.2(e) As used in this section, the term "group home" means any facility that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a supervised living facility under 10A NCAC 27G .5601, and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability but may also have other diagnoses.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 12D.3.(a) For each year of the 2013-2015 fiscal biennium, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred eighty-two dollars ($1,182) per month per resident.

SECTION 12D.3.(b) For each year of the 2013-2015 fiscal biennium, the maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident.

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

PERMIT FEE INCREASE FOR CERTAIN FOOD AND LODGING ESTABLISHMENTS

SECTION 12E.1.(a) G.S. 130A-247 is amended by adding a new subdivision to read:

"(8) "Temporary food establishment" means an establishment not otherwise exempted from this part pursuant to G.S. 130A-250 that (i) prepares or serves food, (ii) operates for a period of time not to exceed 21 days in one location, and (iii) is affiliated with and endorsed by a transitory fair, carnival, circus, festival, or public exhibition."

SECTION 12E.1.(b) G.S. 130A-248(d) reads as rewritten:

"(d) The Department shall charge each establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging and Adult Services of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, temporary food establishments, limited food services establishments, and public school cafeterias, a fee of ~~seventy-five~~ ninety-five dollars ~~($75.00)~~ ($95.00) for each permit issued. This fee shall be reassessed annually for permits that do not expire. The Commission shall adopt rules to implement this subsection. Fees collected under this subsection shall be used for State and local food, lodging, and institution sanitation programs and activities. No more than ~~thirty-three and one-third percent (33 1/3%) of the fees~~ twenty-five dollars ($25.00) of each fee collected under this subsection may be used to support State health programs and activities."

SECTION 12E.1.(c) G.S. 130A-248(d1) reads as rewritten:

"(d1) The Department shall charge a twenty-five dollar ($25.00) late payment fee to any establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, temporary food establishments, limited food services establishments, and public school cafeterias, that fails to pay the fee required by subsection (d) of this section within 45 days after billing by the Department. The Department may, in accordance with G.S. 130A-23, suspend the permit of an establishment that fails to pay

the required fee within 60 days after billing by the Department. The Department shall charge a reinstatement fee of one hundred fifty dollars ($150.00) to any establishment that requests reinstatement of its permit after the permit has been suspended. The Commission shall adopt rules to implement this subsection.

The clear proceeds of civil penalties collected pursuant to this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

SECTION 12E.1.(d) G.S. 130A-248 is amended by adding a new subsection to read:

"(d2) A local health department shall charge each temporary food establishment and each limited food services establishment a fee of seventy-five dollars ($75.00) for each permit issued. A local health department shall use all fees collected under this subsection for local food, lodging, and institution sanitation programs and activities."

SECTION 12E.1.(e) Subsections (a) through (d) of this section become effective on July 1, 2013, and apply to food and lodging permits effective or reassessed on or after July 1, 2013.

SECTION 12E.1.(f) Section 31.11A of S.L. 2011-145, as amended by Section 61A of S.L. 2011-391 and Section 10.15 of S.L. 2012-142, is repealed.

FUNDS FOR SCHOOL NURSES

SECTION 12E.3.(a) All funds appropriated in this act for the School Nurse Funding Initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.
(2) Percentage of students eligible for free or reduced meals.
(3) Percentage of children in poverty.
(4) Per capita income.
(5) Eligibility as a low-wealth county.
(6) Mortality rates for children between one and 19 years of age.
(7) Percentage of students with chronic illnesses.
(8) Percentage of county population consisting of minority persons.

SECTION 12E.3.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

(1) Serve as the coordinator of the health services program and provide nursing care.
(2) Provide health education to students, staff, and parents.
(3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
(4) Support healthy food services programs.
(5) Promote healthy physical education, sports policies, and practices.
(6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
(7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
(8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.

(9) Be available to assist the county health department during a public health emergency.

SECTION 12E.3.(c) Section 6.9(b) of S.L. 2011-145, as amended by Section 6.2 of S.L. 2012-142, is repealed.

CHILDREN'S DEVELOPMENTAL SERVICE AGENCIES

SECTION 12E.4. In order to reduce the amount of State funds appropriated for the Children's Developmental Service Agencies (CDSAs) program, the Department of Health and Human Services, Division of Public Health, shall close four CDSAs, effective July 1, 2014. The Department shall retain the CDSA located in the City of Morganton and the CDSAs with the highest caseloads of children residing in rural and medically underserved areas. By no later than March 1, 2014, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division identifying the four CDSAs selected for closure in accordance with this section.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 12E.5.(a) The Department of Health and Human Services shall work with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the treatment of individuals in the custody of DPS who have been diagnosed with Human Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these funds to be accounted for as State matching funds in the Department of Health and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance Program (ADAP).

SECTION 12E.5.(b) By no later than April 1, 2014, and by no later than April 1, 2015, the Department of Health and Human Services, Division of Public Health, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on alternative options for serving individuals diagnosed with HIV/AIDS who are eligible to receive services under ADAP, including the State Medicaid program and the federally facilitated Health Benefit Exchange that will operate in this State.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 12E.6.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 12E.6.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

(1) The amount of any grant-in-aid is limited to three hundred thousand dollars ($300,000).

(2) Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.

(3) Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants,

in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.

(4) Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:

a. Heart Disease.
b. Stroke.
c. Diabetes.
d. Obesity.
e. Asthma.
f. HIV/AIDS.
g. Cancer.

(5) The minimum duration of the grant period for any grant-in-aid is two years.

(6) The maximum duration of the grant period for any grant-in-aid is three years.

(7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

(8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 12E.6.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following deceased members of the General Assembly: Bernard Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 12E.6.(d) Section 10.21(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.21.(d)** By ~~October 1, 2012, and annually thereafter,~~October 1, 2013, the Department shall submit a report to ~~the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services,~~ the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on funds appropriated to the CFEHDI. The report shall include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State, and shall also address all of the following:

(1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.

(2) The amount of funding awarded to each grantee.

(3) Which of the minority populations were served by each grantee.

(4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.

(5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations, and the specific success in reducing particular incidences."

STRATEGIES FOR IMPROVING MEN'S HEALTH

SECTION 12E.7. Article 7 of Chapter 130A of the General Statutes is amended by adding a new Part to read:

"Part 5A. Men's Health.

"**§ 130A-223.1. Department to establish strategies for improving men's health.**

The Department of Health and Human Services, Division of Public Health, Chronic Disease and Injury Prevention Section, shall work to expand the State's attention and focus on the prevention of disease and improvement in the quality of life for men over their entire lifespan. The Department shall develop strategies for achieving these goals, which shall include, but not be limited to, all of the following:

(1) Developing a strategic plan to improve health care services.
(2) Building public health awareness.
(3) Developing initiatives within existing programs.
(4) Pursuing federal and State funding for the screening, early detection, and treatment of prostate cancer and other diseases affecting men's health."

INCREASE NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEES

SECTION 12E.8.(a) G.S. 130A-389(a) reads as rewritten:

"(a) If, in the opinion of the medical examiner investigating the case or of the Chief Medical Examiner, it is advisable and in the public interest that an autopsy or other study be made; or, if an autopsy or other study is requested by the district attorney of the county or by any superior court judge, an autopsy or other study shall be made by the Chief Medical Examiner or by a competent pathologist designated by the Chief Medical Examiner. A complete autopsy report of findings and interpretations, prepared on forms designated for the purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a copy of the report shall be furnished to any person upon request. A fee for the autopsy or other study shall be paid by the State. However, if the deceased is a resident of the county in which the death or fatal injury occurred, that county shall pay the fee. The fee shall be one thousand two hundred fifty dollars ~~($1,000).~~($1,250)."

SECTION 12E.8.(b) This section becomes effective July 1, 2013, and applies to fees imposed for autopsies performed on or after that date.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

ESTABLISH STATEWIDE TELEPSYCHIATRY PROGRAM

SECTION 12F.1.(a) By no later than August 15, 2013, the Office of Rural Health and Community Care of the Department of Health and Human Services shall develop and submit to the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division a plan to implement a statewide telepsychiatry program to be administered by East Carolina University Center for Telepsychiatry and e-Behavioral Health (ECU Center for Telepsychiatry) pursuant to a contract between the Department and ECU Center for Telepsychiatry. The plan shall be substantially similar to the Albemarle Hospital Foundation telepsychiatry project currently operating in 14 hospitals in eastern North Carolina and shall allow all hospitals licensed to

operate in the State under Chapter 131E or Chapter 122C of the General Statutes to participate in the telepsychiatry program, either as a consultant site or as a referring site. As used in this section, the terms "consultant site" and "referring site" are as defined in G.S. 143B-139.4B(a). In addition, the plan shall include at least all of the following:

(1) Specific steps to be taken by ECU Center for Telepsychiatry, within specified time periods, to work toward implementation of the telepsychiatry program on a statewide basis.

(2) Specific steps to be taken by the Department to oversee and monitor establishment and administration of the program.

(3) Estimated program costs and rates of payment for telepsychiatry services.

(4) Requirements for liability coverage related to participation in telepsychiatry.

SECTION 12F.1.(b) Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-139.4B. Office of Rural Health and Community Care to oversee and monitor establishment and administration of statewide telepsychiatry program.**

(a) The following definitions apply in this section:

(1) Consultant site. – The hospital or other site at which the consulting provider is physically located at the time the consulting provider delivers the acute mental health or substance abuse care by means of telepsychiatry.

(2) Hospital. – A facility licensed under Chapter 131E or Chapter 122C of the General Statutes, or a State facility listed in G.S. 122C-181.

(3) Referring site. – The hospital at which the patient is physically located.

(4) Telepsychiatry. – The delivery of acute mental health or substance abuse care, including diagnosis or treatment, by means of two-way real-time interactive audio and video by a consulting provider at a consultant site to an individual patient at a referring site. The term does not include the standard use of telephones, facsimile transmissions, unsecured electronic mail, or a combination of these in the course of care.

(5) Consulting provider. – A physician or other health care provider licensed in this State to provide acute mental health or substance abuse care.

(b) The North Carolina Office of Rural Health and Community Care shall oversee the establishment and administration of a statewide telepsychiatry program that allows referring sites to utilize consulting providers at a consultant site to provide timely psychiatric assessment and rapid initiation of treatment for patients at the referring site experiencing an acute mental health or substance abuse crisis. The Office of Rural Health and Community Care shall contract with East Carolina University Center for Telepsychiatry and e-Behavioral Health to administer the telepsychiatry program. The contract shall include a provision requiring East Carolina University Center for Telepsychiatry and e-Behavioral Health to work toward implementing this program on a statewide basis by no later than January 1, 2014, and to report annually to the Office of Rural Health and Community Care on the following performance measures:

(1) Number of consultant sites and referring sites participating in the program.

(2) Number of psychiatric assessments conducted under the program, reported by site or region.

(3) Length of stay of patients receiving telepsychiatry services in the emergency departments of hospitals participating in the program, reported by disposition.

(4) Number of involuntary commitments resulting from psychiatric assessments conducted by consulting providers under the program, reported by year and compared to prior years.

(c) The Office of Rural Health and Community Care shall have all of the following powers and duties relative to the statewide telepsychiatry program:

(1) Ongoing oversight and monitoring of the program.
(2) Ongoing monitoring of the performance of East Carolina University Center for Telepsychiatry and e-Behavioral Health under its contract with the Department, including all of the following:
a. Review of the performance measures described in subsection (b) of this section.
b. Annual site visits to East Carolina University Center for Telepsychiatry and e-Behavioral Health.
(3) Facilitation of program linkages with critical access hospitals and small rural hospitals.
(4) Conducting visits to referring sites and consultant sites to monitor implementation of the program; and upon implementation, conducting these site visits at least once annually.
(5) Addressing barriers and concerns identified by consulting providers, consultant sites, and referring sites participating in the program.
(6) Encouraging participation in the program by all potential consultant sites, consulting providers, and referring sites throughout the State, and promoting continued participation in the program by consultant sites, consulting providers, and referring sites throughout the State.
(7) Compiling a list of recommendations for future tele-health initiatives, based on operation of the statewide telepsychiatry program.
(8) Reviewing on a quarterly basis the financial statements of East Carolina University Center for Telepsychiatry and e-Behavioral Health related to the telepsychiatry program in order to compare and monitor projected and actual program costs.
(9) Annually reporting to the Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on or before November 1st on the operation and effectiveness of the program. The report shall include information on each of the performance measures described in subsection (b) of this section.

(d) The Department shall adopt rules necessary to ensure the health and safety of patients who receive care, diagnosis, or treatment under the telepsychiatry program authorized by this section."

SECTION 12F.1.(c) From the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health and Community Care, the sum of two million dollars ($2,000,000) for the 2013-2014 fiscal year and the sum of two million dollars ($2,000,000) for the 2014-2015 fiscal year shall be used for the following purposes:

(1) To enter into a contract with East Carolina University Center for Telepsychiatry and e-Behavioral Health for statewide implementation and administration of the telepsychiatry program authorized in G.S. 143B-139.4B of the General Statutes.
(2) To purchase needed telepsychiatry equipment for the State facilities listed in G.S. 122C-181 that participate in the statewide telepsychiatry program.

SECTION 12F.1.(d) Subsection (c) of this section becomes effective July 1, 2013. The remainder of this section is effective when it becomes law.

FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 12F.2.(a) Use of Funds. – Of the funds appropriated in Section 2.1 of this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of

thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the 2014-2015 fiscal year shall be used to purchase additional local inpatient psychiatric beds or bed days not currently funded by or though LME/MCOs. The Department shall develop and implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level, with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by the Department. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise available to the Department for the purchase of inpatient psychiatric services through contracts with local hospitals.

SECTION 12F.2.(b) Distribution and Management of Beds or Bed Days. – The Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are distributed across the State in LME/MCO catchment areas and according to need as determined by the Department. The Department shall ensure that beds or bed days for individuals with higher acuity levels are distributed across the State in LME catchment areas, including any catchment areas served by managed care organizations, and according to greatest need based on hospital bed utilization data. The Department shall enter into contracts with LME/MCOs and local hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days, including the determination of the specific local hospital or State psychiatric hospital to which an individual should be admitted pursuant to an involuntary commitment order.

SECTION 12F.2.(c) Funds to be Held in Statewide Reserve. – Funds appropriated to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims for payment to the Department within 15 working days after receipt of a clean claim from the hospital and shall pay the hospital within 30 working days after receipt of payment from the Department.

SECTION 12F.2.(d) Ineffective LME/MCO Management of Beds or Bed Days. – If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c) of this section, the Department may contract with another LME/MCO to manage the beds or bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

SECTION 12F.2.(e) Reporting by LME/MCOs. – The Department shall establish reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

SECTION 12F.2.(f) Reporting by Department. – By no later than March 1, 2014, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the fiscal year ending June 30, 2013, from (i) funds appropriated in this act that are designated for this purpose in subsection (a) of this section, (ii) existing State appropriations, and (iii) local funds.

(2) Other Department initiatives funded by State appropriations to reduce State psychiatric hospital use.

SECTION 12F.2.(g) Repeal of Hospital Utilization Pilot. – Sections 10.49(s1) through 10.49(s5) of S.L. 2007-323 are repealed.

FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM

SECTION 12F.3.(a) Recurring funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child Treatment Program (NC CTP) shall be used for the following purposes:

(1) To provide clinical training and coaching to licensed Medicaid clinicians on an array of evidence-based treatments and to provide a statewide platform to assure accountability and outcomes.

(2) To maintain and manage a public roster of program graduates, linking high-quality clinicians with children, families, and professionals.

(3) To partner with State, LME/MCO, and private sector leadership to bring effective mental health treatment to children in juvenile justice and mental health facilities.

SECTION 12F.3.(b) Nonrecurring funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2013-2015 fiscal biennium for the North Carolina Child Treatment Program (NC CTP) shall be used to pay for the cost of developing a secure database for the NC CTP to track individual-level and aggregate-level data with interface capability to work with existing networks within State agencies. The database shall be the property of the State and shall be hosted on State infrastructure. Any data or product that is part of, or derived from, this database shall be and will remain the sole property of the State.

SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 12F.4.(a) For the purpose of mitigating cash flow problems that many LME/MCOs experience at the beginning of each fiscal year relative to single stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year.

SECTION 12F.4.(b) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall periodically review and, as deemed necessary by the Department, update the set of standardized covered benefits developed and implemented by the Department pursuant to Section 10.11(b) of S.L. 2011-145 for recipients of LME/MCO community service funds; provided, however, the Department shall not implement any updates that increase the overall cost of these standardized covered benefits.

BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE MONITORING

SECTION 12F.4A.(a) The Department of Health and Human Services shall require local management entities, including local management entities that have been approved to operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical

integration activities with Community Care of North Carolina (CCNC) through TotalCare, a collaborative initiative designed to improve and minimize the cost of care for patients who suffer from comorbid mental health or substance abuse and primary care or other chronic conditions.

SECTION 12F.4A.(b) The Department shall ensure that, by no later than January 1, 2014, all LME/MCOs submit claims data, including to the extent practical, retrospective claims data and integrated payment and reporting system (IPRS) data, to the CCNC Informatics Center, either directly or through the Medicaid Management Information System. Upon receipt of this claims data, CCNC shall provide access to clinical data and care management information within the Informatics Center to LME/MCOs and authorized behavioral health providers to support treatment, quality assessment and improvement activities, or coordination of appropriate and effective patient care, treatment, or habilitation.

SECTION 12F.4A.(c) The Department, in consultation with CCNC and the LME/MCOs, shall develop quality and performance statistics on the status of mental health, developmental disabilities, and substance abuse services, including, but not limited to, variations in total cost of care, clinical outcomes, and access to and utilization of services.

SECTION 12F.4A.(d) The Department shall, within available appropriations and as deemed necessary by the Department, expand or alter existing contracts by mutual agreement of all parties to the contract in order to implement the provisions of this section.

SECTION 12F.4A.(e) By no later than March 1, 2014, and semiannually thereafter, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the progress, outcomes, and savings associated with the implementation of clinical integration activities with CCNC pursuant to this section.

LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES

SECTION 12F.6.(a) LME/MCOs shall use a portion of their allocated funds for substance abuse treatment services to support prevention and education activities at a level at least equivalent to the 2012-2013 fiscal year.

SECTION 12F.6.(b) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate punishment offenders, community punishment offenders at risk for revocation, and Department of Correction releases who have completed substance abuse treatment while in custody.

The Department shall allocate up to three hundred thousand dollars ($300,000) of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide substance abuse services for adult offenders and to increase the number of TASC case managers. These funds shall be allocated to TASC before funds are allocated to LMEs for mental health services, substance abuse services, and crisis services.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

ELIMINATE COMPREHENSIVE REPORT ON MEDICATION-RELATED ERRORS IN NURSING HOMES

SECTION 12G.2.(a) G.S. 131E-128.1(e) reads as rewritten:

"(e) Confidentiality. – The meetings or proceedings of the advisory committee, the records and materials it produces, and the materials it considers, including analyses and reports pertaining to medication-related error reporting under G.S. 131E-128.2 ~~and G.S. 131E-128.5~~

and pharmacy reports on drug defects and adverse reactions under G.S. 131E-128.4, shall be confidential and not be considered public records within the meaning of G.S. 132-1. The meetings or proceedings and records and materials also shall not be subject to discovery or introduction into evidence in any civil action against a nursing home or a provider of professional health services resulting from matters that are the subject of evaluation and review by the committee. No person who was in attendance at a meeting of the committee shall testify in any civil action as to any evidence or other matters produced or presented during the meetings or proceedings of the committee or as to any findings, recommendations, evaluations, opinions, or other actions of the committee or its members. Notwithstanding the foregoing:

(1) Information, documents, or records otherwise available, including any deficiencies found in the course of an inspection conducted under G.S. 131E-105, shall not be immune from discovery or use in a civil action merely because they were presented during meetings or proceedings of the advisory committee. A member of the advisory committee or a person who testifies before the committee may testify in a civil action but cannot be asked about that person's testimony before the committee or any opinion formed as a result of the committee meetings or proceedings.

(2) Information that is confidential and not subject to discovery or use in civil actions under this subsection may be released to a professional standards review organization that performs any accreditation or certification function. Information released to the professional standards review organization shall be limited to information reasonably necessary and relevant to the standards review organization's determination to grant or continue accreditation or certification. Information released to the standards review organization retains its confidentiality and is not subject to discovery or use in any civil action as provided under this subsection. The standards review organization shall keep the information confidential subject to this subsection.

(3) Information that is confidential and not subject to discovery or use in civil actions under this subsection may be released to the Department of Health and Human Services pursuant to its investigative authority under G.S. 131E-105. Information released to the Department shall be limited to information reasonably necessary and relevant to the Department's investigation of compliance with Part 1 of Article 6 of this Chapter. Information released to the Department retains its confidentiality and is not subject to discovery or use in any civil action as provided in this subsection. The Department shall keep the information confidential subject to this subsection.

(4) Information that is confidential and is not subject to discovery or use in civil actions under this subsection may be released to an occupational licensing board having jurisdiction over the license of an individual involved in an incident that is under review or investigation by the advisory committee. Information released to the occupational licensing board shall be limited to information reasonably necessary and relevant to an investigation being conducted by the licensing board pertaining to the individual's involvement in the incident under review by the advisory committee. Information released to an occupational licensing board retains its confidentiality and is not subject to discovery or use in any civil action as provided in this subsection. The occupational licensing board shall keep the information confidential subject to this subsection."

SECTION 12G.2.(b) G.S. 131E-128.1(g) reads as rewritten:

"(g) Penalty. – The Department may take adverse action against the license of a nursing home upon a finding that the nursing home has failed to comply with this section, G.S. 131E-128.2, 131E-128.3, ~~131E-128.4, or 131E-128.5.~~or 131E-128.4."

SECTION 12G.2.(c) G.S. 131E-128.5 is repealed.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

DETAILED MEDICAID REFORM PROPOSAL TO BE PREPARED BY DEPARTMENT OF HEALTH AND HUMAN SERVICES; MEDICAID REFORM ADVISORY GROUP ESTABLISHED

SECTION 12H.1.(a) The Department of Health and Human Services, Division of Medical Assistance, (Department), in consultation with the Medicaid Reform Advisory Group created by subsection (e) of this section, shall create a detailed plan for, but not implement, significant reforms to the State's Medicaid Program that shall accomplish the following:

(1) Create a predictable and sustainable Medicaid program for North Carolina taxpayers.
(2) Increase administrative ease and efficiency for North Carolina Medicaid providers.
(3) Provide care for the whole person by uniting physical and behavioral health care.

SECTION 12H.1.(b) The Department shall submit its detailed proposal of how to reform the State's Medicaid Program to the General Assembly. The report shall contain the following:

(1) The details of the reform plan, including how the plan would accomplish the goals set out in subsection (a) of this section.
(2) The Department's methodology for selecting the reform plan over alternatives.
(3) Forecasts of the reform plan's potential to slow the growth of the costs of the Medicaid Program, including the assumptions and methodology used for the forecast, as well as an explanation of how the Department's forecast methodology has been improved to produce more accurate forecasting than in prior years.
(4) The reform plan's impact, as compared to the existing Medicaid Program, on both providers and recipients in areas such as enrollment within the Medicaid system, access to services, quality of care, and payment methodologies, and any other areas of comparison to help the General Assembly evaluate the reform plan.
(5) If regional demonstration projects, pilot projects, or similar projects will be used to test a proposal, how the Department will ensure that the test methodology is scientifically valid and consistent with social science research methods.
(6) How financial risks will be allocated under the reform plan.
(7) The mechanisms through which the Department and any contractors under the reform plan would be held accountable for the implementation and performance of the plan.
(8) Short-term costs to implement the plan and expected long-term savings in future years from slowing the growth of costs.
(9) A realistic time line for implementation.
(10) Draft Medicaid State Plan Amendments, Medicaid waivers, amendments to State law, or other changes necessary to legally allow the Department to implement its reform plan.

(11) Any other detailed information that would assist the General Assembly in evaluating the strength of the reform plan and the plan's ability to accomplish the goals set out in subsection (a) of this section.

SECTION 12H.1.(c) The Department is encouraged to and may submit draft Medicaid State Plan amendments, draft waiver applications, or other documents to the federal government to solicit feedback on the Department's proposal prior to reporting to the General Assembly. The Department shall not, however, submit any documents to the federal government to implement the reform plan without legislation authorizing the Department to implement the Department's reform plan.

SECTION 12H.1.(d) The Department shall submit its reform plan to the 2013 General Assembly when it reconvenes in 2014 but is encouraged to submit its plan as early as it responsibly can.

SECTION 12H.1.(e) Advisory Group. – There is established the North Carolina Medicaid Reform Advisory Group (Advisory Group) in order to advise and guide the Department of Health and Human Services in its development of its detailed plan to reform Medicaid. The Advisory Group shall meet in order to (i) provide stakeholder input in a public forum and (ii) ensure the transparency of the process of developing the reform proposal. Until the submission of the Medicaid reform plan to the General Assembly, the Advisory Group shall meet not less than monthly and shall begin meeting after a majority of the membership has been appointed. The Advisory Group shall meet at the call of the Cochairs.

The Advisory Group shall consist of the following 22 members:

(1) Seven members appointed by the Speaker of the House of Representatives, as follows:
   a. Three members of the House of Representatives, one of whom shall be designated as a cochair.
   b. A licensed pharmacist.
   c. A representative of Community Care of North Carolina (CCNC).
   d. A representative of a larger hospital in an urban community.
   e. A patient advocate for mental health, developmental disabilities, or substance abuse issues.

(2) Seven members appointed by the President Pro Tempore of the Senate, as follows:
   a. Three members of the Senate, one of whom shall be designated as a cochair.
   b. A specialist physician.
   c. A representative of a long-term care facility provider.
   d. A representative of a smaller hospital in a rural community.
   e. A representative of a health insurer.

(3) A cochair appointed by the Governor. This appointee may not be an employee of the Department of Health and Human Services. In order to work confidentially with legislative staff assigned to the Advisory Group and for the limited purposes of working with those legislative staff, this appointee shall be considered a "legislator," as that term is defined under G.S. 120-129, for the application of legislative confidentiality under Article 17 of Chapter 120 of the General Statutes.

(4) The Secretary of the Department of Health and Human Services, who shall serve ex officio, or the Secretary's designee.

(5) The Director of the Division of Medical Assistance within the Department of Health and Human Services, who shall serve ex officio, or the Director's designee.

(6) Five members appointed by the Governor as follows:

a. A pediatrician.
b. A non-pediatric primary care physician.
c. A representative of an assisted living provider.
d. A director of a local management entity/managed care organization (LME/MCO).
e. A patient advocate for physical health issues.

The appointing officer shall fill vacancies. Neither an individual required to register under Article 2 of Chapter 120C of the General Statutes nor an immediate family member of such an individual may be appointed to the Advisory Group.

Legislative members of the Advisory Group shall receive per diem, subsistence, and travel expenses as provided in G.S. 120-3.1. Non-legislative members of the Advisory Group shall receive reimbursements as allowed under G.S. 138-6. The Advisory Group may contract for consultant services as provided in G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Advisory Group in its work. Clerical staff shall be furnished to the Advisory Group through the offices of the House of Representatives and Senate Directors of Legislative Assistants. The Advisory Group may exercise all of the powers provided under G.S. 120-19 through G.S. 120-19.4 while in the discharge of its official duties.

The Secretary of Health and Human Services shall ensure adequate staff representation and support from the Department of Health and Human Services.

The Advisory Group shall terminate on July 1, 2014.

CLARIFY STATE PLAN AMENDMENT PROCEDURES

SECTION 12H.2.(a) Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

"**§ 108A-54.1A. Amendments to Medicaid State Plan and Medicaid Waivers.**

(a) No provision in the Medicaid State Plan or in a Medicaid Waiver may expand or otherwise alter the scope or purpose of the Medicaid program from that authorized by law enacted by the General Assembly. For purposes of this section, the term "amendments to the State Plan" includes State Plan amendments, Waivers, and Waiver amendments.

(b) The Department may submit amendments to the State Plan only as required under any of the following circumstances:

(1) A law enacted by the General Assembly directs the Department to submit an amendment to the State Plan.
(2) A law enacted by the General Assembly makes a change to the Medicaid Program that requires approval by the federal government.
(3) A change in federal law, including regulatory law, or a change in the interpretation of federal law by the federal government requires an amendment to the State Plan.
(4) A change made by the Department to the Medicaid Program requires an amendment to the State Plan, if the change was within the authority granted to the Department by State law.
(5) An amendment to the State Plan is required in response to an order of a court of competent jurisdiction.

(c) Amendments to the State Plan submitted to the federal government for approval shall contain only those changes that are allowed by the authority for submitting an amendment to the State Plan in subsection (b) of this section.

(d) No fewer than 10 days prior to submitting an amendment to the State Plan to the federal government, the Department shall post the amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, that the amendment has been posted. This requirement shall not

apply to draft or proposed amendments submitted to the federal government for comments, but not submitted for approval. If the authority for submitting the amendment to the State Plan is pursuant to subdivision (3), (4), (5), or (6) of subsection (b) of this section, then, prior to submitting an amendment to the federal government, the Department shall submit to the General Assembly members receiving notice under this subsection and to the Fiscal Research Division an explanation of the amendment, the need for the amendment, and the federal time limits required for implementation of the amendment.

(e) The Department shall submit an amendment to the State Plan to the federal government by a date sufficient to provide the federal government adequate time to review and approve the amendment so the amendment may be effective by the date required by the directing authority in subsection (b) of this section."

SECTION 12H.2.(b) G.S. 108A-70.25 reads as rewritten:

"**§ 108A-70.25. State Plan for Health Insurance Program for Children.**

~~The Department shall develop and submit a State Plan to implement "The Health Insurance Program for Children" authorized under this Part to the federal government as application for federal funds under Title XXI. The State Plan submitted under this Part shall be developed by the Department only as authorized by and in accordance with this Part. No provision in the State Plan submitted under this Part may expand or otherwise alter the scope or purpose of the Program from that authorized under this Part. The Department shall include in the State Plan submitted only those items required by this Part and required by the federal government to qualify for federal funds under Title XXI and necessary to secure the State's federal fund allotment for the applicable fiscal period. Except as otherwise provided in this section, the Department shall not amend the State Plan nor submit any amendments thereto to the federal government for review or approval without the specific approval of the General Assembly. In the event federal law requires that an amendment be made to the State Plan and further requires that the amendment be submitted or implemented within a time period when the General Assembly is not and will not be in session to approve the amendment, then the Department may submit the amendment to the federal government for review and approval without the approval of the General Assembly. Prior to submitting an amendment to the federal government without General Assembly approval as authorized in this section, the Department shall report the proposed amendment to the Joint Legislative Oversight Committee on Health and Human Services and to members of the Joint Appropriations Subcommittee on Health and Human Services. The report shall include an explanation of the amendment, the necessity therefor, and the federal time limits required for implementation of the amendment.~~

(a) The NC Health Choice program shall be administered and operated in accordance with this Part and the NC Health Choice State Plan, as periodically amended by the Department of Health and Human Services and approved by the federal government.

(b) The requirements in G.S. 108A-54.1A shall apply to NC Health Choice State Plan amendments in the same manner in which they apply to Medicaid State Plan amendments."

GENERAL MEDICAID POLICIES

SECTION 12H.3.(a) G.S. 108A-54 reads as rewritten:

"**§ 108A-54. Authorization of Medical Assistance Program.**

(a) The Department is authorized to establish a Medicaid Program in accordance with Title XIX of the federal Social Security Act. The Department may adopt rules to implement the Program. The State is responsible for the nonfederal share of the costs of medical services provided under the Program. A county is responsible for the county's cost of administering the Program in that county.

…

(c) The Medicaid Program shall be administered and operated in accordance with this Part and the North Carolina Medicaid State Plan and Waivers, as periodically amended by the

Department of Health and Human Services in accordance with G.S. 108A-54.1A and approved by the federal government."

SECTION 12H.3.(b) In addition to paying the non-federal share of the costs of medical services provided under the Medicaid Program, as provided in G.S. 108A-54(a), the State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004, P.L. 108-173, as amended.

SECTION 12H.3.(c) The Department shall not take any actions that the Department determines would jeopardize the State's qualification to receive federal funds through the Medicaid Program.

MEDICAID IS SECONDARY PAYOR OF CLAIMS

SECTION 12H.4. Medicaid is a secondary payor of claims. The Department shall apply Medicaid medical policy to recipients who have primary insurance other than Medicare, Medicare Advantage, or Medicaid. For recipients who have primary insurance other than Medicare, Medicare Advantage, or Medicaid, the Department shall pay the lesser of the Medicaid Allowable Amount or an amount up to the actual coinsurance or deductible or both of the primary payor, in accordance with the State Plan, as approved by the Department of Health and Human Services. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

COUNTIES SHARING IN FRAUD RECOVERY

SECTION 12H.5. The Department of Health and Human Services, Division of Medical Assistance, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

PROCEDURE TO CHANGE MEDICAL POLICY

SECTION 12H.6.(a) G.S. 108A-54.2 reads as rewritten:

"**§ 108A-54.2. Procedures for changing medical policy.**

(a) The Department shall adopt rules to develop, amend, and adopt medical coverage policy for Medicaid and NC Health Choice in accordance with this section.

(b) Medical coverage policy is defined as those policies, definitions, or guidelines utilized to evaluate, treat, or support the health or developmental conditions of a recipient so as to determine eligibility, authorization or continued authorization, medical necessity, course of treatment and supports, clinical outcomes, and clinical supports treatment practices for a covered procedure, product, or service. Medical coverage policy is subject to the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy, the Department shall consult with and seek the advice of the Physician Advisory Group and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all Medicaid and NC Health Choice providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, the Department shall accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all Medicaid and NC Health Choice providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period.

(c) If the adoption of new or amended medical coverage policies is necessitated by an act of the General Assembly or a change in federal law, then the 45- and 15-day time periods specified in subsection (b) of this section shall instead be 30- and 10-day time periods."

SECTION 12H.6.(b) G.S. 108A-54.3 is repealed.

SECTION 12H.6.(c) Unless directed to do so by the General Assembly, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for departmental review. Changes to medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services are subject to the following:

(1) If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds five hundred thousand dollars ($500,000) in total requirements for Medicaid or fifty thousand dollars ($50,000) in total requirements for NC Health Choice for a given fiscal year, then the Department shall submit the proposed medical policy change to the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement the proposed medical policy change unless the source of State funding is identified and approved by the Office of State Budget and Management.

(2) If the medical policy change meets the requirement thresholds specified in subdivision (1) of this subsection but is required for compliance with federal law, then the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change.

The Department shall annually report, by November 1 of each year, all medical policy changes with total requirements of less than the amount specified in subdivision (1) of this subsection to the Office of State Budget and Management and the Fiscal Research Division of the Legislative Services Commission.

PROVIDER APPLICATION AND RECREDENTIALING FEE

SECTION 12H.7. The Department of Health and Human Services, Division of Medical Assistance, shall charge an application fee of one hundred dollars ($100.00), and the amount federally required, to each provider enrolling in the Medicaid Program for the first time. The fee shall be charged to all providers at recredentialing every three years.

ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS

SECTION 12H.8.(a) Providers shall follow the Department's established procedures for securing electronic payments, and the Department shall not provide routine

provider payments by check. Medicaid providers shall file claims electronically, except that nonelectronic claims submission may be required when it is in the best interest of the Department.

SECTION 12H.8.(b) Providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor with interface capability to submit data into the Web-based PASARR.

SECTION 12H.8.(c) Providers shall submit requests for prior authorizations electronically via Web site. Providers shall access their authorizations via online portals rather than receiving hard copies by mail. Providers shall receive copies of adverse decisions electronically, although recipients shall receive adverse decisions via certified mail.

SECTION 12H.8.(d) Providers shall submit their provider enrollment applications online. The Department shall accept electronic signatures rather than require receipt of signed hard copies.

CLARIFY RULE MAKING

SECTION 12H.9.(a) G.S. 108A-54(b) is recodified as G.S. 108A-54.1B(a).

SECTION 12H.9.(b) G.S. 108A-54.1B, as created by subsection (a) of this section, reads as rewritten:

"**§ 108A-54.1B. <u>Adoption of rules; State Plans, including amendments and waivers to State Plans, have effect of rules.</u>**

(a) The Department is expressly authorized to adopt temporary and permanent rules to implement or define the federal laws and regulations, the North Carolina State Plan of Medical Assistance, and the North Carolina State Plan of the Health Insurance Program for Children, the terms and conditions of eligibility for applicants and recipients of the Medical Assistance Program and the Health Insurance Program for Children, audits and program integrity, the services, goods, supplies, or merchandise made available to recipients of the Medical Assistance Program and the Health Insurance Program for Children, and reimbursement for the services, goods, supplies, or merchandise made available to recipients of the Medical Assistance Program and the Health Insurance Program for Children.

<u>(b) State Plans, State Plan Amendments, and Waivers approved by the Centers for Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC Health Choice program shall have the force and effect of rules adopted pursuant to Article 2A of Chapter 150B of the General Statutes.</u>"

SECTION 12H.9.(c) G.S. 150B-1(d) is amended by adding a new subdivision to read as follows:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

…

<u>(22) The Department of Health and Human Services with respect to the content of State Plans, State Plan Amendments, and Waivers approved by the Centers for Medicare and Medicaid Services (CMS) for the North Carolina Medicaid Program and the NC Health Choice program.</u>"

SECTION 12H.9.(d) G.S. 150B-21.1(a) is amended by adding a new subdivision to read as follows:

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

…

<u>(17) To maximize receipt of federal funds for the Medicaid or NC Health Choice programs within existing State appropriations, to reduce Medicaid or NC</u>

Health Choice expenditures, and to reduce Medicaid and NC Health Choice fraud and abuse."

SECTION 12H.9.(e) Prior to filing a temporary rule authorized under G.S. 150B-21.1(a)(17), as enacted by this section, with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary rule and its effect on State appropriations and local governments.

MEDICAID ELIGIBILITY; ADJUSTMENT TO HEALTH CHOICE ELIGIBILITY

SECTION 12H.10.(a) Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

Family Size	Categorically Needy Income Level	Medically Needy Income Level
1	$ 4,344	$ 2,900
2	5,664	3,800
3	6,528	4,400
4	7,128	4,800
5	7,776	5,200
6	8,376	5,600
7	8,952	6,000
8	9,256	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 12H.10.(b) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

(1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

(2) Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

(3) Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

(4) Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

(5) Effective until January 1, 2014, children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

(6) Effective January 1, 2014, children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.

(7) Workers with disabilities described in G.S. 108A-66A with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

The Department of Health and Human Services, Division of Medical Assistance, shall also provide family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources.

SECTION 12H.10.(c) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs, regardless of the adoptive family's income.

SECTION 12H.10.(d) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. § 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

SECTION 12H.10.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

SECTION 12H.10.(f) G.S. 108A-54.1 is recodified as G.S. 108A-66.1. G.S. 108A-66.1(a), as recodified by this subsection, reads as rewritten:

"(a) Title. – This ~~act~~ section may be cited as the Health Coverage for Workers With Disabilities Act. The Department shall implement a Medicaid buy-in eligibility category as permitted under P.L. 106-170, Ticket to Work and Work Incentives Improvement Act of 1999. The Department shall establish rules, policies, and procedures to implement this act in accordance with this section."

SECTION 12H.10.(g) Effective January 1, 2014, G.S. 108A-70.21(a)(1)d. reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

(a) Eligibility. – The Department may enroll eligible children based on availability of funds. Following are eligibility and other requirements for participation in the Program:

(1) Children must:

a. Be between the ages of 6 through 18;

b. Be ineligible for Medicaid, Medicare, or other federal government-sponsored health insurance;

c. Be uninsured;

d. Be in a family whose family income is above ~~one hundred percent (100%)~~ one hundred thirty-three percent (133%) through two hundred percent (200%) of the federal poverty level;

e. Be a resident of this State and eligible under federal law; and

f. Have paid the Program enrollment fee required under this Part.

…."

NC HEALTH CHOICE TEMPORARY EXTENDED COVERAGE

SECTION 12H.11. An enrollee in the NC Health Choice program who loses eligibility due to reaching the age of 19 on or after June 1, 2013, may purchase at full premium cost continued coverage under the NC Health Choice program until the end of the month following the date on which the Secretary of the United States Department of Health and Human Services determines that the North Carolina federally facilitated Health Benefits Exchange is fully operational. The benefits, co-payments, and other conditions of enrollment under the NC Health Choice program applicable to extended coverage purchased in accordance

with this section shall be the same as those applicable to an NC Health Choice enrollee who has not yet reached the age of 19.

MODIFICATIONS TO EXISTING COVERED SERVICES AND PAYMENT FOR SERVICES

SECTION 12H.13.(a) Except as otherwise provided in this act, the allowable State plan services, co-pays, reimbursement rates, and fees shall remain the same as those effective June 30, 2013. Except as otherwise provided in this act and to the extent allowable under federal law, the adjustments made in this section apply to both the Medicaid Program and the NC Health Choice program.

SECTION 12H.13.(b) Effective July 1, 2013, any rates that contain an inflationary or increase factor shall not increase above the rate in effect on June 30, 2013, unless the rate is otherwise increased by the General Assembly. Hospital outpatient services' percentage of cost shall be adjusted to compensate for expected inflation that hospitals would be eligible for, and cost settlement will only be up to that percentage. The following rates are excluded from this subsection: Federally Qualified Health Centers, Rural Health Centers, State-Operated services, Hospice, Part B and D Premiums, third-party and health maintenance organization (HMO) premiums, drugs, managed care organization (MCO) capitation payments, and nursing direct care services case mix index increases.

SECTION 12H.13.(c) Effective November 1, 2013, nominal co-pays are increased to the maximum amount allowed by the Centers for Medicare and Medicaid Services (CMS) as of June 30, 2013.

SECTION 12H.13.(d) Effective January 1, 2014, the following changes are made to allowable State plan services:

(1) Of the 22 visits allowed per recipient per fiscal year for professional services provided by physicians, nurse practitioners, nurse midwives, physician assistants, clinics, and health departments, prior authorization is required for visits in excess of 10 within a year. This limitation and prior authorization requirement does not apply to chronic conditions.

(2) Adult rehabilitation home visits for set-up and training are limited to three within a 12-month period.

(3) Prior authorization is required for more than four brand-name drugs.

SECTION 12H.13.(e) Effective January 1, 2014, the percentage of allowable costs for hospital outpatients is reduced from eighty percent (80%) to seventy percent (70%).

SECTION 12H.13.(f) Effective January 1, 2014, nonemergency services provided in an emergency room shall be reimbursed based on a single fee. The Department of Health and Human Services, Division of Medical Assistance, shall establish such a fee. This fee may not be cost-settled.

SECTION 12H.13.(g) Effective January 1, 2014, the following changes are made to drug reimbursements:

(1) Reimbursement rates for prescribed drugs are based on an invoice cost that will be established through periodic surveys conducted at least quarterly to determine the actual cost of drugs to pharmacies. The Department of Health and Human Services, Division of Medical Assistance, shall conduct such surveys and shall provide a mechanism for pharmacies to report concerns about variations between the rates and pharmacies' invoice costs. In addition to periodically updating rates, the Department may update its rates after investigating reported differences between the rates and reported invoice costs paid by pharmacists.

(2) Dispensing fees are to be increased to an average payment of nine dollars and eighty-seven cents ($9.87) for all drugs, with the incentive differential for dispensing generic and preferred drugs remaining at two dollars ($2.00).

ADDITIONAL MANAGEMENT OF DRUG UTILIZATION

SECTION 12H.13A. The Department of Health and Human Services shall work with Community Care of North Carolina (CCNC) to do the following:

(1) Ensure better pharmacy management, including compliance by Medicaid recipients with taking their prescription drugs and compliance by pharmacy providers with the CCNC protocols.

(2) Identify Medicaid recipients who are frequent users of pharmacy services and coordinate with physicians and pharmacists to implement steps to decrease the cost of their use.

ADMINISTRATIVE HEARINGS FUNDING AND PROCEDURE MODIFICATION

SECTION 12H.16.(a) The Department of Health and Human Services (Department) shall transfer the sum of one million dollars ($1,000,000) for the 2013-2014 fiscal year, and the sum of one million dollars ($1,000,000) for the 2014-2015 fiscal year, to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

SECTION 12H.16.(b) G.S. 108C-5 reads as rewritten:

"**§ 108C-5. Payment suspension and audits utilizing extrapolation.**

(a) The Department may suspend payments to a provider in accordance with the requirements and procedures set forth in 42 C.F.R. § 455.23.

(b) In addition to the procedures for suspending payment set forth at 42 C.F.R. § 455.23, the Department may also suspend payment to any provider that (i) owes a final overpayment, assessment, or fine to the Department and has not entered into an approved payment plan with the Department or (ii) has had its participation in the Medicaid or Health Choice programs suspended or terminated by the Department. For purposes of this section, a suspension or termination of participation does not become final until all administrative appeal rights have been exhausted and shall not include any agency decision that is being contested at the Department or the Office of Administrative Hearings or in Superior Court provided that the Superior Court has entered a stay pursuant to the provisions of G.S. 150B-48.

<u>(b1) The Department shall withhold payment to any North Carolina Medicaid provider or Health Choice provider for whom the Division of Medical Assistance, or its vendor, has identified an overpayment in a written notice to the provider. Withholding shall begin on the 31st day after the day the notice of overpayment is mailed and shall continue during the pendency of any appeal until the overpayment becomes a final overpayment. For purposes of this subsection, withholding during any month shall not exceed the amount of any interest required by law plus nine percent (9%) of the sum of the total overpayment amount identified in the notice of overpayment and any penalty required by law. If the Department subsequently reduces the identified overpayment in writing, withholding during any subsequent month shall not exceed the amount of any interest required by law plus nine percent (9%) of the sum of the total reduced identified overpayment and any penalty required by law. Total withholdings shall</u>

not exceed the total amount of the overpayment plus any penalty and interest charges required by law. If the total amount withheld exceeds the final overpayment plus interest and penalty required by law, the Department shall pay the provider the amount withheld in excess of the final overpayment plus penalty and interest. Upon request by the provider and for good cause shown, the Department is authorized to approve a payment plan for a provider to pay an overpayment, pursuant to subsection (g) of this section. Absent a showing of good cause for repayment to be made over a period of more than one year, the Department shall take all necessary and appropriate action to recover overpayments within 365 days of the date the notice of overpayment was mailed to the provider.

(c) For providers who owe a final overpayment, assessment, or fine to the Department, the payment suspension shall begin the thirty-first day after the overpayment, assessment, or fine becomes final. The payment suspension shall not exceed the amount owed to the Department, including any applicable penalty and interest charges.

(d) Providers whose participation in the Medicaid or Health Choice programs has been suspended or terminated shall have all payments suspended beginning on the thirty-first day after the suspension or termination becomes final.

(e) The Department shall consult with the N.C. Departments of Treasury and Revenue and other State departments and agencies to determine if a provider owes debts or fines to the State. The Department may collect any of these debts owed to the State subsequent to consideration by the Department of the financial impact upon the provider and the impact upon access to the services provided by the provider.

(f) When issuing payment suspensions and withholdings in accordance with this Chapter, the Department may suspend or withhold payment to all providers which share the same IRS Employee Identification Number or corporate parent as the provider or provider site location which owes the final overpayment, overpayment, assessment, or fine. The Department shall give 30 days advance written notice to all providers which share the same IRS Employee Identification Number or corporate parent as the provider or provider site location of the intention of the Department to implement a payment ~~suspension.~~suspension or withholding.

(g) The Department is authorized to approve a payment plan for a provider to pay a final overpayment, overpayment, assessment, or fine including interest and any penalty. The payment plan can include a term of up to 24 months. The Department shall establish in rule the conditions of such provider payment plans. Nothing in this subsection shall prevent the provider and the Department from mutually agreeing to modifications of a payment plan.

(h) All payments suspended or withheld in accordance with this Chapter shall be applied toward any final overpayment, assessment, or fine owed to the Department.

…."

SECTION 12H.16.(c) Chapter 108C of the General Statutes is amended by adding a new section to read as follows:

"**§ 108C-5.1. Post-payment review and recovery audit contracts.**

The Department shall not pay contingent fees pursuant to any contract with an entity conducting Medicaid post-payment reviews or Recovery Audit Contractor (RAC) audits before all appeal rights have been exhausted. Any contingent fee for Medicaid post-payment reviews or RAC audits shall be calculated as a percentage of the amount of the final overpayment, as defined in G.S. 108C-2(5). The State share of the contingent fee paid for Medicaid post-payment reviews or RAC audits shall not exceed the State share of the amount actually recovered by the Department and applied to the final overpayment."

SECTION 12H.16.(d) Subsection (c) of this section applies only to contracts entered into or amended on or after the effective date of subsection (c).

SECTION 12H.16.(e) G.S. 1A-1 is amended by adding a new Article to read as follows:

"Article 9.

"Extraordinary Writs.

"**Rule 90. Certiorari.**

(a) Scope of the Writ; Review of the Judgments, Decisions, and Orders of the Office of Administrative Hearings. – The writ of certiorari may be issued in appropriate circumstances by the Superior Court to permit review of the judgments, decisions, and orders of the Office of Administrative Hearings when no right of appeal from an interlocutory order exists.

(b) Petition for Writ; to Which Superior Court Addressed. – Application for the writ of certiorari shall be made by filing a petition therefor with the clerk of the superior court division to which appeal of right might lie from a final decision of the Office of Administrative Hearings in the contested case for which issuance of the writ is sought.

(c) Same; Filing and Service; Content. – The petition shall be filed without unreasonable delay and shall be accompanied by proof of service upon all other parties. The petition shall contain a statement of the facts necessary to an understanding of the issues presented by the application, a statement of the reasons why the writ should issue, and certified copies of the judgment, decision, order, or opinion or parts of the record which may be essential to an understanding of the matters set forth in the petition. The petition shall be verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk will docket the petition.

(d) Response; Determination by Court. – Within 10 days after service of the petition any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

"**Rule 91. Mandamus and Prohibition.**

(a) Petition for Writ; to Which Superior Court Addressed. – Applications for the writs of mandamus or prohibition directed to an administrative law judge shall be made by filing a petition therefor with the clerk of the superior court division to which appeal of right might lie from a final decision entered in the contested case for which issuance of the writ is sought.

(b) Same; Filing and Service; Content. – The petition shall be filed without unreasonable delay after the action by the Office of Administrative Hearings sought to be prohibited or compelled has been undertaken, or has occurred, or has been refused, and shall be accompanied by proof of service on the respondent administrative law judge or administrative law judges and on all other parties to the action. The petition shall contain a statement of the facts necessary to an understanding of the issues presented by the application, a statement of the issues presented and of the relief sought, a statement of the reasons why the writ should issue, and certified copies of any order or opinion or parts of the record that may be essential to an understanding of the matters set forth in the petition. The petition shall be verified by counsel or the petitioner. Upon receipt of the prescribed docket fee, the clerk shall docket the petition.

(c) Response; Determination by Court. – Within 10 days after service of the petition the respondent or any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

"**Rule 92. Supersedeas.**

(a) Pending Review of Office of Administrative Hearings Judgments, Decisions, and Orders. – Application may be made to the appropriate superior court for a writ of supersedeas

to stay the execution or enforcement of any judgment, decision, order, or other determination of the Office of Administrative Hearings which is not automatically stayed by the taking of appeal when an appeal has been taken or a petition for mandamus, prohibition, or certiorari has been filed to obtain review of the judgment, decision, order, or other determination and (i) a stay order or entry has been sought by the applicant by deposit of security or by motion at the Office of Administrative Hearings and such order or entry has been denied or vacated by the trial tribunal or (ii) extraordinary circumstances make it impracticable to obtain a stay by deposit of security or by application to the Office of Administrative Hearings for a stay order.

(b) Petition; Filing and Service; Content. – The petition shall be filed with the clerk of the superior court division to which appeal of right might lie from a final decision of the Office of Administrative Hearings in the contested case for which issuance of the writ is sought. The petitions shall be accompanied by proof of service upon all other parties. The petition shall be verified by counsel or the petitioner. Upon receipt of the required docket fee, the clerk will docket the petition. For stays of the judgments of the Office of Administrative Hearings, the petition shall contain a statement that a stay has been sought in the Office of Administrative Hearings and denied or vacated or shall contain facts showing that it was impracticable there to seek a stay. For stays of any judgment, the petition shall contain (i) a statement of any facts necessary to an understanding of the basis upon which the writ is sought and (ii) a statement of reasons why the writ should issue in justice to the applicant. The petition may be accompanied by affidavits and by any certified portions of the record pertinent to its consideration. It may be included in a petition to the superior court for certiorari, mandamus, or prohibition.

(c) Response; Determination by Court. – Within 10 days after service of the petition, any party may file a response thereto with supporting affidavits or certified portions of the record not filed with the petition. Filing shall be accompanied by proof of service upon all other parties. The court for good cause shown may shorten the time for filing a response. Determination will be made on the basis of the petition, the response, and any supporting papers. No briefs or oral argument will be received or allowed unless ordered by the court upon its own initiative.

(d) Temporary Stay. – Upon the filing of a petition for supersedeas, the applicant may apply, either within the petition or by separate paper, for an order temporarily staying enforcement or execution of the judgment, decision, order, or other determination pending decision by the court upon the petition for supersedeas. If application is made by separate paper, it shall be filed and served in the manner provided for the petition for supersedeas in Rule 92(b). The court for good cause shown in such a petition for temporary stay may issue such an order ex parte."

SECTION 12H.16.(f) Article 4 of Chapter 150B of the General Statutes is amended by adding a new section to read:

"**§ 150B-53. Writs.**

Any party to a contested case may petition for writs of certiorari, mandamus, prohibition, or supersedeas in the manner prescribed in Rules 90, 91, and 92 of the North Carolina Rules of Civil Procedure."

PROVIDER PERFORMANCE BONDS

SECTION 12H.17.(a) Subject to the provisions of this section, the Department may require Medicaid-enrolled providers to purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may require the purchase of a performance bond or the submission of an executed letter of credit or

financial instrument as a condition of initial enrollment, reenrollment, recredentialing, or reinstatement if any of the following are true:

(1) The provider fails to demonstrate financial viability.
(2) The Department determines there is significant potential for fraud and abuse.
(3) The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

SECTION 12H.17.(b) The Department may waive or limit the requirements of subsection (a) of this section for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

(1) The provider's or provider class's dollar amount of monthly billings to Medicaid.
(2) The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.
(3) The length of time an individual provider has been enrolled to provide Medicaid services in this State.
(4) The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.
(5) The need to ensure adequate access to care.

In waiving or limiting requirements of this section, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply.

SECTION 12H.17.(c) The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement G.S. 108C-14, as enacted by this section.

SHARED SAVINGS PLAN WITH PROVIDERS

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 under which the Department shall begin making provider payments no later than June 30, 2014. 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.

SECTION 12H.18.(b) During the 2013-2015 fiscal biennium, the Department of Health and Human Services shall withhold two percent (2%) of payments for the following services rendered to Medicaid and NC Health Choice recipients on or after July 1, 2013:

(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) Drugs.

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

SECTION 12H.18.(c) The Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services on the development of the shared savings program established by this section no later than March 1, 2014.

MODIFY HOSPITAL PROVIDER ASSESSMENTS BY CHANGING AMOUNT RETAINED BY THE STATE TO A PERCENTAGE

SECTION 12H.19.(a) G.S. 108A-121(8) reads as rewritten:

"(8) State's annual Medicaid payment. – ~~Forty-three million dollars ($43,000,000).~~Ninety-five million dollars ($95,000,000)."

SECTION 12H.19.(b) G.S. 108A-124 reads as rewritten:

"**§ 108A-124. Use of assessment proceeds.**

(a) Use. – The proceeds of the assessments imposed under this Article and all corresponding matching federal funds must be used to make the State annual Medicaid payment to the State and the Medicaid equity payments and UPL payments to hospitals.

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

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

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

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

…."

SECTION 12H.19.(c) Article 7 of Chapter 108A of the General Statutes is amended by adding a new section to read as follows:

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

If a hospital provider is made exempt from an assessment under this Article because of an acquisition of the hospital by another hospital provider that is exempt from an assessment under this Article, then the acquired hospital provider shall continue to make payments to the State for the acquired hospital provider's pro rata portion of the State's annual Medicaid payment. This pro rata portion shall be based on the acquired hospital provider's percentage contribution to the State's annual Medicaid payment at the time of acquisition."

MODIFY MEDICAID RATE METHODOLOGIES FOR RECENTLY ACQUIRED PROVIDERS; CREATE REGIONAL BASE RATES FOR HOSPITALS

SECTION 12H.20.(a) The Department of Health and Human Services shall modify Medicaid rate methodologies to ensure that rates paid to hospital or physician providers that were acquired, merged, leased, or managed after December 31, 2011, do not exceed rates that would have been paid if the provider had not been acquired, merged, leased, or managed.

SECTION 12H.20.(b) The Department of Health and Human Services, Division of Medical Assistance, shall replace the existing base rates for individual hospitals with new regional base rates for all hospitals within a given region. The Department shall consult with hospitals to define the regions and to identify appropriate regional differences in order to establish regional base rates. The new regional base rates shall do the following:

(1) Maintain the same statewide total for the base rates for all hospitals as before the base rate revision, after first adjusting the statewide total based on the changes to rates made by subsection (a) of this section.

(2) Ensure the sustainability of small rural hospitals, ensuring access to care.

COMMUNITY CARE OF NORTH CAROLINA COST-EFFECTIVENESS AND OUTCOMES STUDY; CONTINUED REPORTING

SECTION 12H.21.(a) The Office of the State Auditor shall, as recommended in its January 2013 performance audit of the Medicaid Program, engage nationally recognized medical researchers to perform a scientifically valid study based upon actual data to determine whether the Community Care of North Carolina (CCNC) model saves money and improves health outcomes. This study shall begin during fiscal year 2013-2014 and shall, if possible, be completed by the end of that fiscal year. The Department of Health and Human Services shall, upon the direction of and in amounts specified by the Office of the State Auditor, make payments to the contractor hired by the Office of the State Auditor from the one hundred thousand dollars ($100,000) appropriated elsewhere in this budget for this study as well as from federal Medicaid matching funds available for this study.

SECTION 12H.21.(b) During fiscal year 2014-2015, the Department of Health and Human Services shall submit a report from a qualified entity with proven experience in conducting actuarial and health care studies on the Medicaid cost-savings achieved by the CCNC networks, which shall include children, adults, and the aged, blind, and disabled, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 12H.21.(c) North Carolina Community Care Networks, Inc. (NCCCN), shall report quarterly to the Department and to the Office of State Budget and Management (OSBM) on the development of the statewide Enhanced Primary Care Case Management System and its defined goals and deliverables as agreed upon in the contract. NCCCN shall submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the progress and results of implementing the quantitative, analytical, utilization, quality, cost containment, and access goals and deliverables set out in the contract. NCCCN shall conduct its own analysis of the CCNC system to identify any variations from the development plan for the Enhanced Primary Care Case Management System and its defined goals and deliverables set out in the contract between the Department of Health and Human Services, Division of Medical Assistance (DMA), and NCCCN. Upon identifying any variations, NCCCN shall develop and implement a plan to address the variations. NCCCN shall report the plan to DMA within 30 days after taking any action to implement the plan.

COMMUNITY CARE OF NORTH CAROLINA TO SET AND PAY PER MEMBER PER MONTH PAYMENTS ON PERFORMANCE BASIS TO ENCOURAGE BETTER CARE MANAGEMENT

SECTION 12H.22.(a) The Department of Health and Human Services shall contract with Community Care Networks, Inc. (NCCCN), to administer and distribute the funds currently allocated to per member per month (PMPM) payments for Community Care of North

Carolina (CCNC) primary care providers. NCCCN shall distribute one hundred percent (100%) of the funds allocated to PMPM payments to primary care providers on a care management performance basis using criteria developed by NCCCN. In developing its pay for performance model, NCCCN shall (i) ensure an adequate statewide network of participating CCNC primary care providers and (ii) adopt a payment level of zero dollars ($0.00) for providers who do not satisfactorily participate in CCNC care management initiatives. Performance-based payments shall begin on July 1, 2014.

SECTION 12H.22.(b) PMPM payments from the Department to CCNC primary care providers shall continue until the implementation of the performance-based payment system.

SECTION 12H.22.(c) The Department shall consult with the Joint Legislative Oversight Committee on Health and Human Services on the performance-based payment proposal from NCCCN to incentivize better care management from primary care providers. If the Department submits a report and requests a meeting for the consultation, but the Oversight Committee does not hear the consultation within 90 days of the request, then the consultation requirement shall be deemed waived by the Oversight Committee. The report submitted for consultation shall include the following:

(1) Measureable elements that will be used to differentiate care management performance-based payments from the existing PMPM payments.
(2) A comparison of the performance plan to other measures such as the Healthcare Effectiveness Data and Information Set (HEDIS) or other national performance or quality measures.
(3) The specific structure of when payments would be made.
(4) An impact calculation of prospective payments under the performance-based payment plan and the current PMPM rates.

SECTION 12H.22.(d) Subsection (a) of this section is contingent upon both of the following:

(1) The Department's successful renegotiation of and modification to the existing contract or entering into a new contract with NCCCN to administer and distribute performance-based payments, as provided in subsection (a) of this section.
(2) The consultation required under subsection (c) of this section or an implied waiver of the consultation requirement, as provided in subsection (c) of this section.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.24.(a) Receivables reserved at the end of the 2013-2014 and 2014-2015 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 12H.24.(b) For the 2013-2014 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred ten million dollars ($110,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2014-2015 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred nine million dollars ($109,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and non-indigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from

federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

MEDICAID SPECIAL FUND TRANSFER

SECTION 12H.25. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2013-2014 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2014-2015 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 12H.26.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2013-2014 fiscal year and up to five million dollars ($5,000,000) in the 2014-2015 fiscal year in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services, hiring additional staff, funding pilot programs, Health Information Exchange and Health Information Technology (HIE/HIT) administrative activities, or providing grants through the Office of Rural Health and Community Care to plan, develop, and implement cost containment programs.

Medicaid cost containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, plastic magnetic-stripped Medicaid identification cards for issuance to Medicaid enrollees, fraud detection software or other fraud detection activities, technology that improves clinical decision making, credit balance recovery and data mining services, and other cost containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost containment activity and documentation of the amount of savings expected to be realized from the cost containment activity.

SECTION 12H.26.(b) The Department shall report annually on the expenditures under this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. The report shall include the methods used to achieve savings and the amount saved by these methods. The report is due to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division not later than December 1 of each year for the activities of the previous State fiscal year.

MISCELLANEOUS MEDICAID PROVISIONS

SECTION 12H.27.(a) Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 12H.27.(b) Cost Containment Programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment

programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 12H.27.(c) Posting of Notices on Web Site. – For any public notice of change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no later than seven business days after the date of publication, publish the same notice on its Web site on the same Web page as it publishes State Plan amendments, and the notice shall remain on the Web site continuously for 90 days.

SECTION 12H.27.(d) Medicaid Identification Cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

CONTINUE A+KIDS REGISTRY AND ASAP INITIATIVE

SECTION 12H.28. Community Care of North Carolina (CCNC) and the Department of Health and Human Services, Division of Medical Assistance, shall continue to do the following:

(1) Monitor the prescription and administration of atypical antipsychotic medications to Medicaid recipients under the age of 18 through the About the Antipsychotics – Keeping It Documented for Safety (A+KIDS) Registry.

(2) Utilize a prior authorization policy for off-label antipsychotic and safety monitoring for Medicaid recipients 18 and older through the Adult Safety with Antipsychotic Prescribing (ASAP) Initiative.

SUBPART XII-I. MISCELLANEOUS

STUDY/ALLOW CERTIFIED NURSE-MIDWIVES GREATER FLEXIBILITY IN PRACTICE OF MIDWIFERY

SECTION 12I.2.(a) The Joint Legislative Oversight Committee on Health and Human Services shall appoint a subcommittee to study whether certified nurse-midwives should be given more flexibility in the practice of midwifery. In conducting the study, the subcommittee shall consider whether a certified nurse-midwife should be allowed to practice midwifery in collaboration with, rather than under the supervision of, a physician licensed to practice medicine under Article 1 of Chapter 90 of the General Statutes who is actively engaged in the practice of obstetrics.

SECTION 12I.2.(b) The subcommittee shall report its findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services on or before April 1, 2014, at which time it shall terminate.

SUBPART XII-J. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 12J.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$ 60,285,413

02.	Work First County Block Grants	82,485,495
03.	Work First Electing Counties	2,352,521
04.	Adoption Services – Special Children's Adoption Fund	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391
06.	Child Welfare Collaborative	632,416
	Division of Child Development	
07.	Subsidized Child Care Program	52,060,846
08.	Swap Child Care Subsidy	6,352,644
	Division of Public Health	
09.	Teen Pregnancy Initiatives	2,500,000
	DHHS Administration	
10.	Division of Social Services	2,482,260
11.	Office of the Secretary	34,042
	Transfers to Other Block Grants	
	Division of Child Development	
12.	Transfer to the Child Care and Development Fund	71,773,001
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		**$ 302,885,907**

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First County Block Grants	$ 5,580,925
02.	Work First Electing Counties	25,692
03.	Subsidized Child Care	6,549,469

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS $ 12,156,086

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)	$ 29,927,551
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	State In-Home Services Fund	1,977,379
04.	Adult Protective Services	1,266,778
05.	State Adult Day Care Fund	2,028,375
06.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	573,564
07.	Special Children Adoption Incentive Fund	470,555
08.	Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,726,068
10.	Child Advocacy Centers	345,450
11.	Guardianship	4,046,773
12.	UNC Cares Contract	229,376
13.	Foster Care Services	1,408,971

Division of Central Management and Support

14.	DHHS Funding for Nonprofits	3,021,323

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

15.	Mental Health Services – Adult and Child/Developmental Disabilities Program/Substance Abuse Services – Adult	4,100,043

DHHS Program Expenditures

Division of Services for the Blind

16.	Independent Living Program	3,419,125

Division of Health Service Regulation

17.	Adult Care Licensure Program	381,087
18.	Mental Health Licensure and Certification Program	190,284

DHHS Administration

19.	Division of Aging and Adult Services	577,745
20.	Division of Social Services	559,109
21.	Office of the Secretary/Controller's Office	127,731
22.	Division of Child Development	13,878
23.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446
24.	Division of Health Service Regulation	118,946

TOTAL SOCIAL SERVICES BLOCK GRANT **$ 62,877,557**

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low-Income Energy Assistance Program (LIEAP)	$ 50,876,440
02.	Crisis Intervention Program (CIP)	33,866,195

Local Administration

Division of Social Services

03.	County DSS Administration	6,757,731

DHHS Administration

04.	Office of the Secretary/DIRM	412,488
05.	Office of the Secretary/Controller's Office	18,378

Transfers to Other State Agencies

Department of Commerce

06.	Weatherization Program	14,947,789
07.	Heating Air Repair and Replacement Program (HARRP)	7,193,873
08.	Local Residential Energy Efficiency Service Providers – Weatherization	37,257
09.	Local Residential Energy Efficiency Service Providers – HARRP	338,352
10.	Department of Commerce Administration – Weatherization	37,257
11.	Department of Commerce Administration – HARRP	338,352

Department of Administration

12.	N.C. Commission on Indian Affairs	87,736

TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT **$ 114,911,848**

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development

01.	Child Care Services (Smart Start $7,000,000)	$ 158,328,747
02.	Electronic Tracking System	3,000,000
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	22,500,000

DHHS Administration

Division of Child Development

05.	DCDEE Administrative Expenses	6,000,000
06.	Local Subsidized Child Care Services Support	13,274,413

Division of Central Administration

07.	DHHS Central Administration – DIRM Technical Services	775,000

TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT **$ 275,651,161**

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Mental Health Services – Adult	$ 10,717,607
02.	Mental Health Services – Child	5,121,991
03.	Administration	200,000

TOTAL MENTAL HEALTH SERVICES BLOCK GRANT **$ 16,039,598**

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures

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

01.	Substance Abuse Services – Adult	$ 14,960,371
02.	Substance Abuse Treatment Alternative for Women	6,050,300
03.	Substance Abuse – HIV and IV Drug	3,919,723
04.	Substance Abuse Prevention – Child	7,186,857
05.	Substance Abuse Services – Child	4,190,500
06.	Administration	454,000

Division of Public Health

07.	Risk Reduction Projects	575,654
08.	Aid-to-Counties	190,295

TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT **$ 37,527,700**

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	Children's Health Services	$ 8,042,531
02.	Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal Quality Collaborative $250,000; 17P Project $52,000; Maternity Homes $925,085; Carolina Pregnancy Care Fellowship $250,000; ECU High Risk Maternity Clinic $325,000 Nurse-Family Partnership $1,184,018; Safe Sleep Campaign $45,000)	8,532,935
03.	Oral Health Preventive Services	44,901

DHHS Program Expenditures

Division of Public Health

04.	Children's Health Services	1,301,504
05.	Women's Health – Maternal Health	105,419
06.	State Center for Health Statistics	164,487
07.	Health Promotion – Injury and Violence Prevention	89,374

DHHS Administration

Division of Public Health

08.	Division of Public Health Administration	573,108

TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT **$ 18,854,259**

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	Physical Activity and Prevention	$ 1,331,961

02.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	169,730

DHHS Program Expenditures

Division of Public Health

03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
04.	Oral Health Preventive Services	46,302
05.	Laboratory Services – Testing, Training, and Consultation	10,980
06.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	199,634
07.	Heart Disease and Stroke Prevention	162,249
08.	Performance Improvement and Accountability	213,971
09.	Physical Activity and Nutrition	38,000
10.	State Center for Health Statistics	61,406

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT $ 2,380,052

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	$ 22,402,724
02.	Limited Purpose Agencies	1,244,596

DHHS Administration

03.	Office of Economic Opportunity	1,244,596

TOTAL COMMUNITY SERVICES BLOCK GRANT $ 24,891,916

GENERAL PROVISIONS

SECTION 12J.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.

(2) A delineation of the proposed State and local administrative expenditures.

(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
(5) A projection of current year expenditures by program or activity.
(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 12J.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2013-2014 and 2014-2015, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy Program to pay for child care in four- or five-star rated facilities for four-year-old children.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

SECTION 12J.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2015, according to the schedule enacted for State fiscal years 2013-2014 and 2014-2015 or until a new schedule is enacted by the General Assembly.

SECTION 12J.1.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 12J.1.(f) The sum of eighty-two million four hundred eighty-five thousand four hundred ninety-five dollars ($82,485,495) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used for Work First County Block Grants. The

Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12J.1.(g) The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support administration of TANF-funded programs.

SECTION 12J.1.(h) The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for each year of the 2013-2015 fiscal biennium for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services' workers. Of the block grant funds appropriated for Child Protective Services' workers, the total expenditures from State and local funds for fiscal years 2013-2014 and 2014-2015 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 12J.1.(i) The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2013-2015 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 12J.1.(j) The sum of six hundred thirty-two thousand four hundred sixteen dollars ($632,416) appropriated in this section to the Department of Health and Human Services in TANF funds for each year of the 2013-2015 fiscal biennium shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 12J.1.(k) The sum of twenty-nine million nine hundred twenty-seven thousand five hundred fifty-one dollars ($29,927,551) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12J.1.(l) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2013-2015 fiscal biennium shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Provide training for residential child caring facilities.
(3) Provide for various other child welfare training initiatives.

SECTION 12J.1.(m) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 12J.1.(n) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 12J.1.(o) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 12J.1.(p) The sum of three million twenty-one thousand three hundred twenty-three dollars ($3,021,323) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for funding for nonprofits pursuant to Section 12A.2 of this act for each year of the 2013-2015 fiscal biennium. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12J.1.(q) The sum of three hundred forty-five thousand four hundred fifty dollars ($345,450) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers, and these funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 12J.1.(r) The sum of four million forty-six thousand seven hundred seventy-three dollars ($4,046,773) appropriated in this section in the Social Services Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2013-2014 and 2014-2015 fiscal years and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2013-2014 and 2014-2015 fiscal years.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 12J.1.(s) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 12J.1.(t) The sum of fifty million eight hundred seventy-six thousand four hundred forty dollars ($50,876,440) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for each year of the 2013-2015 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with

income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60 year-old household members no later than August 1 of each year.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 12J.1.(u) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12J.1.(v) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 12J.1.(w) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2013-2014 fiscal year or the 2014-2015 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 12J.1.(x) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

INCREASE CERTAIN AGRONOMIC TESTING FEES

SECTION 13.1.(a) G.S. 106-22 reads as rewritten:

"**§ 106-22. Joint duties of Commissioner and Board.**

The Commissioner of Agriculture, by and with the consent and advice of the Board of Agriculture shall:

…

(17) Agronomic Testing. – Provide agronomic testing services and charge reasonable fees for plant analysis, nematode testing, <u>in-State soil testing during peak season,</u> out-of-state soil testing, and expedited soil testing. The Board shall charge at least four dollars ($4.00) for plant analysis, at least two dollars ($2.00) for nematode testing, <u>at least four dollars ($4.00) for in-State soil testing during peak season,</u> at least five dollars ($5.00) for out-of-state soil testing, and at least ~~one hundred dollars ($100.00)~~<u>two hundred dollars ($200.00)</u> for expedited soil testing. <u>As used in this subdivision, "peak season" includes at a minimum the four-month period beginning no later than December 1 of any year and extending until at least March 31 of the following year. The Board may modify the meaning of peak season by starting a peak season earlier in any year or ending it later the following year or both.</u>

…."

SECTION 13.1.(b) It is the intent of the General Assembly that receipts generated from the new fee for in-State soil testing during peak season under G.S. 106-22(17), as amended by this section, are to be used to alleviate testing delays in the peak testing season. Any receipts generated as a result of the new fee for in-State soil testing during peak season are appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and shall be available to the Department in addition to any other existing funding sources.

SECTION 13.1.(c) This section becomes effective July 1, 2013, and applies to submissions received by the Department for testing or analysis on or after that date.

TVA SETTLEMENT FUNDS

SECTION 13.3.(a) In each fiscal year of the 2013-2015 biennium, the Department of Agriculture and Consumer Services shall apply for two million two hundred forty thousand dollars ($2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the State in *State of Alabama et al. v. Tennessee Valley Authority,* Civil Action 3:11-cv-00170 in the United States District Court for the Eastern District of Tennessee, and Appendix C to the Compliance Agreement. The funds received by the State under this section shall be allocated as follows:

(1) One million dollars ($1,000,000) for each fiscal year of the 2013-2015 biennium to award grants for "Environmental Mitigation Projects" of the types specified in paragraph 128 of the Consent Decree in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.

(2) One million dollars ($1,000,000) for each fiscal year of the 2013-2015 biennium to North Carolina Agricultural Development and Farmland Preservation Trust Fund to be used, notwithstanding G.S. 106-744, to award funds in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, Yancey.

(3) Two hundred forty thousand dollars ($240,000) for each fiscal year of the 2013-2015 biennium to Appalachian Energy Center at Appalachian State University.

SECTION 13.3(b) Funds allocated under subdivision (1) of subsection (a) of this section shall not be used to acquire land.

BOB MARTIN EASTERN AGRICULTURAL CENTER

SECTION 13.6. If the Senator Bob Martin Eastern Agricultural Center is not at least fifty percent (50%) receipt supported by the end of the 2014-2015 fiscal year, no additional appropriations from the General Fund shall be provided to the Senator Bob Martin Eastern Agricultural Center, and no funds shall be included for this purpose in the continuation budget of the Department of Agriculture and Consumer Services.

FUTURE FARMERS OF AMERICA PROGRAM FUNDS/REPORTING REQUIREMENTS

SECTION 13.7.(a) Up to forty thousand dollars ($40,000) of the funds appropriated to the Department of Agriculture and Consumer Services for the 2013-2014 fiscal year and up to one hundred forty thousand dollars ($140,000) of the funds appropriated to the Department of Agriculture and Consumer Services for the 2014-2015 fiscal year may be used

as a grant-in-aid to the North Carolina Agricultural Foundation, Inc., for the Future Farmers of America program for each of these fiscal years.

SECTION 13.7.(b) North Carolina Agricultural Foundation – FFA Foundation (hereinafter "FFA Foundation") shall do the following if the Department of Agriculture and Consumer Services allocates funds to the entity:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

ALLOW BOARD TO ESTABLISH EXAMINATION FEE/SOIL SCIENTISTS

SECTION 13.8. G.S. 89F-25 reads as rewritten:

"**§ 89F-25. Fees.**

(a) The Board shall determine fees for the following services that shall not exceed the amounts specified in this section:

Application	$ 50.00
~~Examination~~	~~125.00~~
License	85.00
Renewal	85.00
Restoration	110.00
Replacement license	50.00
Seal	30.00.

(b) The Board may charge the applicant the actual cost of preparation, administration, and grading of examinations for soil scientists, in addition to its other fees."

INCREASE CERTAIN COMMERCIAL FERTILIZER FEES FOR PACKAGES OF FIVE POUNDS OR LESS

SECTION 13.9.(a) G.S. 106-660(a) reads as rewritten:

"(a) Each brand of commercial fertilizer for tobacco, specialty fertilizer, fertilizer materials, manipulated manure and fortified mulch shall be registered by the person whose name appears upon the label before being offered for sale, sold or distributed in this State, except those brands expressly produced for experimental and demonstration purposes only. Other fertilizers may be manufactured and sold without registration after obtaining a license as required in G.S. 106-661(a). The application for registration shall be submitted in duplicate to the Commissioner for his approval on forms furnished by the Commissioner, and shall include a fee of five dollars ($5.00) per brand and grade for all packages greater than five pounds. The registration fee for packages of five pounds or less shall be ~~thirty dollars ($30.00).~~fifty-five dollars ($55.00). All approved registrations expire on June 30 of each year. The application shall include such information as deemed necessary by the Board of Agriculture."

SECTION 13.9.(b) G.S. 106-671(a) reads as rewritten:

"(a) For the purpose of defraying expenses on the inspection and of otherwise determining the value of commercial fertilizers in this State, there shall be paid to the Department of Agriculture and Consumer Services a charge of fifty cents (50¢) per ton on all commercial fertilizers other than packages of five pounds or less. Inspection fees shall be paid on all tonnage distributed into North Carolina to any person not having a valid reporting permit. ~~On individual~~Individual packages of five pounds or less ~~there shall be paid in lieu of the tonnage fee an annual registration fee of twenty-five dollars ($25.00) for each brand offered for sale, sold, or distributed;~~shall be exempt from the tonnage fee; provided that any per annum

(fiscal) tonnage of any brand sold in excess of one hundred tons ~~may~~ shall be subject to the charge of fifty cents (50¢) per ton on any amount in excess of one hundred tons as provided herein. Whenever any manufacturer of commercial fertilizer shall have paid the charges required by this section his goods shall not be liable to further tax, whether by city, town, or county; provided, this shall not exempt the commercial fertilizers from an ad valorem tax."

BOILER SAFETY BUREAU/INSPECT HISTORICAL AGRICULTURAL BOILERS AT EVENTS

SECTION 13.10. If one or more historical agricultural boilers are to be used or demonstrated at an event or place, the Department of Labor, Boiler Safety Bureau, shall conduct an inspection of the boilers in a timely and appropriate manner. For purposes of this section, the term "historical agricultural boiler" means a steam boiler of riveted construction that is preserved, restored, or maintained for hobby or demonstration. The Department of Labor, Boiler Safety Bureau, shall use the funds available to the Bureau to conduct inspections as provided in this section.

PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

DEVELOP PLAN FOR AQUARIUMS TO RAISE PRIVATE FUNDS FOR SUPPORT ASSISTANCE

SECTION 14.1. No later than April 1, 2014, the Division of North Carolina Aquariums of the Department of Environment and Natural Resources shall develop a plan for the North Carolina Aquariums established under Article 5C of Chapter 143B of the General Statutes to increase the amount of private funds raised through the direct efforts of each North Carolina Aquarium in order to make the North Carolina Aquariums become more financially self-sustaining. No later than April 1, 2014, the Division of North Carolina Aquariums of the Department of Environment and Natural Resources shall report its plan under this section to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division.

EARLY SUNSET FOR NC SUSTAINABLE COMMUNITIES TASK FORCE

SECTION 14.2. Section 13.5(e) of S.L. 2010-31 reads as rewritten:

"**SECTION 13.5.(e)** Sunset. – This section expires June 30, ~~2016.~~2013."

CLEAN WATER MANAGEMENT TRUST FUND UNDER DENR; NHTF REPEALED; CWMTF CHANGES

SECTION 14.3.(a) All staff that are supported by the Clean Water Management Trust Fund and employed by the Clean Water Management Trust Fund Board of Trustees are transferred to the Department of Environment and Natural Resources and shall continue to be supported by the Clean Water Management Trust Fund, established in G.S. 113A-253, and shall be employed by the Department of Environment and Natural Resources. The Clean Water Management Trust Fund shall be administered by the Department of Environment and Natural Resources.

SECTION 14.3.(b) Article 5A of Chapter 113 of the General Statutes is repealed.

SECTION 14.3.(c) G.S. 20-79.7(b) reads as rewritten:

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

Water Management Trust Fund (CWMTF), which is established under ~~G.S. 113-77.7,~~G.S. 113A-253, and the Parks and Recreation Trust Fund, which is established under G.S. 113-44.15, as follows:

Special Plate	SRPA	CCAPA	~~NHTF~~CWMTF	PRTF

…."

SECTION 14.3.(d) G.S. 113A-253 reads as rewritten:

"**§ 113A-253. Clean Water Management Trust Fund.**

(a) Fund Established. – The Clean Water Management Trust Fund is established as a special revenue ~~fund.~~fund to be administered by the Department of Environment and Natural Resources. The Fund receives revenue from the following sources and may receive revenue from other sources:

(1) Annual appropriations.

(2) ~~Scenic River special~~Special registration plates under G.S. 20-81.12.

(3) Other special registration plates under G.S. 20-79.7.

(4) Deed stamp tax proceeds under G.S. 105-228.30.

(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. Investment earnings credited to the assets of the Fund shall become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the Chair of the Board of Trustees.

(c) Fund Purposes. – Moneys from the Fund are appropriated annually to finance projects to clean up or prevent surface water pollution and for land preservation in accordance with this Article. Revenue in the Fund may be used for any of the following purposes:

(1) To acquire land for riparian buffers for the purposes of providing environmental protection for surface waters and urban drinking water supplies and establishing a network of riparian greenways for environmental, educational, and recreational uses and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(2) To acquire conservation easements or other interests in real property for the purpose of protecting and conserving surface waters and enhancing drinking water supplies, including the development of water supply reservoirs, and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(3) To coordinate with other public programs involved with lands adjoining water bodies to gain the most public benefit while protecting and improving water quality and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(4) To restore previously degraded lands to reestablish their ability to protect water quality and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(5) To repair failing wastewater collection systems and wastewater treatment works if the repair is a reasonable remedy for resolving an existing waste treatment problem and the repair is not for the purpose of expanding the system to accommodate future anticipated growth of a community.

(6) To repair and eliminate failing septic tank systems, to eliminate illegal drainage connections, and to expand a wastewater collection system or wastewater treatment works if the expansion eliminates failing septic tank systems or illegal drainage connections.

(7) To finance stormwater quality projects.

(8) To facilitate planning that targets reductions in surface water pollution.

(8a) To finance innovative efforts, including pilot projects, to improve stormwater management, to reduce pollutants entering the State's waterways, to improve water quality, and to research alternative solutions to the State's water quality problems.

(8b) To provide buffers around military bases or for State matching funds for the Readiness and Environmental Protection Initiative, a federal funding initiative that provides funds for military buffers.

(8c) To acquire land that represents the ecological diversity of North Carolina, including natural features such as riverine, montane, coastal, and geologic systems and other natural areas to ensure their preservation and conservation for recreational, scientific, educational, cultural, and aesthetic purposes, and to retire debt incurred for this purpose under Article 9 of Chapter 142 of the General Statutes.

(8d) To acquire land that contributes to the development of a balanced State program of historic properties.

(9) To fund operating expenses of the Board of Trustees and its staff.

(d) Limit on Operating and Administrative Expenses. – ~~No more than two percent (2%) of the annual balance of the Fund on 1 July or a total sum of one million two hundred fifty thousand dollars ($1,250,000), whichever is greater, may be used each fiscal year for administrative and operating expenses of the Board of Trustees and its staff.~~For the fiscal year beginning July 1, 2013, the limit on operating and administrative expenses of the Board of Trustees and its staff is one million five hundred thousand dollars ($1,500,000). For fiscal years beginning on or after July 1, 2014, the limit on operating and administrative expenses of the Board of Trustees and its staff is the amount for the preceding year, adjusted to include any change in the distribution of Statewide salary and benefits reserves."

SECTION 14.3.(e) G.S. 113A-254 is amended by adding a new subsection to read:

"(g) Limit on Land Acquisition Grants. – During any fiscal year, the total amount of grants awarded under this Article for land acquisition shall not exceed the total amount of revenue credited to the Fund during the previous fiscal year from the following sources:

(1) Special registration plates under G.S. 20-81.12.

(2) Other special registration plates under G.S. 20-79.7."

SECTION 14.3.(f) G.S. 113A-255 reads as rewritten:

"**§ 113A-255. Clean Water Management Trust Fund: Board of Trustees established; membership qualifications; vacancies; meetings and meeting facilities.**

(a) Board of Trustees Established. – There is established the Clean Water Management Trust Fund Board of Trustees. The Clean Water Management Trust Fund Board of Trustees shall be administratively located within the Department of Environment and Natural ~~Resources but shall be independent of the Department.~~Resources.

…

~~(g) Meeting Facilities. – The Secretary of Environment and Natural Resources shall provide meeting facilities for the Board of Trustees and its staff as requested by the Chair.~~"

SECTION 14.3.(g) G.S. 113A-256(j) reads as rewritten:

"(j) Debt. – Of the funds credited annually to the Fund, the Trustees may authorize expenditure of a portion to reimburse the General Fund for debt service on special indebtedness to be issued or incurred under Article 9 of Chapter 142 of the General ~~Statutes for the purposes provided in G.S. 113A-253(c)(1) through (4).~~Statutes. In order to authorize expenditure of funds for debt service reimbursement, the Trustees must identify to the State Treasurer and the Department of Administration the specific capital projects for which they would like special indebtedness to be issued or incurred and the annual amount they intend to make available, and request the State Treasurer to issue or incur the indebtedness. After special indebtedness has been issued or incurred for a capital project requested by the Trustees, the Trustees must direct

the State Treasurer to credit to the General Fund each year the actual aggregate principal and interest payments to be made in that year on the special indebtedness, as identified by the State Treasurer."

SECTION 14.3.(h) G.S. 113A-258 reads as rewritten:

"**§ 113A-258. Clean Water Management Trust Fund: Executive Director and staff.**

~~The Clean Water Management Trust Fund Board of Trustees, as soon as practicable after its organization,~~The Secretary of Environment and Natural Resources shall select and appoint a competent person in accordance with this section as Executive Director of the Clean Water Management Trust Fund Board of Trustees. The Executive Director shall be charged with the supervision of all activities under the jurisdiction of the Trustees and shall serve as the chief administrative officer of the Trustees. Subject to the approval of ~~the Trustees and the Director of the Budget,~~ the Secretary of Environment and Natural Resources, the Executive Director may employ such clerical and other assistants as may be deemed necessary.

The person selected as Executive Director shall have had training and experience in conservation, protection, and management of surface water resources. The salary of the Executive Director shall be fixed by the ~~Trustees,~~Secretary of Environment and Natural Resources, and the Executive Director shall be allowed travel and subsistence expenses in accordance with G.S. 138 6. The Executive Director's salary and expenses shall be paid from the Fund. The term of office of the Executive Director shall be at the pleasure of the ~~Trustees.~~Secretary of Environment and Natural Resources.

These employees shall be exempt from the State Personnel Act, as provided in G.S. 126-5(c1)."

SECTION 14.3.(i) G.S. 106-887(a) reads as rewritten:

"(a) DuPont State Forest is designated as a State Recreational Forest. The Department shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation, scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling, hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound, ecologically based natural resource management for the social and economic benefit of the forest's diverse community of users; and (iii) consistent with the grant agreement ~~between the Natural Heritage Trust Fund and the Division of Forest Resources, which grant~~that designates a portion of the forest as a North Carolina Nature Preserve. In addition, the Department may use the forest for the demonstration of different forest management and resource protection techniques for local landowners, natural resource professionals, students, and other forest visitors."

SECTION 14.3.(j) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

…

~~(67) The Board of Trustees of the Natural Heritage Trust Fund, as established by G.S. 113-77.8.~~

…."

SECTION 14.3.(k) G.S. 143B-279.3(b)(18) and G.S. 143B-344.38(a)(8)d. are repealed.

SECTION 14.3.(l) The Natural Heritage Trust Fund shall be closed and the remaining fund balance in the Fund shall be transferred to the Clean Water Management Trust Fund established in G.S. 113A-253 as provided in this subsection. It is the intent of the General Assembly to honor the obligations from the Natural Heritage Trust Fund that were authorized prior to the effective date of this section and to ensure that any tax proceeds credited to the Natural Heritage Trust Fund are used for the purposes for which they were collected. Any

encumbered funds transferred from the Natural Heritage Trust Fund to the Clean Water Management Trust Fund shall be used for the purpose for which the grant was awarded. The funds transferred from the Natural Heritage Trust Fund to the Clean Water Management Trust Fund that are unencumbered and any funds transferred from the Natural Heritage Trust Fund to the Clean Water Management Trust Fund that were encumbered but become unencumbered after the effective date of this section shall be used to acquire land under G.S. 113A-253(c)(8c) or G.S. 113A-253(c)(8d), as amended by subsection (d) of this section, or shall be used for the continued payment of debt service authorized before the effective date of this section to reimburse the General Fund for debt service on special indebtedness issued or incurred under Article 9 of Chapter 142 of the General Statutes for a natural heritage purpose.

SECTION 14.3.(m) Subsection (e) of this section applies to land acquired on or after the effective date of this section.

SECTION 14.3.(n) The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

SPECIAL LICENSE PLATE REVENUE FOR FRIENDS OF STATE PARKS, INC.

SECTION 14.3A. G.S. 20-81.12(b2)(5) reads as rewritten:

"(5) North Carolina State Parks. – ~~One-half of the revenue derived from the special plate shall be transferred quarterly to Natural Heritage Trust Fund established under G.S. 113-77.7, and the remaining revenue shall be transferred quarterly to the Parks and Recreation Trust Fund established under G.S. 113-44.15.~~The revenue derived from the special plate shall be transferred quarterly to Friends of State Parks, Inc., for its educational, conservation, and other programs in support of the operations of the State Parks System established in Article 2C of Chapter 113 of the General Statutes."

PORTION OF DEED STAMP TAX PROCEEDS CREDITED TO CWMTF; PARTF TECHNICAL CHANGE

SECTION 14.4.(a) G.S. 105-228.30(b) reads as rewritten:

"(b) The register of deeds of each county must remit the proceeds of the tax levied by this section to the county finance officer. The finance officer of each county must credit one-half of the proceeds to the county's general fund and remit the remaining one-half of the proceeds, less taxes refunded and the county's allowance for administrative expenses, to the Department of Revenue on a monthly basis. A county may retain two percent (2%) of the amount of tax proceeds allocated for remittance to the Department of Revenue as compensation for the county's cost in collecting and remitting the State's share of the tax. Of the funds remitted to it pursuant to this section, the Department of Revenue must credit seventy-five percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and twenty-five percent (25%) to the ~~Natural Heritage Trust Fund established under G.S. 113-77.7.~~Clean Water Management Trust Fund established under G.S. 113A-253."

SECTION 14.4.(b) G.S. 113-44.15(a) reads as rewritten:

"(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to G.S. 105-228.30(b), revenue credited to the Trust Fund from the additional fee for special registration plates under G.S. 20-79.7, and other monies appropriated to the Trust Fund by the General Assembly. Investment earnings credited to the assets of the Fund shall become part of the Fund."

PARKS AND RECREATION AUTHORITY

SECTION 14.5.(a) G.S. 143B-313.2 reads as rewritten:

"**§ 143B-313.2. North Carolina Parks and Recreation Authority; members; selection; compensation; meetings.**

(a) Membership. – The North Carolina Parks and Recreation Authority shall consist of ~~15~~ nine members. The members shall include persons who are knowledgeable about park and recreation issues in North Carolina or with expertise in finance. In making appointments, each appointing authority shall specify under which subdivision of this subsection the person is appointed. Members shall be appointed as follows:

(1) One member appointed by the Governor.
(2) One member appointed by the Governor.
(3) One member appointed by the Governor.
~~(3a) One member appointed by the Governor.~~
~~(3b) One member appointed by the Governor.~~
(4) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
(5) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
(6) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.
~~(7) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~
~~(7a) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, as provided in G.S. 120-121.~~
(8) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
(9) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
(10) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.
~~(11) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~
~~(12) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate, as provided in G.S. 120-121.~~

(b) Terms. – Members shall serve staggered terms of office of three years. Members shall serve no more than two consecutive three-year terms. After serving two consecutive three-year terms, a member is not eligible for appointment to the Authority for at least one year after the expiration date of that member's most recent term. Upon the expiration of a three-year term, a member may continue to serve until a successor is appointed and duly qualified as provided by G.S. 128-7. The terms of members appointed under subdivision (1), ~~(3a),~~ (5), ~~(7),~~ or (9) of subsection (a) of this section shall expire on July 1 of years that are evenly divisible by three. The terms of members appointed under subdivision (2), ~~(3b),~~ (4), ~~(8), or (11)~~or (8) of subsection (a) of this section shall expire on July 1 of years that follow by one year those years that are evenly divisible by three. The terms of members appointed under subdivision (3), (6), ~~(7a), (10), or (12)~~ or (10) of subsection (a) of this section shall expire on July 1 of years that precede by one year those years that are evenly divisible by three.

(c) Chair. – The Governor shall appoint one member of the North Carolina Parks and Recreation Authority to serve as Chair.

(d) Vacancies. – A vacancy on the North Carolina Parks and Recreation Authority shall be filled by the appointing authority responsible for making the appointment to that position as

provided in subsection (a) of this section. An appointment to fill a vacancy shall be for the unexpired balance of the term.

(e) Removal. – The Governor may remove, as provided in Article 10 of Chapter 143C of the General Statutes any member of the North Carolina Parks and Recreation Authority appointed by the Governor for misfeasance, malfeasance, or nonfeasance. The General Assembly may remove any member of the North Carolina Parks and Recreation Authority appointed by the General Assembly for misfeasance, malfeasance, or nonfeasance.

(f) Compensation. – The members of the North Carolina Parks and Recreation Authority shall receive per diem and necessary travel and subsistence expenses according to the provisions of G.S. 138-5.

(g) Meetings. – The North Carolina Parks and Recreation Authority shall meet at least quarterly at a time and place designated by the Chair.

(h) Quorum. – A majority of the North Carolina Parks and Recreation Authority shall constitute a quorum for the transaction of business.

(i) Staff. – All clerical and other services required by the North Carolina Parks and Recreation Authority shall be provided by the Secretary of Environment and Natural Resources."

SECTION 14.5.(b) The terms of all members of the North Carolina Parks and Recreation Authority shall expire on June 30, 2013. A new Authority consisting of nine members shall be appointed as provided in G.S. 143B-313.2, as amended by subsection (a) of this section. This subsection becomes effective on June 30, 2013.

FISHERY RESOURCE GRANT PROGRAM REPEAL

SECTION 14.7.(a) G.S. 113-200 is repealed.

SECTION 14.7.(b) G.S. 143B-289.54(c) reads as rewritten:

"(c) Additional Considerations. – In making appointments to the Commission, the Governor shall provide for appropriate representation of women and minorities on the Commission.~~ The Governor shall make appointments to the Commission consistent with the restrictions of G.S. 113-200(g).~~"

MARINE FISHERIES LICENSE AND PERMIT FEES; LICENSE AND PERMIT REQUIREMENTS; FEE INCREASES FUND DMF AT-SEA OBSERVER PROGRAM

SECTION 14.8.(a) G.S. 113-168.1(h) reads as rewritten:

"(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement license, including any endorsements, to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any office of the Division or by mail to the Morehead City office of the Division. A licensee may use a copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed ~~ten dollars ($10.00),~~ twelve dollars and fifty cents ($12.50), that compensates the Division for the administrative costs associated with issuing the replacement license."

SECTION 14.8.(b) G.S. 113-168.2 reads as rewritten:

"**§ 113-168.2. Standard Commercial Fishing License.**

(a) Requirement. – Except as otherwise provided in this Article, it is unlawful for any person to engage in a commercial fishing operation in the coastal fishing waters without holding a SCFL issued by the Division. A person who works as a member of the crew of a vessel engaged in a commercial fishing operation under the direction of a person who holds a

valid SCFL is not required to hold a SCFL. A person who holds a SCFL is not authorized to take shellfish unless the SCFL is endorsed as provided in ~~G.S. 113-168.5(d) or the person holds a shellfish license issued pursuant to G.S. 113-169.2.~~G.S. 113-168.5.

(a1) Use of Vessels. – The holder of a SCFL is authorized to use only one vessel in a commercial fishing operation at any given time. The Commission may adopt a rule to exempt from this requirement a person in command of a vessel that is auxiliary to a vessel engaged in a pound net operation, long-haul operation, beach seine operation, or menhaden operation. A person who works as a member of the crew of a vessel engaged in a mechanical shellfish operation under the direction of a person who holds a valid SCFL with a shellfish endorsement is not required to hold a shellfish license.

(b) through (d) Repealed by Session Laws 1998-225, s. 4.11.

(e) Fees. – The annual SCFL fee for a resident of this State shall be ~~two hundred dollars ($200.00)~~two hundred fifty dollars ($250.00). The annual SCFL fee for a person who is not a resident of this State shall be ~~eight hundred dollars ($800.00) or~~ the amount charged to a resident of this State in the nonresident's ~~state, whichever is less.~~state. In no event, however, may the fee be less than ~~two hundred dollars ($200.00).~~two hundred fifty dollars ($250.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

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

(2) G.S. 113-130(4)e.

(f) Assignment. – The holder of a SCFL may assign the SCFL to any individual who is eligible to hold a SCFL under this Article. It is unlawful for the holder of an SCFL to assign a shellfish endorsement of an SCFL to any individual who is not a resident of this State. The assignment shall be in writing on a form provided by the Division and shall include the name of the licensee, the license number, any endorsements, the assignee's name, mailing address, physical or residence address, and the duration of the assignment. If a notarized copy of an assignment is not filed with the Morehead City office of the Division within five days of the date of the assignment, the assignment shall expire. It is unlawful for the assignee of a SCFL to assign the SCFL. The assignment shall terminate:

(1) Upon written notification by the assignor to the assignee and the Division that the assignment has been terminated.

(2) Upon written notification by the estate of the assignor to the assignee and the Division that the assignment has been terminated.

(3) If the Division determines that the assignee is operating in violation of the terms and conditions applicable to the assignment.

(4) If the assignee becomes ineligible to hold a license under this Article.

(5) Upon the death of the assignee.

(6) If the Division suspends or revokes the assigned SCFL.

(7) At the end of the license year.

(g) Transfer. – A SCFL may be transferred only by the Division. A SCFL may be transferred pursuant to rules adopted by the Commission or upon the request of:

(1) A licensee, from the licensee to a member of the licensee's immediate family who is eligible to hold a SCFL under this Article.

(2) The administrator or executor of the estate of a deceased licensee, to the administrator or executor of the estate if a surviving member of the deceased licensee's immediate family is eligible to hold a SCFL under this Article. The administrator or executor must request a transfer under this subdivision within six months after the administrator or executor qualifies under Chapter 28A of the General Statutes. An administrator or executor who holds a

SCFL under this subdivision may, for the benefit of the estate of the deceased licensee:

a. Engage in a commercial fishing operation under the SCFL if the administrator or executor is eligible to hold a SCFL under this Article.

b. Assign the SCFL as provided in subsection (f) of this section.

c. Renew the SCFL as provided in G.S. 113-168.1.

(3) An administrator or executor to whom a SCFL was transferred pursuant to subdivision (2) of this subsection, to a surviving member of the deceased licensee's immediate family who is eligible to hold a SCFL under this Article.

(4) The surviving member of the deceased licensee's immediate family to whom a SCFL was transferred pursuant to subdivision (3) of this subsection, to a third-party purchaser of the deceased licensee's fishing vessel.

(5) A licensee who is retiring from commercial fishing, to a third-party purchaser of the licensee's fishing vessel.

(h) Identification as Commercial Fisherman. – The receipt of a current and valid SCFL or shellfish license issued by the Division shall serve as proper identification of the licensee as a commercial fisherman.

(i) Record-Keeping Requirements. – The fish dealer shall record each transaction at the time and place of landing on a form provided by the Division. The transaction form shall include the information on the SCFL or shellfish license, the quantity of the fish, the identity of the fish dealer, and other information as the Division deems necessary to accomplish the purposes of this Subchapter. The person who records the transaction shall provide a completed copy of the transaction form to the Division and to the other party of the transaction. The Division's copy of each transaction form shall be transmitted to the Division by the fish dealer on or before the tenth day of the month following the transaction."

SECTION 14.8.(c) G.S. 113-168.3(b) reads as rewritten:

"(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a RSCFL for a resident of this State shall be ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00). The annual fee for a RSCFL for a person who is not a resident of this State shall be ~~eight hundred dollars ($800.00) or the amount charged to a resident of this State in the nonresident's state, whichever is less. In no event, however, shall the fee be less than one hundred dollars ($100.00).~~one hundred sixty-two dollars and fifty cents ($162.50). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

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

(2) G.S. 113-130(4)e."

SECTION 14.8.(d) G.S. 113-168.4(c) reads as rewritten:

"(c) A person who organizes a recreational fishing tournament may sell fish taken in connection with the tournament pursuant to a recreational fishing tournament license to sell fish. A person who organizes a recreational fishing tournament may obtain a recreational fishing tournament license to sell fish upon application to the Division and payment of a fee of ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00). It is unlawful for any person licensed under this subsection to sell fish to any person other than a fish dealer licensed under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing tournament is an organized fishing competition occurring within a specified time period not to

exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale of fish may be used only for charitable, religious, educational, civic, or conservation purposes and shall not be used to pay tournament expenses."

SECTION 14.8.(e) G.S. 113-168.6 reads as rewritten:

"**§ 113-168.6. Commercial fishing vessel registration.**

(a) As used in this subsection, a North Carolina vessel is a vessel that has its primary situs in the State. A vessel has its primary situs in the State if:

(1) A certificate of number has been issued for the vessel under Article 1 of Chapter 75A of the General Statutes;

(2) A certificate of title has been issued for the vessel under Article 4 of Chapter 75A of the General Statutes; or

(3) A certification of documentation has been issued for the vessel that lists a home port in the State under 46 U.S.C. § 12101, et seq., as amended.

(b) The owner of a vessel used in a commercial fishing operation in the coastal fishing waters of the State or a North Carolina vessel used to land or sell fish in the State shall register the vessel with the Division. It is unlawful to use a vessel that is not registered with the Division in a commercial fishing operation <u>or a for-hire operation</u> in the coastal fishing waters of the State. It is unlawful to use a North Carolina vessel that is not registered with the Division to land or sell fish in the State. No registration is required for a vessel of any length that does not have a motor if the vessel is used only in connection with another vessel that is properly registered.

<u>(b1) The vessel owner at the time of application for registration under subsection (b) of this section shall obtain either a commercial vessel endorsement if the vessel is intended to be used primarily for the harvest of fish for sale, a for-hire endorsement if the vessel is intended to be used primarily for for-hire activities, or both endorsements if the vessel is intended to be engaged in both activities. The owner of a vessel applying for a commercial fishing vessel registration with a for-hire endorsement must affirm liability coverage and knowledge of applicable United States Coast Guard safety requirements.</u>

(c) The annual fee for a commercial fishing vessel registration shall be determined by the length of the vessel and shall be in addition to the fee for other licenses issued under this Article. The length of a vessel shall be determined by measuring the distance between the ends of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a commercial fishing vessel registration is:

(1) ~~One dollar ($1.00)~~<u>One dollar and twenty-five cents ($1.25)</u> per foot for a vessel not over 18 feet in length.

(2) ~~One dollar and fifty cents ($1.50)~~<u>One dollar and ninety cents ($1.90)</u> per foot for a vessel over 18 feet but not over 38 feet in length.

(3) ~~Three dollars ($3.00)~~<u>Three dollars and seventy-five cents ($3.75)</u> per foot for a vessel over 38 feet but not over 50 feet in length.

(4) ~~Six dollars ($6.00)~~<u>Seven dollars and fifty cents ($7.50)</u> per foot for a vessel over 50 feet in length.

(d) A vessel may be registered at any office of the Division. A commercial fishing vessel registration expires on the last day of the license year.

(e) Within 30 days of the date on which the owner of a registered vessel transfers ownership of the vessel, the new owner of the vessel shall notify the Division of the change in ownership and apply for a replacement commercial fishing vessel registration. An application for a replacement commercial fishing vessel registration shall be accompanied by proof of the transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial fishing vessel registration."

SECTION 14.8.(f) G.S. 113-169.1 reads as rewritten:

"**§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.**

(a) The Commission may adopt rules to establish permits for gear, equipment, and specialized activities, including commercial fishing operations that do not involve the use of a vessel and transplanting oysters or clams. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars ($100.00) per permit.

(b) The Commission may adopt rules to establish gear specific permits to take striped bass from the Atlantic Ocean and to limit the number and type of these permits that may be issued to a person. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed ~~ten dollars ($10.00)~~thirty dollars ($30.00) per permit.

(c) To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(g) G.S. 113-169.2 reads as rewritten:

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

(a) License or Endorsement Necessary to Take or Sell ~~Shellfish.~~Shellfish Taken by Hand Methods. – It is unlawful for an individual to take shellfish from the public or private grounds of the State ~~by mechanical means or~~ as part of a commercial fishing operation by ~~any means~~hand methods without holding either a shellfish license or a shellfish endorsement of a SCFL. A North Carolina resident who seeks only to take shellfish by hand methods and sell such shellfish shall be eligible to obtain a shellfish license without holding a SCFL. The shellfish license authorizes the licensee to sell shellfish.

(a1) License Necessary to Take or Sell Shellfish Taken by Mechanical Means. – Subject to subsection (i) of this section, an individual who takes shellfish from the public or private grounds of the State by mechanical means must obtain an SCFL under the provisions of G.S. 113-168.2.

(b) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

(c) Fees. – Shellfish licenses issued under this section shall be issued annually upon payment of a fee of ~~twenty-five dollars ($25.00)~~thirty-one dollars and twenty-five cents ($31.25) upon proof that the license applicant is a North Carolina resident.

(d) License Available for Inspection. – It is unlawful for any individual to take shellfish as part of a commercial fishing operation from the public or private grounds of the State without having ready at hand for inspection a current and valid shellfish license issued to the licensee personally and bearing the licensee's correct name and address. It is unlawful for any individual taking or possessing freshly taken shellfish to refuse to exhibit the individual's license upon the request of an officer authorized to enforce the fishing laws.

(e) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

(f) Name or Address Change. – In the event of a change in name or address or upon receipt of an erroneous shellfish license, the licensee shall, within 30 days, apply for a replacement shellfish license bearing the correct name and address. Upon a showing by the individual that the name or address change occurred within the past 30 days, the trial court or prosecutor shall dismiss any charges brought pursuant to this subsection.

(g) Transfer Prohibited. – It is unlawful for an individual issued a shellfish license to transfer or offer to transfer the license, either temporarily or permanently, to another. It is unlawful for an individual to secure or attempt to secure a shellfish license from a source not authorized by the Commission.

(h) Exemption. – Persons under 16 years of age are exempt from the license requirements of this section if accompanied by a parent, grandparent, or guardian who is in compliance with the requirements of this section or if in possession of a parent's, grandparent's or guardian's shellfish license.

(i) Taking Shellfish Without a License for Personal Use. – Shellfish may be taken without a license for personal use in quantities established by rules of the Marine Fisheries Commission."

SECTION 14.8.(h) G.S. 113-169.3(e) reads as rewritten:

"(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license shall pay a nonrefundable application fee of ~~fifty dollars ($50.00)~~sixty-two dollars and fifty cents ($62.50) in addition to the license category fees set forth in this section."

SECTION 14.8.(i) G.S. 113-169.3(f) reads as rewritten:

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

(1) Dealing in oysters: ~~$50.00;~~$62.50.
(2) Dealing in scallops: ~~$50.00;~~$62.50.
(3) Dealing in clams: ~~$50.00;~~$62.50.
(4) Dealing in hard or soft crabs: ~~$50.00;~~$62.50.
(5) Dealing in shrimp, including bait: ~~$50.00;~~$62.50.
(6) Dealing in finfish, including bait: ~~$50.00;~~$62.50.
(7) Operating menhaden or other fish-dehydrating or oil-extracting processing plants: ~~$50.00; or~~$62.50.
(8) Consolidated license (all categories): ~~$300.00.~~$375.00."

SECTION 14.8.(j) G.S. 113-169.4 reads as rewritten:

"**§ 113-169.4. Licensing of ocean fishing piers; fees.**

(a) The owner or operator of an ocean fishing pier within the coastal fishing waters who charges the public a fee to fish in any manner from the pier shall secure a current and valid pier license from the Division. An application for a pier license shall disclose the names of all parties involved in the pier operations, including the owner of the property, owner of the pier if different, and all leasehold or other corporate arrangements, and all persons with a substantial financial interest in the pier.

(b) Within 30 days following a change of ownership of a pier, or a change as to the manager, the manager or new manager shall secure a replacement pier license as provided in G.S. 113-168.1(h).

(c) Pier licenses are issued upon payment of ~~fifty cents (50¢)~~four dollars and fifty cents ($4.50) per linear foot, to the nearest foot, that the pier extends into coastal fishing waters beyond the mean high waterline. The length of the pier shall be measured to include all extensions of the pier.

(d) The manager who secures the pier license shall be the individual with the duty of executive-level supervision of pier operations.

(e) The pier license issued under this section authorizes any individual who does not hold a Coastal Recreational Fishing License under Article 14B or Article 25A of this Chapter to engage in recreational fishing while on the pier."

SECTION 14.8.(k) G.S. 113-169.5(b) reads as rewritten:

"(b) The fee for a land or sell license for a vessel not having its primary situs in North Carolina is ~~two hundred dollars ($200.00);~~two hundred fifty dollars ($250.00), or an amount equal to the nonresident fee charged by the nonresident's state, whichever is greater. Persons aboard vessels having a primary situs in a jurisdiction that would allow North Carolina vessels without restriction to land or sell their catch, taken outside the jurisdiction, may land or sell

their catch in the State without complying with this section if the persons are in possession of a valid license from their state of residence."

SECTION 14.8.(l) G.S. 113-171.1(b) reads as rewritten:

"(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing operation, the owner or operator of the aircraft must obtain a license for the aircraft from the Division. The fee for a license for a spotter plane is ~~one hundred dollars ($100.00).~~one hundred twenty-five dollars ($125.00). An applicant for a license for a spotter plane shall include in the application the identity, either by boat or by company, of the specific commercial fishing operations in which the spotter plane will be used during the license year. If, during the course of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that is not identified in the original license application, the owner or operator of the aircraft shall amend the license application to add the identity of the additional commercial fishing operation."

SECTION 14.8.(m) G.S. 113-173(f) reads as rewritten:

"(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be ~~thirty-five dollars ($35.00).~~forty-three dollars and seventy-five cents ($43.75). The fee for a RCGL for an individual who is not a North Carolina resident shall be ~~two hundred fifty dollars ($250.00).~~three hundred twelve dollars and fifty cents ($312.50)."

SECTION 14.8.(n) G.S. 113-174(2a) reads as rewritten:

"(2a) 'For Hire ~~Boat~~'Vessel' means a charter boat, head boat, dive boat, or other ~~boat~~ vessel hired to allow individuals to engage in recreational fishing."

SECTION 14.8.(o) G.S. 113-174.3 reads as rewritten:

"**§ 113-174.3. ~~For Hire Blanket CRFL.~~For-Hire Licenses.**

~~(a) License. – A person who operates a for hire boat may purchase a For Hire Blanket CRFL issued by the Division for the for hire boat. A For Hire Blanket CRFL authorizes all individuals on the for hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. A For Hire Blanket CRFL does not authorize individuals to engage in recreational fishing in joint fishing waters or inland fishing waters. A For Hire Blanket CRFL is valid for a period of one year from the date of issuance. The fee for a For Hire Blanket CRFL is:~~

~~(1) Two hundred fifty dollars ($250.00) for a vessel that will carry six or fewer passengers.~~

~~(2) Three hundred fifty dollars ($350.00) for a vessel that will carry greater than six passengers.~~

~~(b) Implementation. – Except as provided in this section and G.S. 113-174.2(d), each individual on board a for hire boat engaged in recreational fishing, other than crew members who do not engage in recreational fishing, must hold a license issued under this Article or Article 25A of this Chapter. An owner, operator, or crew member of a for hire boat is not responsible for the licensure of a customer fishing from the boat.~~

(c) License. – It is unlawful for a person to engage in a for-hire operation without having obtained one of the following licenses issued by the Division:

(1) Blanket For-Hire Captain's CRFL. – This license allows individuals properly licensed by the United States Coast Guard to carry passengers on any vessel with a commercial vessel registration with a for-hire endorsement. A Blanket For-Hire Captain's CRFL authorizes all individuals on the for-hire vessel who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. The resident fees for a Blanket For-Hire Captain's CRFL are two hundred fifty dollars ($250.00) for a vessel carrying

six or fewer passengers and three hundred fifty dollars ($350.00) for a vessel carrying more than six passengers. The nonresident fees for a Blanket For-Hire Captain's CRFL are three hundred twelve dollars and fifty cents ($312.50) for a vessel carrying six or fewer passengers and four hundred thirty-seven dollars and fifty cents ($437.50) for a vessel carrying more than six passengers. Any vessel whose operator is licensed under this subdivision and that is engaged in for-hire fishing must obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(2) Blanket For-Hire Vessel CRFL. – This license allows any United States Coast Guard licensed operator to carry passengers aboard the licensed vessel. A Blanket For-Hire Vessel CRFL authorizes all individuals on the for-hire vessel who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. The resident fees for a Blanket For-Hire Vessel CRFL are two hundred fifty dollars ($250.00) for a vessel carrying six or fewer passengers and three hundred fifty dollars ($350.00) for a vessel carrying more than six passengers. The nonresident fees for a Blanket For-Hire Vessel CRFL are three hundred twelve dollars and fifty cents ($312.50) for a vessel carrying six or fewer passengers and four hundred thirty-seven dollars and fifty cents ($437.50) for a vessel carrying more than six passengers. Any vessel whose operator is licensed under this subdivision and that is engaged in for-hire fishing is not required to obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(3) Non-Blanket For-Hire Vessel License. – This license allows any United States Coast Guard licensed operator to carry passengers aboard the licensed vessel. This license does not authorize individuals aboard the vessel to engage in recreational fishing unless they hold an individual CRFL issued under this Article or Article 25A of this Chapter. The fee for the Non-Blanket For-Hire Vessel License is twenty-five dollars ($25.00) for a vessel operated by a resident operator and thirty-seven dollars and fifty cents ($37.50) for a vessel operated by a nonresident operator. Any vessel whose operator is licensed under this subdivision and that is engaged in for-hire fishing is not required to obtain a Commercial Fishing Vessel Registration with a for-hire endorsement.

(d) A license issued under this section does not authorize individuals to engage in recreational fishing in joint fishing waters or inland fishing waters. All for-hire licenses expire on the last day of the license year.

(e) Each individual who obtains a for-hire license shall submit to the Division logbooks summarizing catch and effort statistical data to the Division. The Commission may adopt rules that determine the means and methods to satisfy the requirements of this subsection."

SECTION 14.8.(p) G.S. 113-174.4 is repealed.

SECTION 14.8.(q) G.S. 113–174.5(a) reads as rewritten:

"(a) The owner of a vessel that is 23 feet or more in length and that is either documented with the United States Coast Guard or registered with the Wildlife Resources Commission pursuant to G.S. 75A-4 may purchase a block of 10 Ten-Day CRFLs issued by the Division. A vessel owner who wishes to obtain a block of 10 Ten-Day CRFLs shall provide the Division with all information required by the Division, including information identifying the vessel on which the Ten-Day CRFLs will be used. Each individual Ten-Day CRFL shall identify the vessel for which the block of 10 Ten-Day CRFLs is issued. An individual Ten-Day CRFL issued as part of a block of 10 Ten-Day CRFLs may only be used on the vessel for which it was issued. An individual Ten-Day CRFL issued as part of a block of 10 Ten-Day CRFLs may not

be used on a for hire ~~boat.~~vessel. A block of 10 Ten-Day CRFLs shall expire two years from the date of purchase."

SECTION 14.8.(r) G.S. 113–182.1(b) reads as rewritten:

"(b) The goal of the plans shall be to ensure the long-term viability of the State's commercially and recreationally significant species or fisheries. Each plan shall be designed to reflect fishing practices so that one plan may apply to a specific fishery, while other plans may be based on gear or geographic areas. Each plan shall:

…

(5) Specify a time period, not to exceed two years from the date of the adoption of the plan, ~~for ending~~to end overfishing. ~~This subdivision shall only apply to a plan for a fishery that is not producing a sustainable harvest.~~This subdivision shall not apply if the Fisheries Director determines that the biology of the fish, environmental conditions, or lack of sufficient data make implementing the requirements of this subdivision incompatible with professional standards for fisheries management.

…."

SECTION 14.8.(s) G.S. 113-203 is amended by adding two new subsections to read:

"(f) The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed one hundred dollars ($100.00) per permit.

(g) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(t) G.S. 113–210 is amended by adding two new subsections to read:

"(l) Fees. – Under Dock Oyster Culture Permit shall be issued annually upon payment of a fee of one hundred dollars ($100.00).

(m) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(u) G.S. 113–221.2 reads as rewritten:

"**§ 113-221.2. Additional rules to establish sanitation requirements for scallops, shellfish, and ~~crustacea.~~crustacea; permits and permit fees authorized.**

(a) Authority to Adopt Certain Rules and Establish Permits. – For the protection of the public health, the Marine Fisheries Commission shall adopt rules establishing sanitation requirements for the harvesting, processing and handling of scallops, shellfish, and crustacea of in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops, shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce the rules and may issue and revoke permits according to the rules. The Department is authorized to establish a fee for each permit not to exceed one hundred dollars ($100.00).

(b) Advance Sale of Permits; Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the

revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(v) G.S. 143B-289.52(d1) reads as rewritten:

"(d1) The Commission may regulate participation in a fishery that is subject to a federal fishery management plan if that plan imposes a quota on the State for the harvest or landing of fish in the fishery. ~~If the Commission regulates participation in a fishery under this subsection, the Division may issue a license to participate in the fishery to a person who:~~

~~(1) Held a valid license issued by the Division to harvest, land, or sell fish during at least two of the three license years immediately preceding the date adopted by the Commission to determine participation in the fishery; and~~

~~(2) Participated in the fishery during at least two of those license years by landing in the State at least the minimum number of pounds of fish adopted by the Commission to determine participation in the fishery.~~The Commission may use any additional criteria aside from holding a Standard Commercial Fishing License to develop limited-entry fisheries. The Commission may establish a fee for each license established pursuant to this subsection in an amount that does not exceed five hundred dollars ($500.00)."

SECTION 14.8.(w) G.S. 143B-289.52 is amended by adding a new subsection to read:

"(d2) To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to July 1 of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a permit year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

SECTION 14.8.(x) The Division of Marine Fisheries of the Department of Environment and Natural Resources shall 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. As part of this effort, the Division of Marine Fisheries shall conduct at least three public hearings in different coastal county locations to seek the input of, and receive comments of potential additional recurring funding sources from, the individuals involved in the commercial fishing industry. The Division shall receive written comments at the public hearings and take minutes of the public hearings. The minutes shall be made available to the public on the Department's Internet Web site.

SECTION 14.8.(y) Following the public hearings under subsection (x) of this section and the Division's consideration of written and oral comments resulting from the public hearings, the Division of Marine Fisheries shall submit its plan for an additional recurring funding source to support the Marine Fisheries At-Sea Observer Program to the Marine Fisheries Commission. The Marine Fisheries Commission shall vote on whether it endorses the plan.

SECTION 14.8.(z) No later than March 1, 2014, the Marine Fisheries Commission shall submit a report to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division. This report shall include the results of the Commission's vote under subsection (y) of this section and its findings and recommendations for an additional source of funding necessary to support the Marine Fisheries At-Sea Observer Program in the event the Commission votes against endorsing the plan.

SECTION 14.8.(aa) The Division of Marine Fisheries shall use the proceeds it receives as a result of the fee increases under this section to provide support for the 2014-2015 fiscal year for the Marine Fisheries At-Sea Observer Program. In addition, the Division of

Marine Fisheries shall provide available funds for the 2014-2015 fiscal year to provide any additional support that is needed to continue the Marine Fisheries At-Sea Observer Program.

MARINE RESOURCES FUND AND MARINE RESOURCES ENDOWMENT FUND DISBURSEMENTS

SECTION 14.9.(a) G.S. 113-175.1(b) reads as rewritten:

"(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all marine resources investment income shall be deposited to the credit of the Marine Resources Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and marine resources investment income only upon the written direction of ~~both~~ the Marine Fisheries ~~Commission and the Wildlife Resources Commission.~~Commission."

SECTION 14.9.(b) G.S. 113-175.1(c) reads as rewritten:

"(c) The Marine Fisheries Commission~~ and the Wildlife Resources Commission~~ may authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. The Marine Fisheries Commission~~ and the Wildlife Resources Commission are~~ is encouraged to consider supporting the Oyster Sanctuary Program managed by the Division of Marine Fisheries. The Marine Fisheries Commission~~ and the Wildlife Resources Commission~~ may not authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income to establish positions without specific authorization from the General Assembly. All proposals to the Marine Fisheries Commission~~ and the Wildlife Resources Commission~~ for the disbursement of funds from the Marine Resources Fund shall be made by and through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources Commission about these proposals. Expenditure of the assets of the Marine Resources Fund shall be made through the State budget accounts of the Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act. The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes."

SECTION 14.9.(c) G.S. 113-175.5(b) reads as rewritten:

"(b) The State Treasurer shall hold the Endowment Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The State Treasurer shall disburse the endowment investment income only upon the written direction of both the Marine Fisheries ~~Commission and the Wildlife Resources Commission.~~Commission."

SECTION 14.9.(d) G.S. 113-175.5(c) reads as rewritten:

"(c) Subject to the limitations set out in subsection (d) of this section, the Marine Fisheries Commission~~ and the Wildlife Resources Commission~~ may authorize the disbursement of endowment investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. The Marine Fisheries Commission ~~and the Wildlife Resources Commission~~ may not authorize the disbursement of endowment investment income to establish positions without specific authorization from the General Assembly. All proposals to the Marine Fisheries Commission~~ and the Wildlife Resources Commission~~ for the disbursement of funds from the Endowment Fund shall be made by and through the Fisheries Director. Prior to authorizing disbursements from the Marine Resources Endowment Fund, the Marine Fisheries Commission shall consult with the Wildlife Resources Commission about these proposals."

MARINE FISHERIES ENDOWMENT FUND REPEALED

SECTION 14.10. G.S. 143B-289.58 is repealed.

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND

SECTION 14.14. G.S. 87-98 reads as rewritten:

"**§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

(a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing fund consisting of monies appropriated by the General Assembly or made available to the Fund from any other source and investment interest credited to the Fund.

(b) The Fund may be used to pay ~~for notification,~~for:

(1) Notification, to the extent practicable, of persons aged 18 and older who reside in any dwelling unit, and the senior official in charge of any business, at which drinking water is supplied from a private drinking water well or improved spring that is located within 1,500 feet of, and at risk from, known groundwater contamination. The senior official in charge of the business shall take reasonable measures to notify all employees of the business of the groundwater contamination, including posting a notice of the contamination in a form and at a location that is readily accessible to the employees of the business.~~ The Fund may also be used by the Department to pay the~~

(2) The costs of testing of private drinking water wells and improved springs for suspected contamination up to once every three years upon request by a person who uses the ~~well and for the~~ well, or more frequent testing if the concentration of one or more contaminants in a private drinking water well is increasing over time and there is a significant risk that the concentration of a contaminant will exceed the drinking water action levels set forth in subsection (c) of this section within a three-year period.

(3) Additional testing to confirm the results of a previous test.

(4) The temporary or permanent provision of alternative drinking water supplies to persons whose drinking water well or improved spring is contaminated. Under this ~~subsection,~~section, an alternative drinking water supply includes the repair, such as use of a filtration system, or replacement of a contaminated well or the connection to a public water supply.

(5) Monitoring of filtration systems used in connection with temporary or permanent alternative drinking water supplies provided pursuant to this section.

(c) The Department shall disburse monies from the Fund based on financial need and on the risk to public health posed by groundwater contamination and shall give priority to the provision of services under this section to instances when an alternative source of funds is not available. The Fund shall not be used to provide alternative water supply to households with incomes greater than three hundred percent (300%) of the current federal poverty level. The Fund may be used to provide alternative drinking water supplies if the Department determines that the concentration of one or more contaminants in the private drinking water well or improved spring exceeds the federal maximum contaminant level, or the federal drinking water action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2007) and 40 Code of Federal Regulations § 143.3 (1 July 2007). For a contaminant for which a federal maximum contaminant level or drinking water action level has not been established, the State groundwater standard established by the Environmental Management Commission for the concentration of that contaminant shall be used to determine whether the Fund may be used to provide alternative drinking water supplies. The Fund may also be used to provide alternative drinking water supplies as provided in this section if the Department determines that

the concentration of one or more contaminants in a private drinking water well is increasing over time and that there is a significant risk that the concentration of a contaminant will exceed the federal maximum contaminant level or drinking water action level, or the State groundwater standard. A determination of the concentration of a contaminant shall be based on a sample of water collected from the private drinking water well within the past 12 months.

(c1) In disbursing monies from the Fund, the Department shall give preference to provision of permanent replacement water supplies by connection to public water supplies and repair or replacement of contaminated wells over the provision of temporary water supplies. In providing alternative drinking water supplies, the Department shall give preference to connection to a public water supply system or to construction of a new private drinking water well over the use of a filtration system if the Department determines that the costs of periodic required maintenance of the filtration system would be cost-prohibitive for users of the alternative drinking water supply.

(c2) If the Department provides an alternative drinking water supply by extension of a waterline, the Department may disburse from the Fund no more than ~~ten~~ fifty thousand dollars ~~($10,000)~~($50,000) per household or other service connection. For projects where more than 10 residences are eligible for alternative water supplies under this section, no ~~No~~ more than one-third of the total cost of the project may be paid from the Fund. The Department may combine monies from the Fund with monies from other sources in order to pay the total cost of the project.

(c3) The Fund shall be used to provide alternative drinking water supplies only if the Department determines that the person or persons who are responsible for the contamination of the private drinking water well is or are not financially viable or cannot be identified or located and if the Department determines that one of the following applies:

(1) The contamination of the private drinking water well is naturally occurring.

(2) The owner of the property on which the private drinking water well is located did not cause or contribute to the contamination or control the source of the contamination.

(3) The source of the contamination is the application or disposal of a hazardous substance or pesticide that occurred without the consent of the owner of the property on which the private drinking water well is located.

(c4) The Department may use up to one hundred thousand dollars ($100,000) annually of the monies in the Fund to pay the personnel and other direct costs associated with the implementation of this section.

(c5) The Fund shall not be used for remediation of groundwater contamination.

(c6) Nothing in this section expands, contracts, or modifies the obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or soil contamination.

(c7) In disbursing monies from the Fund for replacement water supplies, the Department shall give priority to circumstances in which a well is contaminated as the result of nonnaturally occurring groundwater contamination in the area over circumstances in which a well has naturally occurring contamination.

(d) The Department shall establish criteria by which the Department is to evaluate applications and disburse monies from this Fund and may adopt any rules necessary to implement this section.

(e) The Department, in consultation with the Commission for Public Health and local health departments, shall report no later than ~~1 October~~October 1 of each year to the Environmental Review Commission, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division on the implementation of

this section. The report shall include the purpose and amount of all expenditures from the Fund during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of the section, and may also include recommendations for any legislative action."

NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUND; DENR STUDY

SECTION 14.15.(a) G.S. 143-215.94D(b1) reads as rewritten:

"(b1) The Noncommercial Fund shall be used for the payment of the costs of:

(1) ~~The~~ For releases discovered or reported to the Department prior to July 1, 2013, the cleanup of environmental damage as required by G.S. 143-215.94E(a).

(1a) For releases discovered or reported to the Department on or after July 1, 2013, the cleanup of environmental damage as required by G.S.143-215.94E(a) in excess of two thousand dollars ($2,000) or the sum of the following amounts, whichever is less:

a. A deductible of one thousand dollars ($1,000) per occurrence.

b. A co-payment equal to ten percent (10%) of the costs of the cleanup of environmental damage, per occurrence.

(2) Compensation to third parties for bodily injury and property damage in excess of one hundred thousand dollars ($100,000) per occurrence.

(3) Reimbursing the State for damages or other costs incurred as a result of a loan from the Loan Fund. The per occurrence limit does not apply to reimbursements to the State under this subdivision.

(4) Recordation of residual petroleum as required by G.S. 143B-279.11 if the Noncommercial Fund is responsible for the payment of costs under subdivisions (1) through (3) of this subsection and subsection (b) of this section."

SECTION 14.15.(b) The Department of Environment and Natural Resources (Department) shall study the costs and benefits of the noncommercial underground storage tank program and explore options for continued use of the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund (Fund) and ways to improve the solvency of the Fund. The study shall consider all of the following:

(1) The usual, average, historic costs of various phases of assessment and cleanup of noncommercial UST releases in order to determine areas of potential costs savings.

(2) The feasibility of determining levels of soil and groundwater contamination at noncommercial UST releases earlier in the assessment and cleanup process in order to identify lower risks sites and limit reimbursement of costs of initial abatement actions.

(3) The feasibility of assigning risk to noncommercial UST releases earlier in the assessment and cleanup process in order to limit reimbursement of costs of initial abatement actions.

(4) The feasibility of partial cleanup at lower priority noncommercial UST releases.

(5) The feasibility of issuing notices similar to the Notices of No Further Action for partially cleaned up, stabilized, lower priority noncommercial UST sites in order to facilitate property transfers.

(6) Methods to strengthen liability protections for buyers and lenders of residential properties that have known noncommercial UST releases in order to facilitate property transfers.

(7) Methods to employ land-use restrictions on residential properties where petroleum contamination remains at lower risk sites in order to limit cleanup at these sites, while still informing the public of risk, and facilitating property transfers.

(8) Methods to increase the participation of noncommercial UST owners in the costs of assessments and cleanups.

(9) Any other matter the Department deems relevant to improve the solvency of the Fund.

SECTION 14.15.(c) The Department shall report its findings and recommendations, including any legislative proposals, to the Environmental Review Commission, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division no later than April 1, 2014.

DRINKING WATER STATE REVOLVING FUND

SECTION 14.20. Notwithstanding G.S. 159G-22, the Department of Environment and Natural Resources may transfer State funds from the Drinking Water Reserve to the Drinking Water State Revolving Fund for the 2013-2014 fiscal year and shall use any such funds to match maximum available federal grant monies authorized by section 1453 of the federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.

INCREASE FUNDING FOR DREDGING

SECTION 14.22.(a) G.S. 105-449.126 reads as rewritten:

"**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources ~~Fund.~~Fund and Shallow Draft Navigation Channel Dredging Fund.**

(a) The Secretary shall credit to the Wildlife Resources Fund one-sixth of one percent (1/6 of 1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Wildlife Resources Fund under this section may be used only for the boating and water safety activities described in G.S. 75A-3(c). The Secretary must credit revenue to the Wildlife Resources Fund on an annual basis.

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

SECTION 14.22.(b) Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 8B. Shallow Draft Navigation Channel Dredging Fund.

"**§ 143-215.73F. Shallow Draft Navigation Channel Dredging Fund.**

The Shallow Draft Navigation Channel Dredging Fund is established as a special revenue fund. The Fund consists of monies appropriated by the General Assembly or made available to the Fund from any other source. Revenue in the Fund may only be used to provide the State's share of the costs associated with any dredging project designed to keep a shallow draft navigation channel located in State waters navigable and safe. Any project funded by revenue from the Fund must be cost-shared with non-State dollars on a one-to-one basis. For purposes of this section, "shallow draft navigation channel" means (i) a waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort Harbor, Bogue Inlet, Carolina

Beach Inlet, the channel from Back Sound to Lookout Back, channels connected to federal navigation channels, Lockwoods Folly River, Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting Pamlico Sound and Beaufort Harbor."

SECTION 14.22.(c) This section authorizes a Long-Term Dredging Memorandum of Agreement with the U.S. Army Corps of Engineers which may last beyond the current fiscal biennium and which shall provide for all of the following:

(1) Prioritization of projects through joint consultation with the State, applicable units of local government, and the U.S. Army Corps of Engineers.

(2) Compliance with G.S. 143-215.73F. Funds in the Shallow Draft Navigation Channel Dredging Fund shall be used in accordance with that section.

(3) Annual reporting by the Department on the use of funds provided to the U.S. Army Corps of Engineers under the Long-Term Dredging Memorandum of Agreement. These reports shall be made to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management and shall include all of the following:

a. A list of all projects commenced.

b. The estimated cost of each project.

c. The date that work on each project commenced or is expected to commence.

d. The date that work on each project was completed or is expected to be completed.

e. The actual cost of each project.

SECTION 14.22.(d) The Department of Environment and Natural Resources may use available funds for the 2013-2014 fiscal year and the 2014-2015 fiscal year in the Shallow Draft Navigation Channel Dredging Fund established in G.S. 143-215.73F, as enacted by subsection (a) of this section, to provide the State's share of costs associated with projects that comply with that section. These funds are hereby appropriated for that purpose, but the Department of Environment and Natural Resources shall approve a project before it is eligible to receive any funds under this section.

PART XV. DEPARTMENT OF COMMERCE

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 15.1.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is thirteen one-hundredths of one percent (0.13%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2013, and on or after July 1, 2014.

SECTION 15.1.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2013-2014 and the 2014-2015 fiscal year is two hundred thousand dollars ($200,000).

REPEAL UWHARRIE REGIONAL RESOURCES ACT

SECTION 15.1A. Chapter 153C of the General Statutes is repealed.

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 15.2. For the 2013-2014 fiscal year and the 2014-2015 fiscal year, the Industrial Commission may, in consultation with the State Chief Information Officer, use up to one million eight hundred thousand dollars ($1,800,000) of available funds in Budget Code 24611 to replace the Electronic Document Management System (EDMS).

UNEMPLOYMENT INSURANCE RESERVE

SECTION 15.3.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer to the Unemployment Insurance Reserve within the Office of State Budget and Management any unencumbered cash balance as of June 30, 2013, of each of the following special funds within the Department of Commerce and then close each of these special funds:

(1) Worker Training Trust Fund (Special Fund Code 64654-6400).

(2) Training and Employment Account (Special Fund Code 64655-6601).

SECTION 15.3.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the sum of ten million dollars ($10,000,000) for the 2013-2014 fiscal year from the Special Employment Security Administration Fund (Fund Code 64650-6100) to the Unemployment Insurance Reserve within the Office of State Budget and Management.

EMPLOYMENT SECURITY RESERVE FUND

SECTION 15.4.(a) There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, Division of Employment Security, the amount needed for the 2014-2015 fiscal year to fund the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits.

SECTION 15.4.(b) Of the funds credited to and held in the State of North Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the United States pursuant to and in accordance with section 903 of the Social Security Act and pursuant to Title II of Division B of P.L. 111-5, the Assistance for Unemployed Workers and Struggling Families Act, the Department of Commerce, Division of Employment Security, may expend the sum of two hundred five million sixty-three thousand five hundred fifty-two dollars ($205,063,552) as follows: (i) one hundred million dollars ($100,000,000) shall be used to design and build the integrated unemployment insurance benefit and tax accounting system and (ii) the remaining funds shall be used for the operation of the unemployment insurance program.

WORKFORCE INVESTMENT ACT FUNDS/TRANSFER OF FUNDS TO DEPARTMENT OF LABOR

SECTION 15.5. Of the Workforce Investment Act funds awarded to the Department of Commerce by the United States Department of Labor, the sum of three hundred fifty thousand dollars ($350,000) shall be transferred to the Department of Labor for the Apprenticeship Program on a recurring basis for the 2013-2015 biennium.

SPECIAL FUNDS TRANSFER/OFFSET COMMERCE ADMINISTRATION GENERAL FUND APPROPRIATION

SECTION 15.6.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balances in the following funds as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111):

(1) 24609-2537 – Energy Research Grants

(2) 24609-2535 – NC Green Business Fund

SECTION 15.6.(b) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balance in the International Trade Show Special Fund (Budget Code 24610-2431) as of June 30, 2013, to Commerce Administration (Budget Code 14600-1111) and, upon the transfer, close the Fund.

SECTION 15.6.(c) The transfers in subsections (a) and (b) of this section are to offset General Fund appropriations to the Department of Commerce for administration.

SECRETARY DESIGNATE SUPERVISOR OF BLNC EMPLOYEES

SECTION 15.7. The Secretary of Commerce shall designate the person or persons who shall supervise the employees in Business Link North Carolina (BLNC). The person or persons designated under this section shall have the powers and duties authorized by the Secretary.

COMMON FOLLOW-UP/CONTINUATION REVIEW

SECTION 15.8.(a) The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall conduct a continuation review of the Common Follow-Up Information Management System (hereinafter "Common Follow-Up") created pursuant to G.S. 96-32. LEAD shall report the preliminary findings of the continuation review to the Fiscal Research Division no later than December 1, 2013, and shall submit a final report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, and the House Appropriations Subcommittee on Natural and Economic Resources no later than March 1, 2014.

SECTION 15.8.(b) The continuation review report required by subsection (a) of this section shall include the following information:

(1) A description of Common Follow-Up and the goals of the program.
(2) The statutory objectives for Common Follow-Up and the problem or need addressed.
(3) The extent to which the objectives of Common Follow-Up have been achieved.
(4) Any functions or programs of Common Follow-Up performed without specific statutory authority.
(5) The performance measures for Common Follow-Up and the process by which the performance measures determine efficiency and effectiveness.
(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
(7) The consequences of discontinuing funding.
(8) Recommendations for improving services or reducing costs or duplication.
(9) The identification of policy issues that should be brought to the attention of the General Assembly.

LEAD/DEVELOP STANDARDIZED PERFORMANCE METRIC FOR NONPROFITS

SECTION 15.12. The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall develop a standardized performance metric to evaluate whether a nonprofit allocated State funds by the Department in the 2013-2015 biennium has achieved its own goals or performance standards. The metric shall include standards for determining whether jobs were actually created, grants were awarded, or loans were made. The information obtained as a result of the metric shall be used by the General Assembly in determining whether to fund the nonprofits in future fiscal years. In order to be eligible to receive State funds, each nonprofit surveyed shall provide to LEAD any information requested to help develop the metric provided for in this section.

NER BLOCK GRANTS/2014 AND 2015 PROGRAM YEARS

SECTION 15.14.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2014, and June 30, 2015, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,275,000
02.	Economic Development	10,737,500
03.	Infrastructure	30,937,500

TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2014 Program Year	**$ 42,950,000**
2015 Program Year	**$ 42,950,000**

SECTION 15.14.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 15.14.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 15.14.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million two hundred seventy-five thousand dollars ($1,275,000) may be used for State Administration; up to ten million seven hundred thirty-seven thousand five hundred dollars ($10,737,500) may be used for Economic Development; and up to thirty million nine hundred thirty-seven thousand five hundred dollars ($30,937,500) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 15.14.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 15.14.(f) By September 1, 2013, and September 1, 2014, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of

Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 15.14.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

NER BLOCK GRANTS/2013 PROGRAM YEAR

SECTION 15.15.(a) Section 14.1 of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142, reads as rewritten:

"**SECTION 14.1.(a)** Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	~~$1,000,000~~	$1,275,000
~~03.~~	~~Scattered Site Housing~~		~~7,200,000~~
04.	Economic Development	~~7,000,000~~	10,625,000
~~05.~~	~~Small Business/Entrepreneurship~~		~~2,500,000~~
~~06.~~	~~NC Catalyst~~		~~4,500,000~~
07.	Infrastructure	~~20,300,000~~	30,600,000

TOTAL COMMUNITY DEVELOPMENT
BLOCK GRANT – 2013 Program Year $42,500,000

"**SECTION 14.1.(b)** Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

"**SECTION 14.1.(c)** Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

"**SECTION 14.1.(d)** Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the

following shall be allocated in each category for each program year: up to ~~one million dollars ($1,000,000)~~ one million two hundred seventy-five thousand dollars ($1,275,000) may be used for State Administration; ~~up to seven million two hundred thousand dollars ($7,200,000) may be used for Scattered Site Housing;~~up to ~~seven million dollars ($7,000,000)~~ ten million six hundred twenty-five thousand dollars ($10,625,000) may be used for Economic Development; ~~up to two million five hundred thousand dollars ($2,500,000) may be used for Small Business/Entrepreneurship; up to four million five hundred thousand dollars ($4,500,000) shall be used for NC Catalyst;~~ and up to ~~twenty million three hundred thousand dollars ($20,300,000)~~thirty million six hundred thousand dollars ($30,600,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

"**SECTION 14.1.(e)** The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

"**SECTION 14.1.(f)** By ~~September 1, 2012,~~September 1, 2013, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

"**SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

SECTION 15.15.(b) This section becomes effective June 30, 2013.

ONE NORTH CAROLINA FUND

SECTION 15.16. Of the funds appropriated in this act to the One North Carolina Fund for the 2013-2015 biennium, the Department of Commerce may use up to two hundred fifty thousand dollars ($250,000) in each year of the biennium to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs. The Department of Commerce shall not use more than two hundred fifty thousand dollars ($250,000) for administrative costs in any one fiscal year.

MODIFY ONE NC FUND AWARDS

SECTION 15.16A. G.S. 143B-437.71(b1) reads as rewritten:

"(b1) Awards. – The amounts committed in Governor's Letters issued in a single fiscal ~~year~~ biennium may not exceed ~~fourteen~~ twenty-eight million dollars ~~($14,000,000).~~($28,000,000)."

MODIFY INDUSTRIAL DEVELOPMENT FUND AND UTILITY ACCOUNT

SECTION 15.18.(a) G.S. 143B-437.01 reads as rewritten:

"**§ 143B-437.01. Industrial Development ~~Fund.~~Fund Utility Account.**

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce ~~the Industrial Development Fund~~ a special account to be known as the Industrial Development Fund Utility Account ("Utility Account") to provide funds to assist the local government units of the most economically distressed counties in the State in creating ~~and retaining jobs in certain industries.~~jobs. The Department of Commerce shall adopt rules providing for the administration of the program. Those rules shall include the following provisions, which shall apply to each grant from the ~~fund.~~account:

(1) The funds shall be used for ~~(i) installation of or purchases of equipment for eligible industries, (ii) structural repairs, improvements, or renovations of existing buildings to be used for expansion of eligible industries, or (iii)~~construction of or improvements to new or existing water, sewer, gas, telecommunications, high-speed broadband, electrical utility distribution lines or equipment, or transportation infrastructure for existing or new or proposed ~~industrial buildings to be used for eligible industries.~~buildings. To be eligible for funding, the water, gas, telecommunications, high-speed broadband, electrical utility lines or facilities, or transportation infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the ~~specific eligible industrial~~job creation activity. To be eligible for funding, the sewer infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the ~~specific eligible industrial~~job creation activity, even if the sewer infrastructure is located in a county other than the county in which the building is located.

(1a) The funds shall be used for projects located in economically distressed counties except that the Secretary of Commerce may use up to one hundred thousand dollars ($100,000) to provide emergency economic development assistance in any county that is documented to be experiencing a major economic dislocation.

(2) The funds shall be used by the city and county governments for projects that ~~will directly~~are reasonably anticipated to result in the creation ~~or retention~~ of new jobs. ~~The funds shall be expended at a maximum rate of ten thousand dollars ($10,000) per new job created or per job retained up to a maximum of five hundred thousand dollars ($500,000) per project.~~There shall be no maximum funding amount per new job to be created or per project.

(3) There shall be no local match requirement if the project is located in a county that has one of the 25 highest rankings under ~~G.S. 143B-437.08 or that has a population of less than 50,000 and more than nineteen percent (19%) of its population below the federal poverty level according to the most recent federal decennial census.~~G.S. 143B-437.08.

(4) The Department may authorize a local government that receives funds under this section to use up to two percent (2%) of the funds, if necessary, to verify that the funds are used only in accordance with law and to otherwise administer the grant or loan.

(5) No project subject to the Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes, shall be funded unless the Secretary of Commerce finds that the proposed project will not have a significant adverse effect on the environment. The Secretary of Commerce shall not make this finding unless the Secretary has first received a certification from the Department of Environment and Natural Resources that concludes, after consideration of avoidance and mitigation measures, that the proposed project will not have a significant adverse effect on the environment.

(6) The funds shall not be used for any nonmanufacturing project that does not meet the wage standard set out in ~~G.S. 105-129.4(b).~~G.S. 105-129.4(b) or for any retail, entertainment, or sports projects.

(7) Priority for the use of funds shall be given to eligible industries.

(a1) Definitions. – The following definitions apply in this section:

(1) Air courier services. – ~~Defined in G.S. 105-129.81.~~The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.

(2) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.

(2a) Company headquarters. – ~~Defined in G.S. 105-129.81.~~A corporate, subsidiary, or regional managing office, as defined by NAICS in United States industry 551114, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.

(3) Repealed by Session Laws 2006-252, s. 2.4, effective January 1, 2007.

(4) Economically distressed county. – A county that ~~has one of the 65 highest rankings~~is defined as a development tier one or two area under G.S. 143B-437.08 after the adjustments of that section are applied.

(5) Eligible industry. – A company headquarters or a person engaged in the business of air courier services, information technology and services, manufacturing, or warehousing and wholesale trade.

(6) Information technology and services. – ~~Defined in G.S. 105-129.81.~~An industry in one of the following, as defined by NAICS:

a. Data processing industry group 518.

b. Software publishers industry group 5112.

c. Computer systems design and related services industry group 5415.

d. An Internet activity included in industry group 519130.

(7) Major economic dislocation. – The actual or imminent loss of 500 or more manufacturing jobs in the county or of a number of manufacturing jobs equal to at least ten percent (10%) of the existing manufacturing workforce in the county.

(8) Manufacturing. – ~~Defined in G.S. 105-129.81.~~An industry in manufacturing sectors 31 through 33, as defined by NAICS, but not including quick printing or retail bakeries.

(9) Reserved.

(10) Warehousing. – ~~Defined in G.S. 105-129.81.~~An industry in warehousing and storage subsector 493 as defined by NAICS.

(11) Wholesale trade. – ~~Defined in G.S. 105-129.81.~~An industry in wholesale trade sector 42 as defined by NAICS.

(b) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5.

~~(b1) There is created within the Industrial Development Fund a special account to be known as the Utility Account to provide funds to assist the local government units of the counties that have one of the 65 highest rankings under G.S. 143B-437.08 after the adjustments of that section are applied in creating jobs in eligible industries. The Department of Commerce shall adopt rules providing for the administration of the program. Except as otherwise provided in this subsection, those rules shall be consistent with the rules adopted with respect to the Industrial Development Fund. The rules shall provide that the funds in the Utility Account may be used only for construction of or improvements to new or existing water, sewer, gas, telecommunications, high-speed broadband, electrical utility distribution lines or equipment, or transportation infrastructure for existing or new or proposed industrial buildings to be used for eligible industrial operations. To be eligible for funding, the water, sewer, gas, telecommunications, high-speed broadband, electrical utility lines or facilities, or transportation infrastructure shall be located on the site of the building or, if not located on the site, shall be directly related to the operation of the specific industrial activity. There shall be no maximum funding amount per new job to be created or per project.~~

(c), (c1) Repealed by Session Laws 2012-142, s. 13.4(c), effective July 1, 2012.

(d) Repealed by Session Laws 1996, Second Extra Session, c. 13, s. 3.5."

SECTION 15.18.(b) G.S. 105-129.81 reads as rewritten:

"**§ 105-129.81. Definitions.**

The following definitions apply in this Article:

…

(2) Air courier services. – ~~The furnishing of air delivery of individually addressed letters and packages for compensation, in interstate commerce, except by the United States Postal Service.~~Defined in G.S. 143B-437.01.

…

(5) Company headquarters. – ~~A corporate, subsidiary, or regional managing office, as defined by NAICS in United States industry 551114, that is responsible for strategic or organizational planning and decision making for the business on an international, national, or multistate regional basis.~~Defined in G.S. 143B-437.01.

…

(13) Information technology and services. – Defined in G.S. 143B-437.01.~~An industry in one of the following, as defined by NAICS:~~

~~a. Data processing industry group 518.~~

~~b. Software publishers industry group 5112.~~

~~c. Computer systems design and related services industry group 5415.~~

~~d. An Internet activity included in industry group 519130.~~

…

(15) Manufacturing. – ~~An industry in manufacturing sectors 31 through 33, as defined by NAICS, but not including quick printing or retail bakeries.~~Defined in G.S. 143B-437.01.

…

(25) Warehousing. – ~~An industry in warehousing and storage subsector 493 as defined by NAICS.~~Defined in G.S. 143B-437.01.

(26) Wholesale trade. – ~~An industry in wholesale trade sector 42 as defined by NAICS.~~Defined in G.S. 143B-437.01."

SECTION 15.18.(c) G.S. 143B-437.012(d) reads as rewritten:

"(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of either subdivision (1) or (2) of this subsection and satisfies the conditions of both subdivisions (3) and (4) of this subsection:

…

(2) The business is a large manufacturing employer. A business is a large manufacturing employer if the business meets the following requirements:

a. The business is in manufacturing, as defined in ~~G.S. 105-129.81,~~G.S. 143B-437.01, and is converting its manufacturing process to change the product it manufactures.

b. The Department certifies that the business has invested or intends to invest at least sixty-five million dollars ($65,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a three-year period beginning with the time the investment commences.

c. The business employs at least 320 full-time employees at the project that is the subject of the grant at the time the application is made, and the business agrees to maintain at least 320 full-time employees at the project for the full term of the grant.

…."

SECTION 15.18.(d) G.S. 143B-435.1(d) reads as rewritten:

"(d) Report. – By April 1 and October 1 of each year, the Department of Commerce shall report to the Revenue Laws Study Committee, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the ~~General Assembly~~Legislative Services Commission on (i) all clawbacks that have been triggered under the One North Carolina Fund established pursuant to G.S. 143B-437.71, the Job Development Investment Grant Program established pursuant to G.S. 143B-437.52, Job Maintenance and Capital Development Fund established pursuant to G.S. 143B-437.012, the ~~Industrial Development Fund and~~ Utility Account established pursuant to G.S. 143B-437.01, and the Site Infrastructure Fund established pursuant to G.S. 143B-437.02 and (ii) its progress on obtaining repayments. The report must include the name of each business, the event that triggered the clawback, and the amount forfeited or to be repaid."

SECTION 15.18.(e) G.S. 143B-437.07(c) reads as rewritten:

"(c) Economic Development Incentive. – An economic development incentive includes any grant from the following programs: Job Development Investment Grant Program; the Job Maintenance and Capital Development Fund; One North Carolina Fund; and the ~~Industrial Development Fund, including the~~ Utility Account. The State also incents economic development through the use of tax expenditures in the form of tax credits and refunds. The Department of Revenue must report annually on these statutory economic development incentives, as required under G.S. 105-256."

SECTION 15.18.(f) G.S. 143B-437.55(c) reads as rewritten:

"(c) Annual Reports. – The Committee shall publish a report on the Job Development Investment Grant Program on or before April 30 of each year. The Committee shall submit the report electronically to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include the following:

…

(13) The total amount transferred to the Utility Account ~~of the Industrial Development Fund~~ under this Part during the preceding year."

SECTION 15.18.(g) G.S. 143B-437.61 reads as rewritten:

"**§ 143B-437.61. Transfer to Industrial Development ~~Fund.~~Fund Utility Account.**

At the time the Department of Commerce remits a check to a business under G.S. 143B-437.60, the Department of Commerce shall transfer to the Utility Account ~~of the Industrial Development Fund~~ an amount equal to the amount certified by the Committee as the difference between the amount of the grant and the amount of the grant for which the business would be eligible without regard to G.S. 143B-437.56(d)."

SECTION 15.18.(h) The Department of Commerce, in conjunction with the Office of the State Controller, shall close the Industrial Development Fund and the Utility Account and shall transfer the remaining fund balances of each to the Industrial Development Fund Utility Account.

SECTION 15.18.(i) This section becomes effective July 1, 2013, and applies to projects for which funds are initially provided on or after that date.

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM MODIFICATIONS

SECTION 15.19.(a) G.S. 143B-437.52 reads as rewritten:

"**§ 143B-437.52. Job Development Investment Grant Program.**

…

(b) Priority. – In selecting between applicants, a project that is located in an Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a certified Eco-Industrial Park.

(c) Awards. – The maximum amount of total annual liability for grants awarded in any single calendar year under this Part, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is fifteen million dollars ($15,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed this amount. The Department shall make every effort to ensure that the average percentage of withholdings of eligible positions for grants awarded under this Part does not exceed the average of the range provided in G.S. 143B-437.56(a).

…."

SECTION 15.19.(a1) Notwithstanding G.S. 143B-437.52(c), for the 2013-2015 fiscal biennium, the maximum total liability for grants awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is twenty-two million five hundred thousand dollars ($22,500,000) and, for the period from July 1, 2015, to December 31, 2015, the maximum total liability for grants awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is seven million five hundred thousand dollars ($7,500,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during an applicable time period provided in this subsection, could cause the State's potential total annual liability for grants awarded in that time period to exceed the designated maximum amount.

SECTION 15.19.(b) G.S. 143B-437.55(b) reads as rewritten:

"(b) Application Fee. – When filing an application under this section, the business must pay the Committee a fee of five thousand dollars ($5,000). The fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited. Within 30 days of receipt of an application under this section but prior

to any award being made, the Department of Commerce shall notify each governing body of an area where a submitted application proposes locating a project of the information listed in this subsection, provided that the governing body agrees, in writing, to any confidentiality requirements imposed by the Department under G.S. 132-6(d). The information required by this subsection includes all of the following:

(1) The estimated amount of the grant anticipated to be awarded to the applicant for the project.

(2) Any economic impact data submitted with the application or prepared by the Department.

(3) Any economic impact estimated by the Department to result from the project."

SECTION 15.19.(c) This section becomes effective July 1, 2013, and applies to applications and awards made on or after that date.

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM APPLICATION FEE INCREASE

SECTION 15.20.(a) G.S. 143B-437.55(b) reads as rewritten:

"(b) Application Fee. – When filing an application under this section, the business must pay the Committee a fee of ~~five thousand dollars ($5,000).~~ ten thousand dollars ($10,000). The fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited."

SECTION 15.20.(b) This section becomes effective July 1, 2013, and applies to applications filed on or after that date.

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM REPORTING FEE INCREASE

SECTION 15.21.(a) G.S. 143B-437.58(a) reads as rewritten:

"(a) No later than March 1 of each year, for the preceding grant year, every business that is awarded a grant under this Part shall submit to the Committee an annual payroll report showing withholdings as a condition of its continuation in the grant program and identifying eligible positions that have been created during the base period that remain filled at the end of each year of the grant. Annual reports submitted to the Committee shall include social security numbers of individual employees identified in the reports. Upon request of the Committee, the business shall also submit a copy of its State and federal tax returns. Payroll and tax information, including social security numbers of individual employees and State and federal tax returns, submitted under this subsection is tax information subject to G.S. 105-259. Aggregated payroll or withholding tax information submitted or derived under this subsection is not tax information subject to G.S. 105-259. When making a submission under this section, the business must pay the Committee a fee of ~~one thousand five hundred dollars ($1,500).~~ the greater of two thousand five hundred dollars ($2,500) or three one-hundredths of one percent (.03%) of an amount equal to the grant less the maximum amount to be transferred pursuant to G.S. 143B-437.61. The fee is due at the time the submission is made. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited."

SECTION 15.21.(b) This section becomes effective July 1, 2013, and applies to fees submitted for awards granted on or after that date.

TRANSFER STATE ENERGY OFFICE FROM COMMERCE TO DENR

GENERAL

SECTION 15.22.(a) The State Energy Office is hereby transferred from the Department of Commerce to the Department of Environment and Natural Resources. This transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

ENERGY LOAN FUND

SECTION 15.22.(b) Part 2C of Article 10 of Chapter 143B of the General Statutes, G.S. 143B-437.14 through G.S. 143B-437.16, is recodified as Part 32 of Article 7 of Chapter 143B of the General Statutes, G.S. 143B-344.42 through G.S. 143B-344.44.

SECTION 15.22.(c) G.S. 143B-437.16, recodified as G.S. 143B-344.44 in subsection (b) of this section, reads as rewritten:

"**§ 143B-344.44. Lead agency; powers and duties.**

(a) For the purposes of this Part, the Department of ~~Commerce,~~Environment and Natural Resources, State Energy Office, is designated as the lead State agency in matters pertaining to energy efficiency.

…."

GUARANTEED ENERGY SAVINGS CONTRACTS

SECTION 15.22.(d) G.S. 143-64.17F reads as rewritten:

"**§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.**

…

(b) The Department of Administration, in consultation with the Department of ~~Commerce~~ Environment and Natural Resources, through the State Energy Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time periods for consideration of guaranteed energy savings contracts by the Office of State Budget and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting measurements and verification criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to this section, the Department shall consult with and obtain approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L.

(c) The Department of Administration, and the Department of ~~Commerce~~ Environment and Natural Resources through the State Energy Office, may provide to the Council of State its recommendations concerning any energy savings contracts being considered."

SECTION 15.22.(e) G.S. 143-64.17G reads as rewritten:

"**§ 143-64.17G. Report on guaranteed energy savings contracts entered into by local governmental units.**

A local governmental unit that enters into a guaranteed energy savings contract must report the contract and the terms of the contract to the Local Government Commission and the State Energy Office of the Department of ~~Administration.~~Environment and Natural Resources. The Commission shall compile the information and report it biennially to the Joint Commission on Governmental Operations. In compiling the information, the Local Government Commission shall include information on the energy savings expected to be realized from a contract and, with the assistance of the Office of State Construction and the State Energy Office, shall evaluate whether expected savings have in fact been realized."

SECTION 15.22.(f) G.S. 143-64.17H reads as rewritten:

"**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State governmental units.**

A State governmental unit that enters into a guaranteed energy savings contract or implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i) the contract and the terms of the contract or (ii) the implementation of the measure to the State

Energy Office of the Department of ~~Commerce~~ Environment and Natural Resources within 30 days of the date the contract is entered into or the measure is implemented. In addition, within 60 days after each annual anniversary date of a guaranteed energy savings contract, the State governmental unit must report the status of the contract to the State Energy Office, including any details required by the State Energy Office. The State Energy Office shall compile the information for each fiscal year and report it to the Joint Legislative Commission on Governmental Operations and to the Local Government Commission annually by December 1. In compiling the information, the State Energy Office shall include information on the energy savings expected to be realized from a contract or implementation and shall evaluate whether expected savings have in fact been realized."

ENERGY ASSISTANCE FOR LOW-INCOME PERSONS

SECTION 15.22.(g) The programs administered under the North Carolina Energy Assistance Act for Low-Income Persons, being the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program, and any other energy-related assistance program for the benefit of low-income persons in existing housing, are transferred from the Department of Commerce to the State Energy Office in the Department of Environment and Natural Resources. The transfer under this subsection shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

SECTION 15.22.(h) Part 9 of Article 2 of Chapter 108A of the General Statutes, G.S. 108A-70.30, is recodified as Part 33 of Article 7 of Chapter 143B of the General Statutes, G.S. 143B-344.46.

SECTION 15.22.(i) G.S. 108A-70.30, recodified as G.S. 143B-344.46 in subsection (h) of this section, reads as rewritten:

"**§ 143B-344.46. Weatherization Assistance Program and Heating/Air Repair and Replacement Program.**

The State Energy Office within the Department may administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program functions. Nothing in this Part shall be construed as obligating the General Assembly to appropriate funds for the Program or as entitling any person to services under the Program."

SECTION 15.22.(j) Part 21 of Article 10 of Chapter 143B of the General Statutes, G.S. 143B-472.121 through 143B-472.123, is recodified as Part 34 of Article 7 of Chapter 143B of the General Statutes, G.S. 143B-344.48 through G.S. 143B-344.50.

SECTION 15.22.(k) G.S. 143B-472.122, recodified as G.S. 143B-344.49 in subsection (j) of this section, and G.S. 143B-472.123, recodified as G.S. 143B-344.50 in subsection (j) of this section, read as rewritten:

"**§ 143B-344.49. Definitions.**

The following definitions apply to this Part:

…

(2) Department. – The Department of ~~Commerce.~~Environment and Natural Resources.

(3) Secretary. – The Secretary of ~~Commerce.~~the Department of Environment and Natural Resources.

….

"**§ 143B-344.50. The ~~Office of Economic Opportunity~~State Energy Office designated agency; powers and duties.**

(a) The ~~Office of Economic Opportunity of the Department~~State Energy Office in the Department of Environment and Natural Resources shall administer the Weatherization Assistance Program for Low-Income Families established by 42 U.S.C. § 6861, et seq., and 42 U.S.C. § 7101, et seq.; the Heating/Air Repair and Replacement Program established by the Secretary under ~~G.S. 108A-70.30;~~G.S. 143B-344.46; and any other energy-related assistance

program for the benefit of low-income persons in existing housing. The ~~Office of Economic Opportunity~~State Energy Office shall exercise the following powers and duties:

…

(8) Create a Policy Advisory Council within the ~~Office of Economic Opportunity~~State Energy Office that shall advise the ~~Office of Economic Opportunity~~State Energy Office with respect to the development and implementation of a Weatherization Program for Low-Income Families, the Heating/Air Repair and Replacement Program, and any other energy-related assistance program for the benefit of low-income persons in existing housing.

…."

ENERGY POLICY COUNCIL

SECTION 15.22.(l) G.S. 113B-2 reads as rewritten:

"**§ 113B-2. Creation of Energy Policy Council; purpose of Council.**

(a) There is hereby created a council to advise and make recommendations on energy policy to the Governor and the General Assembly to be known as the Energy Policy Council which shall be located within the Department of ~~Commerce.~~Environment and Natural Resources.

(b) Except as otherwise provided in this Chapter, the powers, duties and functions of the Energy Policy Council shall be as prescribed by the Secretary of ~~Commerce.~~the Department of Environment and Natural Resources.

(c) The Energy Policy Council shall serve as the central energy policy planning body of the State and shall communicate and cooperate with federal, State, regional and local bodies and agencies to the end of effecting a coordinated energy policy."

SECTION 15.22.(m) G.S. 113B-11 reads as rewritten:

"**§ 113B-11. Powers and authority.**

…

(c) The Council shall have authority to apply for and utilize grants, contributions and appropriations in order to carry out its duties as defined in Articles 1 and 2 of this Chapter, provided, however, that all such applications and requests are made through and administered by the Department of ~~Commerce.~~Environment and Natural Resources.

…

(e) The Department of ~~Commerce~~ Environment and Natural Resources shall provide the staffing capability to the Energy Policy Council so as to fully and effectively develop recommendations for a comprehensive State energy policy as contained in the provisions of this Article. The Utilities Commission is hereby authorized to make its staff available to the Council to assist in the development of a State energy policy."

PURCHASES AND CONTRACTS

SECTION 15.22.(n) G.S. 143-58.4 reads as rewritten:

"**§ 143-58.4. Energy credit banking and selling program.**

(a) The following definitions apply in this section:

…

(4) Department. – The Department of ~~Commerce.~~The Department of Environment and Natural Resources.

…

(c) Adopt Rules. – The Secretary of ~~Commerce~~ Environment and Natural Resources shall adopt rules as necessary to implement this section."

ENERGY POLICY AND LIFE-CYCLE COST ANALYSIS

SECTION 15.22.(o) G.S. 143-64.11 reads as rewritten:

"**§ 143-64.11. Definitions.**

For purposes of this Article:

…

(2a) "Energy Office" means the State Energy Office of the Department of ~~Commerce.~~Environment and Natural Resources.

…."

SECTION 15.22.(p) G.S. 143-64.12 reads as rewritten:

"**§ 143-64.12. Authority and duties of the Department; State agencies and State institutions of higher learning.**

(a) The Department of ~~Commerce~~ Environment and Natural Resources through the State Energy Office shall develop a comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning and shall update this program annually. Each State agency and State institution of higher learning shall develop and implement a management plan that is consistent with the State's comprehensive program under this subsection to manage energy, water, and other utility use, and that addresses any findings or recommendations resulting from the energy audit required by subsection (b1) of this section. The energy consumption per gross square foot for all State buildings in total shall be reduced by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy consumption for the 2002-2003 fiscal year. Each State agency and State institution of higher learning shall update its management plan annually and include strategies for supporting the energy consumption reduction requirements under this subsection. Each community college shall submit to the State Energy Office an annual written report of utility consumption and costs. Management plans submitted annually by State institutions of higher learning shall include all of the following:

…."

SECTION 15.22.(q) The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 15.25. High Point Furniture Market Authority, Johnson & Wales University, North Carolina's Eastern Region, North Carolina's Northeast Commission, Southeastern North Carolina Regional Economic Development Commission, Western North Carolina Regional Economic Development Commission, Charlotte Regional Partnership, Inc., Piedmont Triad Partnership, RTI International, Research Triangle Regional Partnership, and The Support Center shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

GRASSROOTS SCIENCE PROGRAM

SECTION 15.25A.(a) Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of two million three hundred forty-seven thousand seven hundred eighty-two dollars ($2,347,782) for the 2013-2014 fiscal year and the sum of two

million three hundred forty-seven thousand seven hundred eighty-two dollars ($2,347,782) for the 2014-2015 fiscal year are allocated as grants-in-aid for each fiscal year as follows:

	2013-2014	2014-2015
Aurora Fossil Museum	$61,821	$61,821
Cape Fear Museum	$85,248	$85,248
Carolina Raptor Center	$74,916	$74,916
Catawba Science Center	$93,041	$93,041
Colburn Earth Science Museum, Inc.	$62,547	$62,547
Core Sound Waterfowl Museum	$67,395	$67,395
Discovery Place	$261,617	$261,617
Eastern NC Regional Science Center	$59,587	$59,587
Fascinate-U	$65,616	$65,616
Granville County Museum Commission, Inc.–Harris Gallery	$60,651	$60,651
Greensboro Children's Museum	$83,575	$83,575
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$73,352	$73,352
Highlands Nature Center	$62,816	$62,816
Imagination Station	$67,588	$67,588
The Iredell Museums, Inc.	$61,013	$61,013
Kidsenses	$65,233	$65,233
Museum of Coastal Carolina	$65,454	$65,454
The Natural Science Center of Greensboro, Inc.	$116,532	$116,532
North Carolina Estuarium	$58,000	$58,000
North Carolina Museum of Life and Science	$203,545	$203,545
Pisgah Astronomical Research Institute	$74,925	$74,925
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$60,610	$60,610
Rocky Mount Children's Museum	$66,463	$66,463
Schiele Museum of Natural History and Planetarium, Inc.	$100,990	$100,990
Sci Works Science Center and Environmental Park of Forsyth County	$83,725	$83,725
Sylvan Heights Waterfowl Park and Eco-Center	$69,864	$69,864
Western North Carolina Nature Center	$74,973	$74,973
Wilmington Children's Museum	$66,684	$66,684
Total	**$2,347,782**	**$2,347,782**

SECTION 15.25A.(b) No later than March 1, 2014, the Department of Commerce shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The actual operating budget for the 2012-2013 fiscal year.
(2) The proposed operating budget for the 2013-2014 fiscal year.
(3) The total attendance at the museum during the 2013 calendar year.

SECTION 15.25A.(c) No later than March 1, 2015, the Department of Commerce shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The actual operating budget for the 2013-2014 fiscal year.
(2) The proposed operating budget for the 2014-2015 fiscal year.
(3) The total attendance at the museum during the 2014 calendar year.

SECTION 15.25A.(d) As a condition for qualifying to receive funding under this section, all of the following documentation shall, no later than November 1 of each year of the 2013-2015 fiscal biennium, be submitted for each museum under this section to the Department of Commerce for the fiscal year that most recently ended, and only those costs that are properly documented under this subsection are allowed by the Department in calculating the distribution of funds under this section:

(1) Each museum under this section shall submit its IRS (Internal Revenue Service) Form 990 to show its annual operating expenses, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report.
(2) Each friends association of a museum under this section shall submit its IRS Form 990 to show its reported expenses for the museum, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report, unless the association does not have both an IRS Form 990 and an annual report available; in which case, it shall submit either an IRS Form 990 or an annual report.
(3) The chief financial officer of each county or municipal government that provides funds for the benefit of the museum shall submit a detailed signed statement of documented costs spent for the benefit of the museum that includes documentation of the name, address, title, and telephone number of the person making the assertion that the museum receives funds from the county or municipality for the benefit of the museum.
(4) The chief financial officer of each county or municipal government or each friends association that provides indirect or allocable costs that are not directly charged to a museum under this section but that benefit the museum shall submit in the form of a detailed statement enumerating each cost by type and amount that is verified by the financial officer responsible for the completion of the documentation and that includes the name, address, title, and telephone number of the person making the assertion that the county, municipality, or association provides indirect or allocable costs to the museum.

SECTION 15.25A.(e) As used in subsection (d) of this section, "friends association" means a nonprofit corporation established for the purpose of supporting and assisting a museum that receives funding under this section.

SECTION 15.25A.(f) Each museum listed in subsection (a) of this section shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STATUTES CREATING COMMISSIONS REPEALED EFFECTIVE JUNE 30, 2014

SECTION 15.28.(a) Articles 2 and 4 of Chapter 158 of the General Statutes are repealed.

SECTION 15.28.(b) Upon the dissolution of North Carolina's Eastern Region, the North Carolina's Eastern Region Development Commission, the governing body of North Carolina's Eastern Region, shall liquidate the assets of the Region to the extent possible and distribute all Region assets to the counties of the Region in proportion to the amount of the vehicle registration tax levied by the Commission and collected in each county. The assets of the Region that exceed the amount of the vehicle registration tax collected by the counties and are attributable to an appropriation made to the Region by the General Assembly shall revert to the General Fund and may not be distributed to the counties. A county may use funds distributed to it pursuant to this subsection only for economic development projects and infrastructure construction projects. In calculating the amount to be refunded to each county, the Region shall first allocate amounts loaned and not yet repaid as follows:

(1) Amounts loaned for a project in a county will be allocated to that county to the extent of its beneficial ownership of the principal of the interest-bearing trust account in which the proceeds of the vehicle registration tax levied by the Commission were placed, and the county will become the owner of the right to repayment of the amount loaned to the extent of its beneficial ownership of the principal of the trust account.

(2) Amounts not allocated pursuant to subdivision (1) of this subsection shall be allocated among the remaining counties in proportion to the amount of the vehicle registration tax collected in each county, and the remaining counties shall become the owners of the right to repayment of the amounts loaned in proportion to the amount of the vehicle registration tax collected in each county.

Notes and other instruments representing the right to repayment shall, upon dissolution of the Region, be held and collected by the State Treasurer, who shall disburse the collections to the counties as provided in this subsection.

The Commission shall distribute those assets that it is unable to liquidate among the Region counties insofar as practical on an equitable basis, as determined by the Commission. Upon dissolution, the State of North Carolina shall succeed to any remaining rights, obligations, and liabilities of the Region not assigned to the Region counties.

SECTION 15.28.(c) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

…

~~(62) The North Carolina's Northeast Commission, as established by G.S. 158-8.2.~~

…."

SECTION 15.28.(d) G.S. 143-215.42 reads as rewritten:

"**§ 143-215.42. Acquisition of lands.**

…

(h) This section shall not authorize acquisition by condemnation of interests in land within the boundaries of any project to be constructed by the Tennessee Valley Authority, its agents or subdivision or any project licensed by the Federal Power Commission or interests in land owned or held for use by a public utility, as defined in G.S. 62-3. ~~No commission created pursuant to G.S. 158-8 shall condemn or acquire any property to be used by the Tennessee Valley Authority, its agents or subdivision.~~"

SECTION 15.28.(e) G.S. 153A-398 reads as rewritten:

"**§ 153A-398. Regional planning and economic development commissions.**

Two or more counties, cities, or counties and cities may create a regional planning and economic development commission by adopting identical concurrent resolutions to that effect.

Such a commission has the powers granted by this ~~Article and the powers granted by Chapter 158, Article 2.~~Article. If such a commission is created, it shall maintain separate books of account for appropriations and expenditures made pursuant to this ~~Article and for appropriations and expenditures made pursuant to Chapter 158, Article 2.~~Article."

SECTION 15.28.(f) The Revisor of Statutes may conform names and titles changed by this section and may correct statutory references as required by this section throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

SECTION 15.28.(g) This section becomes effective June 30, 2014.

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/FUNDS FOR 2013-2014 FISCAL YEAR

SECTION 15.28A.(a) Funds appropriated in this act to the Department of Commerce for regional economic development commissions shall be allocated to the following commissions in accordance with subsection (b) of this section: North Carolina's Eastern Region, North Carolina's Northeast Commission, Southeastern North Carolina Regional Economic Development Commission, Western North Carolina Regional Economic Development Commission, Charlotte Regional Partnership, Inc., Piedmont Triad Partnership, and Research Triangle Regional Partnership.

SECTION 15.28A.(b) Funds appropriated pursuant to subsection (a) of this section shall be allocated to each regional economic development commission as follows:

(1) First, the Department shall establish each commission's allocation by determining the sum of allocations to each county that is a member of that commission. Each county's allocation shall be determined by dividing the county's development factor by the sum of the development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "development factor" means a county's development factor as calculated under G.S. 143B-437.08; and

(2) Next, the Department shall subtract from funds allocated to North Carolina's Eastern Region the sum of one hundred thirty-four thousand four hundred sixty-six dollars ($134,466) in the 2013-2014 fiscal year, which sum represents (i) the total interest earnings in the prior fiscal year on the estimated balance of the seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws and (ii) the total interest earnings in the prior fiscal year on loans made from the seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and

(3) Next, the Department shall redistribute the sum of one hundred thirty-four thousand four hundred sixty-six dollars ($134,466) in the 2013-2014 fiscal year to the seven regional economic development commissions named in subsection (a) of this section. Each commission's share of this redistribution shall be determined according to the development factor formula set out in subdivision (1) of this subsection. This redistribution shall be in addition to each commission's allocation determined under subdivision (1) of this subsection.

SECTION 15.28A.(c) The General Assembly finds that successful economic development requires the collaboration of the State, regions of the State, counties, and municipalities. Therefore, the regional economic development commissions are encouraged to

seek supplemental funding from their county and municipal partners to continue and enhance their efforts to attract and retain business in the State.

SOUTHEASTERN NORTH CAROLINA REGIONAL ECONOMIC DEVELOPMENT COMMISSION/MEMBER COUNTIES AMENDED

SECTION 15.28B. G.S. 158-8.3(a) reads as rewritten:

"(a) There is created the Southeastern North Carolina Regional Economic Development Commission to serve Anson, Bladen, Brunswick, Columbus, Cumberland, Hoke, Montgomery, New Hanover, Pender, Richmond, Robeson, Sampson, and Scotland Counties, and any other county assigned to the Commission by the Department of Commerce as authorized by law. The Commission shall be located administratively in the Department of Commerce but shall exercise its statutory powers and duties independently of the Department of Commerce. Funds appropriated for the Commission by the General Assembly shall be disbursed directly to the Commission at the beginning of each fiscal year."

HIGH POINT MARKET AUTHORITY/HOUSE COMMERCE ECONOMIC DEVELOPER POSITION

SECTION 15.29. To receive State funds, the High Point Market Authority shall provide suitable work space for a Department of Commerce economic developer position.

NC BIOTECHNOLOGY CENTER

SECTION 15.30.(a) Of the funds appropriated in this act to the North Carolina Biotechnology Center (hereinafter "Center"), the sum of seventeen million two hundred thousand six hundred seventy-six dollars ($17,200,676) for each fiscal year in the 2013-2015 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, and related activities – $3,704,126;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $11,133,486; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $2,363,064.

SECTION 15.30.(b) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 15.30.(c) The Center shall comply with the following reporting requirements:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

NORTH CAROLINA BIOTECHNOLOGY CENTER/EXAMINE CENTER OPERATIONS

SECTION 15.32.(a) The Board of Directors (hereinafter "Board") of the North Carolina Biotechnology Center (hereinafter "Center") shall review and examine each aspect of

the Center's operations to determine ways in which efficiencies and cost savings can be achieved. The review required by this section shall include evaluating:

(1) The activities conducted at the Center's headquarters in Research Triangle Park to determine how each and every activity is necessary to achieve the goals for which State funds are appropriated. Any unnecessary or duplicative activities shall be reduced or eliminated.

(2) The activities conducted at the Center's regional offices and how those activities can be consolidated and performed in fewer locations.

(3) Staffing requirements at the Center's headquarters and at the regional offices to determine whether some staff positions are duplicated and, if so, whether those duplications can be reduced or eliminated.

(4) Whether State funds would be better used to provide additional grants and loans rather than to support current staffing levels and whether reducing current staffing levels to increase the amount of funds available for grants and loans would provide a positive return on investment. The Center shall determine the appropriate percentage of State funds that should be disbursed for grants, loans, and staff to maximize the return on State funds appropriated to the Center.

(5) The administration of grant and loan programs funded in any way with State funds to ensure that the programs are conducted in a cost-efficient manner.

(6) Any and all cash balances on hand to determine ways in which those cash balances can be used quickly to make grants and loans.

(7) The size of the Board and the overall governance of the Center to determine whether changes in either or both can be made to make the Center more cost-efficient and effective in providing grants or loans.

SECTION 15.32.(b) By March 1, 2014, the Center shall report the findings of the review required by subsection (a) of this section to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. The report shall include the steps taken by the Center to implement any changes made to the Center's operations as a result of the review and shall include the Center's anticipated funding requirements from the General Assembly.

SECTION 15.32.(c) Remaining allotments after March 1, 2014, shall not be released to the Center if it does not conduct the review and report its findings as provided in this section.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 15.33.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc., (Rural Center) the sum of two million two hundred four thousand six hundred ninety-seven dollars ($2,204,697) for the 2013-2014 fiscal year and the sum of two million six hundred fifty-three thousand one hundred ninety-six dollars ($2,653,196) for the 2014-2015 fiscal year shall be allocated as follows:

	2013-2014	**2014-2015**
Center Administration, Technical Assistance, Oversight, Rural Jobs Research, and Demonstration Grants	$1,449,348	$1,744,157
Microbusiness Loan & Entrepreneurship Development Program	212,917	256,226
Agricultural Advancement Consortium	96,623	116,313
Administration of Jobs Infrastructure Program	334,357	402,375
Administration of Critical Needs Infrastructure Program	111,452	134,125.

SECTION 15.33.(b) In awarding grants under this section, the Rural Center shall give preference to a project involving a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 15.33.(c) By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

RURAL ECONOMIC DEVELOPMENT CENTER/JOBS INFRASTRUCTURE PROGRAM

SECTION 15.34.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc., (Rural Center), the sum of ten million eight hundred ten thousand eight hundred seventy-two dollars ($10,810,872) for the 2013-2014 fiscal year and the sum of thirteen million ten thousand one hundred two dollars ($13,010,102) for the 2014-2015 fiscal year shall be used for the Jobs Infrastructure Program and shall be allocated as follows:

(1) To provide matching grants or loans to local governments to construct critical water and wastewater facilities or to provide other infrastructure needs including, but not limited to, natural gas, broadband, and rail to sites where these facilities will generate private job-creating investment. The grants under this program shall not be subject to the provisions of G.S. 143-355.4.

(2) To provide matching grants or loans to local governments in distressed areas 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.

(3) To provide grants and technical assistance to reinvigorate the economies of towns with populations of less than 7,500, to invest in economic innovation that stimulates business and job growth in distressed areas, to provide scholarships and technical assistance to emerging entrepreneurs, and to provide grants and technical assistance to demand-driven workforce development projects that are local or regional in nature.

(4) Recipients of grant funds appropriated under this section shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The cash match shall come from local resources and may not be derived from other State or federal grant funds or from funds provided by the Rural Center.

SECTION 15.34.(b) In awarding grants under this section, the Rural Center shall give preference to a project involving a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 15.34.(c) By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental

Operations and the Fiscal Research Division concerning the progress of the Jobs Infrastructure Program in the prior State fiscal year.

RURAL ECONOMIC DEVELOPMENT CENTER/CRITICAL NEEDS INFRASTRUCTURE PROGRAM

SECTION 15.35.(a) Appropriation. – Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc., (Rural Center), the sum of three million six hundred three thousand six hundred twenty-five dollars ($3,603,625) for the 2013-2014 fiscal year and the sum of four million three hundred thirty-six thousand seven hundred two dollars ($4,336,702) for the 2014-2015 fiscal year shall be used for the Critical Needs Infrastructure Program (Program). The purpose of the Program is to provide grants to local government units for wastewater-related projects, public water system-related projects, other critical needs infrastructure, and critical economic development needs as provided in this section. Funds may also be used to provide emergency water and sewer grants or loans.

SECTION 15.35.(b) Definitions. – The definitions provided in G.S. 159G-20 apply in this section. In addition, the following definitions apply in this section, unless otherwise provided:

(1) Economically distressed area. – An economically distressed county as defined in G.S. 143B-437.01.

(2) Rural county. – Any of the 85 rural counties served by the Rural Center.

SECTION 15.35.(c) Eligible Applicants; Eligible Projects. – A local government unit is eligible for a grant under this section if it meets the eligibility requirements provided in subsection (e) of this section. The funds appropriated in this section may be used to provide a supplemental grant or loan that meets the requirements of subsections (d) and (e) of this section. The following projects are eligible for receiving a grant under this section:

(1) Wastewater collection system.

(2) Wastewater treatment works.

(3) Public water system.

(4) Other critical needs infrastructure.

(5) Critical economic development needs.

SECTION 15.35.(d) Supplemental Grants or Loans. – A supplemental grant or loan is available to match other funds to be applied to the construction costs of an eligible project and is not subject to the provisions of G.S. 143-355.4. Other funds include federal funds, State funds, and local funds. The Rural Center shall adopt rules governing the award of supplemental grants or loans under this subsection.

SECTION 15.35.(e) Criteria for Grants. – All projects must document a current critical water, wastewater, or other infrastructure need affecting human health or the environment or must document a critical economic development need. The criteria in G.S. 159G-23, this section, and any other criteria established by the Board of Directors of the Rural Center shall apply to a grant provided under this section. An application for a project that serves an economically distressed area shall have priority over a project that does not. The Board of Directors of the Rural Center may determine that a crisis need exists which merits special consideration and may establish one or more subcategories of this Program to address applications that will meet the needs identified.

SECTION 15.35.(f) Planning Grants. – The Board of Directors of the Rural Center may set aside up to five percent (5%) of the funds appropriated for critical water, wastewater, or other infrastructure needs and critical economic development needs grants to aid local governments in meeting the costs for preliminary project planning needed for an application addressing a critical need.

SECTION 15.35.(g) Grant Applications. – Any application for a grant under this section shall be submitted by the local government unit to the Rural Center. An application

shall be submitted on a form prescribed by the Rural Center and shall contain the information required by or subsequently requested by the Rural Center in order to make a determination on the application. An application that does not contain information required for the application or requested by the Rural Center is incomplete and is not eligible for consideration.

SECTION 15.35.(h) Disbursement of Grants. – A grant awarded under this section shall be disbursed based upon the progress of the project for which the grant was awarded. To obtain a payment, a grant recipient shall submit a request for payment to the Rural Center and shall document the expenditures for which the payment is requested. The Rural Center shall review the payment request for compliance with all grant conditions.

SECTION 15.35.(i) Withdrawal of Grants. – An award for a supplemental grant for a project is withdrawn if the applicant fails to enter into a construction contract for the project within 18 months after the date of the award, unless the Board of Directors of the Rural Center finds that the applicant has good cause for the failure. If the Rural Center finds good cause for an applicant's failure, the Rural Center shall set a date by which the applicant must take action or forfeit the grant.

SECTION 15.35.(j) Reports. – By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the progress of the Critical Needs Infrastructure Program authorized by this section.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVI-A. GENERAL PROVISIONS

GRANT REPORTING AND MATCHING FUNDS

SECTION 16A.1.(a) The Department of Public Safety, the Department of Justice, and the Judicial Department shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety on grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

SECTION 16A.1.(b) Notwithstanding the provisions of G.S. 143C-6-9, the Department of Public Safety may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2013-2014 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2014-2015 fiscal year from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

USE OF CLOSED FACILITIES

SECTION 16A.3. In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety shall consult with the county or municipality in which the facility is located, with the elected State

and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. The Department of Public Safety may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS

SECTION 16A.4. Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of the Department of Public Safety may reclassify or eliminate existing administrative positions that are not specifically addressed in this act as needed for the efficient operation of the Department. The Secretary of the Department of Public Safety shall report any position reclassification undertaken pursuant to this section to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Fiscal Research Division, within 30 days of the reclassification. The report shall include the position number, original title, original fund code, original budgeted salary, new title, new fund code, and new budgeted salary for each reclassified position.

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 16B.1.(a) Assets transferred to the Department of Justice or to the Department of Public Safety during the 2013-2015 fiscal biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Departments of Justice and Public Safety shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety upon receipt of the assets and, before using the assets, shall report on the intended use of the assets and the departmental priorities on which the assets may be expended.

SECTION 16B.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16B.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

ELIMINATE BUTNER PUBLIC SAFETY AUTHORITY

SECTION 16B.4.(a) G.S. 122C-408 is repealed and the Butner Public Safety Authority hereby abolished.

SECTION 16B.4.(b) The town of Butner shall file articles of dissolution for the Butner Public Safety Authority with the Secretary of State. Upon filing those articles, all of the property of the former Butner Public Safety Authority shall be distributed to the Town of Butner.

SECTION 16B.4.(c) G.S. 143-341(8)(i)(3) reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(8) General Services:

…

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

…

3. To require on a schedule determined by the Department all State agencies to transfer ownership, custody or control of any or all passenger motor vehicles within the ownership, custody or control of that agency to the Department, except those motor vehicles under the ownership, custody or control of the Highway Patrol, the State Bureau of Investigation, or the constituent institutions of The University of North Carolina which are used primarily for law-enforcement ~~purposes, and except those motor vehicles under the ownership, custody or control of the Department of Public Safety for Butner Public Safety which are used primarily for law-enforcement, fire, or emergency purposes.~~ purposes."

SECTION 16B.4.(d) G.S. 160A-288(d) reads as rewritten:

"(d) For purposes of this section, the following shall be considered the equivalent of a municipal police department:

(1) Campus law-enforcement agencies established pursuant to G.S. 115D-21.1(a) or G.S. 116-40.5(a).

(2) Colleges or universities which are licensed, or exempted from licensure, by G.S. 116-15 and which employ company police officers commissioned by the Attorney General pursuant to Chapter 74E or Chapter 74G of the General Statutes.

(3) Law enforcement agencies operated or eligible to be operated by a municipality pursuant to G.S. 63-53(2).

~~(4) Butner Public Safety Authority.~~

(5) A Company Police agency of the Department of Agriculture and Consumer Services commissioned by the Attorney General pursuant to Chapter 74E of the General Statutes."

SECTION 16B.4.(e) G.S. 160A-288.2(d) reads as rewritten:

"(d) For the purposes of this section, the following shall be considered the equivalent of a municipal police department:

(1) Campus law-enforcement agencies established pursuant to G.S. 116-40.5(a).

(2) Colleges or universities which are licensed, or exempted from licensure, by G.S. 116-15 and which employ company police officers commissioned by

the Attorney General pursuant to Chapter 74E or Chapter 74G of the General Statutes.

~~(3) Butner Public Safety Authority.~~"

VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER) SYSTEM

SECTION 16B.5.(a) It is the intent of the General Assembly to continue to support development and implementation of the State's Voice Interoperability Plan for Emergency Response (VIPER) system in subsequent fiscal years. The Department is hereby authorized to spend up to five million dollars ($5,000,000) during the 2013-2014 fiscal year and ten million dollars ($10,000,000) during the 2014-2015 fiscal year to continue development and implementation of the State's VIPER system by constructing towers that will facilitate system expansion. Notwithstanding any other provision of law, State agencies, offices, commissions, and non-State entities shall not spend more than the amount of State funds authorized in this section for this purpose during the 2013-2015 fiscal biennium. This prohibition shall not be construed to prevent the expenditure of federal funds. This section does not impair or authorize the breach of any contract and instead affects the availability of appropriated funds within the meaning of G.S. 143C-6-8 and the terms of the North Carolina Information Technology Procurement Office General Terms and Conditions for Goods and Related Services related to availability of funds as specified in the applicable contract or contract extension.

SECTION 16B.5.(b) The Department of Public Safety shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on the progress of the State's VIPER system.

STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS

SECTION 16B.6. The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SUBPART XVI-C. DIVISION OF ADULT CORRECTION

LIMIT USE OF OPERATIONAL FUNDS

SECTION 16C.1. Funds appropriated in this act to the Department of Public Safety for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, except that the Department may establish critical positions prior to 120 days of completion representing no more than twenty percent (20%) of the total estimated number of positions.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 16C.2. Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2013-2015 fiscal biennium to pay the sum of forty dollars ($40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report quarterly to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and

Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 16C.3. The Department of Public Safety may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2013-2015 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Public Safety.

INMATE MEDICAL COSTS

SECTION 16C.4.(a) The Department of Public Safety shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

SECTION 16C.4.(b) The Department of Public Safety shall make every effort to contain inmate medical costs by making use of its own hospital and health care facilities to provide health care services to inmates. To the extent that the Department of Public Safety must utilize other facilities and services to provide health care services to inmates, the Department shall make reasonable efforts to make use of hospitals or other providers with which it has a contract or, if none is reasonably available, hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall make reasonable efforts to equitably distribute inmates among all hospitals or other appropriate health care facilities.

SECTION 16C.4.(c) The Department of Public Safety shall report to the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representative Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety no later than November 1, 2013, and quarterly thereafter on:

(1) The percentage of the total inmates requiring hospitalization or hospital services who receive that treatment at each hospital.

(2) The volume of services provided by community medical providers that can be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.

(3) The volume of services provided by community medical providers that cannot be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.

(4) The volume of services provided by community medical providers that are emergent cases requiring hospital admissions and emergent cases not requiring hospital admissions.

(5) The volume of inpatient medical services provided to Medicaid-eligible inmates, the cost of treatment, and the estimated savings of paying the nonfederal portion of Medicaid for the services.

(6) The status of the Division's efforts to contract with hospitals to provide secure wards in each of the State's five prison regions.

ANNUAL REPORT ON SAFEKEEPERS

SECTION 16C.5. The Department of Public Safety shall report by October 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on county prisoners housed in the State prison system pursuant to safekeeping orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or inadequate county facilities. The report shall include:

(1) The number of safekeepers currently housed by the Department.

(2) A list of the facilities where safekeepers are housed and the population of safekeepers by facility.

(3) The average length of stay by a safekeeper in one of those facilities.

(4) The amount paid by counties for housing and extraordinary medical care of safekeepers.

(5) A list of the counties in arrears for safekeeper payments owed to the Department at the end of the fiscal year.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM

SECTION 16C.6.(a) G.S. 148-10.4(e) reads as rewritten:

"(e) Operating and Administrative Expenses. – ~~Ten percent (10%)~~Five percent (5%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the Program and for administrative and operating expenses of the Association and its staff. One percent (1%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated to the Division of Adult Correction for its administrative and operating expenses for the Program."

SECTION 16C.6.(b) The North Carolina Sheriffs' Association shall report by October 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and Public Safety on the Statewide Misdemeanant Confinement Program. The report shall include the following with respect to the prior fiscal year:

(1) Revenue collected by the Statewide Misdemeanant Confinement Program.

(2) The cost of housing prisoners by county under the Program.

(3) The cost of transporting prisoners by county under the Program.

(4) Personnel costs by county.

(5) Inmate medical care costs by county.

(6) The number of counties that volunteer to house inmates under the Program.

(7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

INMATE CONSTRUCTION PROGRAM

SECTION 16C.7. Notwithstanding G.S. 66-58 or any other provision of law, during the 2013-2015 fiscal biennium, the State Construction Office may, wherever feasible,

utilize inmates in the custody of the Division of Adult Correction of the Department of Public Safety through the Inmate Construction Program for repair and renovation projects on State-owned facilities, with priority given to Department of Public Safety construction projects.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 16C.10. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.1. Report on probation and parole caseloads.**

(a) The Department of Public Safety shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on caseload averages for probation and parole officers. The report shall include:

(1) Data on current caseload averages and district averages for probation/parole officer positions.

(2) Data on current span of control for chief probation officers.

(3) An analysis of the optimal caseloads for these officer classifications.

(4) The number and role of paraprofessionals in supervising low-risk caseloads.

(5) The process of assigning offenders to an appropriate supervision level based on a risk/needs assessment.

(6) Data on cases supervised solely for the collection of court-ordered payments.

(b) The Department of Public Safety shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the following:

(1) The number of sex offenders enrolled on active and passive GPS monitoring.

(2) The caseloads of probation officers assigned to GPS-monitored sex offenders.

(3) The number of violations.

(4) The number of absconders.

(5) The projected number of offenders to be enrolled by the end of the fiscal year."

PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM

SECTION 16C.11.(a) The Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Public Safety, analyze the amount of time each inmate who is eligible for parole on or before July 1, 2014, has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served more time in custody than the person would have served if sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence," for the purposes of this section, shall be calculated as set forth in subsection (b) of this section.

SECTION 16C.11.(b) For the purposes of this section, the following rules apply for the calculation of the maximum sentence:

(1) The offense upon which the person was convicted shall be classified as the same felony class as the offense would have been classified if committed after the effective date of Article 81B of Chapter 15A of the General Statutes.

(2) The minimum sentence shall be the maximum number of months in the presumptive range of minimum durations in Prior Record Level VI of

G.S. 15A-1340.17(c) for the felony class determined under subdivision (1) of this subsection. The maximum sentence shall be calculated using G.S. 15A-1340.17(d), (e), or (e1).

(3) If a person is serving sentences for two or more offenses that are concurrent in any respect, then the offense with the greater classification shall be used to determine a single maximum sentence for the concurrent offenses. The fact that the person has been convicted of multiple offenses may be considered by the Commission in making its determinations under subsection (a) of this section.

SECTION 16C.11.(c) The Post-Release Supervision and Parole Commission shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Chairs of the Senate Appropriations Committee on Justice and Public Safety by April 1, 2014. The report shall include the following: the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. The Commission shall reinitiate the parole review process for each offender who has served more time than that person would have under Structured Sentencing as provided by subsections (a) and (b) of this section.

The Commission shall also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled.

SECTION 16C.11.(d) Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-707.2. Mutual agreement parole program report; medical release program report.**

(a) The Department of Correction and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates enrolled in the mutual agreement parole program, the number completing the program and being paroled, and the number who enrolled but were terminated from the program. The information should be based on the previous calendar year.

(b) The Department of Public Safety and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates proposed for release, considered for release, and granted release under Chapter 84B of Chapter 15A of the General Statutes, providing for the medical release of inmates who are either permanently and totally disabled, terminally ill, or geriatric."

REPORT ON TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION

SECTION 16C.12. The Division of Community Corrections shall report by March 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the Treatment for Effective Community Supervision (TECS) program. The report shall include the following information:

(1) The amount of funds carried over from the prior fiscal year.

(2) The dollar amount and purpose of contracts awarded to vendors for the current fiscal year.

(3) An update on efforts to ensure that all counties make use of the electronic reporting system, including the number of counties submitting offender participation via the system.
(4) An analysis of offender participation data received, including data on each program's utilization, capacity, and completion rates.
(5) The number of offenders served by each contracted vendor.
(6) The outcome measures for program participants, including the rates of recidivism, employment status, and educational progress of participants.

JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY VACANT POSITIONS

SECTION 16C.13.(a) Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of Public Safety may reclassify vacant positions within the Department to create up to 30 new field services specialist or chief probation/parole officer positions in order to meet the increasing caseloads resulting from the implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

SECTION 16C.13.(b) The Department of Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public Safety and the House Appropriations Subcommittee on Justice and Public Safety by March 1, 2014, on the following:
(1) The position number, position type, salary, and position location of each new position created under the authority of this section.
(2) The position number, position type, fund code, and position location of each vacant position used to create new positions under the authority of this section.

REPORT ON USE OF BROADEN ACCESS FOR COMMUNITY TREATMENT PROGRAM FUNDS

SECTION 16C.14. The Division of Community Corrections shall report by September 1, 2015, and September 1, 2016, to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and to the Chairs of the Senate Appropriations Committee on Justice and Public Safety on the status of the Broaden Access for Community Treatment Program. The report shall include the following information:
(1) The amount of funds carried over from the prior fiscal year.
(2) The dollar amount and purpose of contracts awarded to vendors for the current fiscal year.
(3) An analysis of offender participation data received, including data on each program's utilization, capacity, and completion rates.
(4) The number of offenders served by each contracted vendor.
(5) The outcome measures for program participants, including the rates of recidivism, employment status, and educational progress of participants.

REQUIRE THAT ALL INMATES IN THE CUSTODY OF THE DIVISION OF ADULT CORRECTION OF THE DEPARTMENT OF PUBLIC SAFETY BE TESTED FOR HIV INFECTION

SECTION 16C.15.(a) Article 2 of Chapter 148 of the General Statutes is amended by adding a new section to read:

"**§ 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.

Each inmate who has not previously tested positive for HIV shall also be tested:

(1) Not less than once every four years from the date of that inmate's initial testing.

(2) Prior to the inmate's release from the custody of the Division of Adult Correction, except that testing is not mandatory prior to the release of an inmate who has been tested within one year of the inmate's release date.

In each case, the results of the test shall be reported to the inmate. If an inmate tests positive for HIV, that inmate shall be referred to public health officials for counseling."

SECTION 16C.15.(b) This section becomes effective July 1, 2013. All inmates in the custody of the Division of Adult Correction on July 1, 2013, who have not previously been tested for HIV shall be tested by October 1, 2013.

SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE

ANNUAL EVALUATION OF COMMUNITY PROGRAMS AND MULTIPLE PURPOSE GROUP HOMES

SECTION 16D.1. Subpart B of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-811. Annual evaluation of community programs and multiple purpose group homes.**

The Department of Public Safety shall conduct an annual evaluation of the community programs and of multipurpose group homes. In conducting the evaluation of each of these, the Department shall consider whether participation in each program results in a reduction of court involvement among juveniles. The Department shall also determine whether the programs are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202.

The Department shall report the results of the evaluation to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by March 1 of each year."

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 16D.2.(a) Subpart F of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-852. Department of Public Safety to report on Juvenile Crime Prevention Council grants.**

(a) On or before February 1 of each year, the Department of Public Safety shall submit to the Chairs of the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety a list of the recipients of the grants awarded, or preapproved for award, from funds appropriated to the Department for local Juvenile Crime Prevention Council (JCPC) grants, including the following information:

(1) The amount of the grant awarded.

(2) The membership of the local committee or council administering the award funds on the local level.

(3) The type of program funded.

(4) A short description of the local services, programs, or projects that will receive funds.

(5) Identification of any programs that received grant funds at one time but for which funding has been eliminated by the Department.

(6) The number of at-risk, diverted, and adjudicated juveniles served by each county.

(7) The Department's actions to ensure that county JCPCs prioritize funding for dispositions of intermediate and community-level sanctions for court-adjudicated juveniles under minimum standards adopted by the Department.

(8) The total cost for each funded program, including the cost per juvenile and the essential elements of the program.

(b) On or before February 1 of each year, the Department of Public Safety shall send to the Fiscal Research Division of the Legislative Services Commission an electronic copy of the list and information required under subsection (a) of this section."

SECTION 16D.2.(b) Of the funds appropriated by this act for the 2013-2015 fiscal biennium to the Department of Public Safety for Juvenile Crime Prevention Council grants, the sum of one hundred twenty-one thousand six hundred dollars ($121,600) for the 2013-2014 fiscal year and the sum of one hundred twenty-one thousand six hundred dollars ($121,600) for the 2014-2015 fiscal year shall be transferred to Project Challenge North Carolina, Inc., to be used for the continued support of Project Challenge programs throughout the State.

YOUTH DEVELOPMENT CENTER ANNUAL REPORT

SECTION 16D.3. Subpart B of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-810. Youth Development Center annual report.**

The Department of Public Safety shall report by October 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and the Fiscal Research Division of the Legislative Services Commission on the Youth Development Center (YDC) population, staffing, and capacity in the preceding fiscal year. Specifically, the report shall include all of the following:

(1) The on-campus population of each YDC, including the county the juveniles are from.

(2) The housing capacity of each YDC.

(3) A breakdown of staffing for each YDC, including number, type of position, position title, and position description.

(4) The per-bed and average daily population cost for each facility.

(5) The operating cost for each facility, including personnel and nonpersonnel items.

(6) A brief summary of the treatment model, education, services, and plans for reintegration into the community offered at each facility.

(7) The average length of stay in the YDCs.

(8) The number of incidents of assaults and attacks on staff at each facility."

JUVENILE FACILITY MONTHLY COMMITMENT REPORT

SECTION 16D.4. Subpart C of Part 3 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-822. Juvenile facility monthly commitment report.**

The Department of Public Safety shall report electronically on the first day of each month to the Fiscal Research Division regarding each juvenile correctional facility and the average daily population for the previous month. The report shall include (i) the average daily population for each detention center and (ii) the monthly summary of the Committed Youth Report."

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 16D.5.(a) Funds appropriated in this act to the Department of Public Safety for the 2013-2015 fiscal biennium for community program contracts that are not required for or used for community program contracts shall only be used for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council grants fund to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 16D.5.(b) Under no circumstances shall funds appropriated by this act to the Department of Public Safety for the 2013-2015 fiscal biennium for community programs be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 16D.5.(c) The Department of Public Safety shall submit an electronic report by October 1, 2013, and a second electronic report by October 1, 2014, on all expenditures made from the miscellaneous contract line in Fund Code 1230 to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

MULTIPURPOSE GROUP HOME

SECTION 16D.6. Of the funds appropriated in this act to the Department of Public Safety for the Division of Juvenile Justice for the 2013-2015 fiscal biennium, the sum of five hundred fifty thousand dollars ($550,000) for the 2013-2014 fiscal year and the sum of five hundred fifty thousand dollars ($550,000) for the 2014-2015 fiscal year shall be used to continue operating a multipurpose group home in Craven County.

ADMINISTRATION OF JUVENILE JUSTICE DIVISION

SECTION 16D.7.(a) G.S. 143B-600 reads as rewritten:

"**§ 143B-600. Organization.**

(a) There is established the Department of Public Safety. The head of the Department of Public Safety is the Secretary of Public Safety, who shall be known as the Secretary. ~~The Department shall consist of six divisions and an Office of External Affairs as follows:~~

~~(1) The Division of Adult Correction, which shall consist of the former Department of Correction. The head of the Division of Adult Correction shall be a chief deputy secretary, who shall be responsible for prisons, community corrections, correction enterprises, alcoholism and chemical dependency treatment, offender records management, and extradition.~~

~~(2) The Division of Juvenile Justice, which shall consist of the former Department of Juvenile Justice and Delinquency Prevention. The head of the Division of Juvenile Justice shall be a chief deputy secretary, who shall be~~

~~responsible for youth detention centers, court services, community programs, and youth development centers.~~

~~(3) The Division of Law Enforcement, which shall consist of the following former divisions of the Department of Crime Control and Public Safety: the State Highway Patrol, the Alcohol Law Enforcement Division, and the State Capitol Police Division. The head of the Division of Law Enforcement shall be a chief deputy secretary.~~

~~(4) The Division of Emergency Management, which shall consist of the former Division of Emergency Management of the Department of Crime Control and Public Safety and the Civil Air Patrol.~~

~~(5) The North Carolina National Guard.~~

~~(6) The Division of Administration, the head of which shall be a chief deputy secretary responsible for all administrative functions, including fiscal, auditing, information technology, purchasing, human resources, training, engineering, and facility management functions for the Department. Within the Division, there is established a Grants Management Section, which shall consist of the Governor's Crime Commission and the Juvenile Crime Prevention Council Fund. There is also established within the Division a Research and Planning Section responsible for statistics, research, and planning to facilitate regular improvement in the structure, administration, and programs of the Department of Public Safety. The Research and Planning Section may cooperate with and seek the cooperation of public and private agencies, institutions, officials, and individuals in the development and conduct of programs to compile and analyze statistics and to conduct research in criminology and correction. The Research and Planning Section shall be the single State agency responsible for the coordination and implementation of ex-offender reentry initiatives.~~

~~(7) The Office of External Affairs, which shall be responsible for federal and State liaison activities, victim services, the Victim Services Warehouse and the storage and management of evidence and other contents housed in the warehouse, and public affairs.~~

(b) The powers and duties of the deputy ~~secretaries~~ secretaries, commissioners, directors, and the ~~respective~~ divisions of the Department shall be subject to the direction and control of the Secretary of Public Safety."

SECTION 16D.7.(b) G.S. 143B-806 reads as rewritten:

"**§ 143B-806. Duties and powers of the Division of Juvenile Justice of the Department of Public Safety.**

~~(a) The head of the Division is a Chief Deputy Secretary appointed by the Secretary of Public Safety. The Chief Deputy Secretary shall have the powers and duties conferred by this Chapter, delegated by the Secretary of Public Safety or the Governor, and conferred by the Constitution and laws of this State. The Secretary of Public Safety shall be responsible for effectively and efficiently organizing the Division to promote the policy of the State as set forth in this Part and to promote public safety and to prevent the commission of delinquent acts by juveniles.~~

(b) The ~~Chief Deputy~~ Secretary shall have the following powers and ~~duties:~~duties and may delegate those powers and duties to the appropriate deputy secretary, commissioner, or director within the Department of Public Safety.

…."

SECTION 16D.7.(c) G.S. 153A-221.1 reads as rewritten:

"**§ 153A-221.1. Standards and inspections.**

The legal responsibility of the ~~Chief Deputy Secretary of~~ Division of Juvenile Justice of the Department of Public Safety for State services to county juvenile detention homes under this Article is hereby confirmed and shall include the following: development of State standards under the prescribed procedures; inspection; consultation; technical assistance; and training.

The Secretary of Health and Human Services, in consultation with the ~~Chief Deputy Secretary of Juvenile Justice of the Department~~ Secretary of Public Safety, shall also develop standards under which a local jail may be approved as a holdover facility for not more than five calendar days pending placement in a juvenile detention home which meets State standards, providing the local jail is so arranged that any child placed in the holdover facility cannot converse with, see, or be seen by the adult population of the jail while in the holdover facility. The personnel responsible for the administration of a jail with an approved holdover facility shall provide close supervision of any child placed in the holdover facility for the protection of the child."

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 16D.8. Funds appropriated in this act to the Department of Public Safety for each fiscal year of the 2013-2015 fiscal biennium may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Public Safety regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Public Safety shall report to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2013-2014 fiscal year, the amount of funds anticipated for the 2014-2015 fiscal year, and the allocation of funds by program and purpose.

DOBBS YOUTH DEVELOPMENT CENTER KITCHEN REPAIRS

SECTION 16D.9. The Department of Public Safety shall ensure that the kitchen facility at the Dobbs Youth Development Center is operational by October 1, 2013.

PART XVII. DEPARTMENT OF JUSTICE

BIANNUAL REPORTING ON ATTORNEY ACTIVITY

SECTION 17.1.(a) Beginning on August 1, 2013, and every six months thereafter, the Attorney General shall report on the work of Department of Justice attorneys during the previous two quarters. The reports required by this section shall be filed with the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, with the Chairs of the Senate Appropriations Committee on Justice and Public Safety, with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and with the Fiscal Research Division as follows:

(1) Agency-specific work. – A report on the work of Department of Justice attorneys for State agencies. This report shall include at least all of the following information:

a. The amount of time spent working for each State department and agency.

b. The amount of time spent on each case for each State department and agency.

c. The amount billed to each State agency for the legal services provided.

(2) Other work. – A report on the work of Department of Justice attorneys that is not on behalf of a particular State agency. The report required by this subdivision shall include all of the information required by subdivision (1) of this section and all of the following information:

a. The amount of time spent by each unit of the Department of Justice.

b. The amount of time spent on each particular matter for each unit of the Department of Justice.

SECTION 17.1.(b) Reports required by this section shall not include detailed information about the work of individual attorneys but shall instead include only summary information about Department of Justice attorney activity during the relevant period, which shall (i) be set forth using commonly employed measures of central tendency and (ii) which shall highlight and explain extreme deviations from applicable norms.

ANNUAL CRIME LAB REPORT

SECTION 17.2. Beginning on October 1, 2013, and yearly thereafter, the Attorney General shall report on the work of the North Carolina State Crime Laboratory during the previous fiscal year. The reports required by this section shall be filed with the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and with the Fiscal Research Division. Each report shall include at least the following:

(1) Information about the workload of the Laboratory during the previous fiscal year, including the number of submissions, identified by forensic discipline, received at each location of the Laboratory.

(2) Information about the number of cases completed in the previous fiscal year, identified by forensic discipline, at each location of the Laboratory.

(3) A breakdown by county of the number of submissions received by the Laboratory in the previous fiscal year.

DEVELOPMENT OF TRAINING PROGRAM ON PROPER PROCEDURES FOR SUBMISSION OF EVIDENCE TO THE CRIME LAB

SECTION 17.3.(a) The North Carolina State Crime Laboratory, in conjunction with the University of North Carolina School of Government and the Conference of District Attorneys, shall develop a training curriculum for district attorneys that shall include, but not be limited to, instruction on fundamentals of Laboratory forensic science disciplines, the Laboratory's electronic information system, and the Laboratory's case management guidelines. In order to ensure that it will be practicable to require all district attorneys in the State to receive the training in the future, the program shall be (i) designed with the time and resource constraints of district attorneys in mind and (ii) designed in a way that makes the program suitable for regional distribution and distribution through distance learning facilities at community colleges.

SECTION 17.3.(b) No later than October 1, 2013, the North Carolina State Crime Laboratory shall report its progress on developing the training program to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the Senate Appropriations Committee on Justice and Public Safety, to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, and to the Fiscal Research Division.

NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE CRIME LABORATORY

SECTION 17.5. The Department of Justice shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be construed to require the termination of sworn personnel, but as vacant positions in the State Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn and employed by the Laboratory as of the effective date of this section and who continue to meet the sworn status retention standards mandated by the NC Criminal Justice Education and Standards Commission.

REMOVE THE NORTH CAROLINA STATE CRIME LABORATORY FROM THE STATE BUREAU OF INVESTIGATION

SECTION 17.6.(a) The North Carolina State Crime Laboratory and the State DNA Database and Databank are hereby transferred from the State Bureau of Investigation and shall be relocated elsewhere within the Department of Justice, as determined by the Attorney General.

SECTION 17.6.(b) No later than July 1, 2014, the Department of Justice shall begin budgeting the North Carolina State Crime Laboratory in a fund code that is separate from the remainder of the Department of Justice.

SECTION 17.6.(c) Chapter 114 of the General Statutes is amended by adding a new Article to read:

"Article 9.
North Carolina State Crime Laboratory."

SECTION 17.6.(d) G.S. 114-16 through G.S. 114-16.2 are recodified as G.S. 114-60 through G.S. 114-62 under Article 9 of Chapter 114 of the General Statutes, as created by subsection (c) of this section.

SECTION 17.6.(e) The following statutes are amended by deleting "SBI" wherever it appears and substituting "North Carolina State Crime Laboratory": G.S. 15A-146 and G.S. 15A-148.

SECTION 17.6.(f) The following statutes are amended by deleting "SBI" wherever it appears and substituting "Crime Laboratory": G.S. 15A-266.3, 15A-266.3A, 15A-266.5, 15A-266.6, 15A-266.7, 15A-266.8, 15A-266.9, 15A-266.12, 15A-267, and 15A-268.

SECTION 17.6.(g) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8) of this section.

…

(7) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the ~~State Bureau of Investigation.~~Laboratory. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent.

(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court

judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the ~~State Bureau of Investigation~~North Carolina State Crime Laboratory under subdivision (7) of this subsection.

(9) For the support and services of the ~~State Bureau of Investigation~~State DNA Database and DNA Databank, the sum of two dollars ($2.00). This amount is annually appropriated to the Department of Justice for this purpose. Notwithstanding the provisions of subsection (e) of this section, this cost does not apply to infractions.

…."

SECTION 17.6.(h) G.S. 14-269.1(5) reads as rewritten:

"(5) By ordering such weapon turned over to the North Carolina State Crime Laboratory's weapons reference library for official use by that agency. The ~~State Bureau of Investigation~~ Laboratory shall maintain a record and inventory of all such weapons received."

SECTION 17.6.(i) G.S. 15A-266.2 reads as rewritten:

"**§ 15A-266.2. Definitions.**

As used in this Article, unless another meaning is specified or the context clearly requires otherwise, the following terms have the meanings specified:

…

(1e) Crime Laboratory. – The North Carolina State Crime Laboratory of the Department of Justice.

…

~~(6) "SBI" means the State Bureau of Investigation. The SBI is responsible for the policy, management, and administration of the State DNA identification record system to support law enforcement and other criminal justice agencies.~~

…

(8) "State DNA Database" means the ~~SBI's~~ Crime Laboratory's DNA identification record system to support law enforcement. It is administered by the ~~SBI~~ Crime Laboratory and provides DNA records to the FBI for storage and maintenance in CODIS. The ~~SBI's~~ Crime Laboratory's DNA Database system is the collective capability provided by computer software and procedures administered by the ~~SBI~~ Crime Laboratory to store and maintain DNA records related to: forensic casework; convicted offenders and arrestees required to provide a DNA sample under this Article; persons required to register as sex offenders under G.S. 14-208.7; unidentified persons or body parts; missing persons; relatives of missing persons; and anonymous DNA profiles used for forensic validation, forensic protocol development, or quality control purposes or establishment of a population statistics database for use by criminal justice agencies."

SECTION 17.6.(j) G.S. 15A-266.3A(h) reads as rewritten:

"(h) The ~~State Bureau of Investigation~~Crime Laboratory shall remove a person's DNA record, and destroy any DNA biological samples that may have been retained, from the State DNA Database and DNA Databank if both of the following are determined pursuant to subsection (i) of this section:

…."

SECTION 17.6.(k) G.S. 15A-269(b1) reads as rewritten:

"(b1) If the court orders DNA testing, such testing shall be conducted by ~~an SBI-approved~~ a Crime Laboratory-approved testing facility, mutually agreed upon by the petitioner and the State and approved by the court. If the parties cannot agree, the court shall designate the testing facility and provide the parties with reasonable opportunity to be heard on the issue."

SECTION 17.6.(l) G.S. 114-12 reads as rewritten:

"**§ 114-12. Bureau of Investigation created; powers and duties.**

In order to secure a more effective administration of the criminal laws of the State, to prevent crime, and to procure the speedy apprehension of criminals, the Attorney General shall set up in the Department of Justice a division to be designated as the State Bureau of Investigation. The Division shall have charge of and administer the agencies and activities herein set up for the identification of criminals, for their apprehension, ~~for the scientific analysis of evidence of crime,~~ and investigation and preparation of evidence to be used in criminal courts; and the said Bureau shall have charge of investigation of criminal matters herein especially mentioned, and of such other crimes and criminal procedure as the Governor may direct.

In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance.

The State radio system shall be made available to the Bureau Laboratory for use in its work."

SECTION 17.6.(m) G.S. 114-16, as recodified by subsection (d) of this section, reads as rewritten:

"**§ 114-60. Laboratory and clinical facilities; employment of criminologists; services of scientists, etc., employed by State; radio system.**

In the ~~said Bureau~~Department of Justice there shall be provided laboratory facilities for the analysis of evidences of crime, including the determination of presence, quantity and character of poisons, the character of bloodstains, microscopic and other examination material associated with the commission of crime, examination and analysis of projectiles of ballistic imprints and records which might lead to the determination or identification of criminals, the examination and identification of fingerprints, and other evidence leading to the identification, apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters shall be employed to render a reasonable service to the public through the criminal justice system and to the criminal justice system in the discharge of their duties. ~~In the personnel of the Bureau shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance.~~

The laboratory and clinical facilities of the institutions of the State, both educational and departmental, shall be made available to the ~~Bureau,~~Laboratory, and scientists and doctors now working for the State through its institutions and departments may be called upon by the Governor to aid the ~~Bureau~~ Laboratory in the evaluation, preparation, and preservation of evidence in which scientific methods are employed, and a reasonable fee may be allowed by the Governor for such service.

~~The State radio system shall be made available to the Bureau for use in its work.~~"

SECTION 17.6.(n) G.S. 114-16.2, as recodified by subsection (d) of this section, reads as rewritten:

"**§ 114-62. North Carolina State Crime Laboratory Ombudsman.**

The position of ombudsman is created in the North Carolina State Crime Laboratory within the North Carolina Department of Justice. The primary purpose of this position shall be to work with defense counsel, prosecutorial agencies, criminal justice system stakeholders, law enforcement officials, and the general public to ensure all processes, procedures, practices, and protocols at the State Crime Laboratory are consistent with State and federal law, best forensic law practices, and in the best interests of justice in this State. The ombudsman shall mediate complaints brought to the attention of the ombudsman between the ~~SBI~~ Crime Laboratory and defense counsel, prosecutorial agencies, law enforcement agencies, and the general public. The ombudsman shall ensure all criminal justice stakeholders and the general public are aware of the availability, responsibilities, and role of the ombudsman and shall regularly attend meetings of the Conferences of the District Attorneys, District and Superior Court Judges, Public Defenders, the Advocates for Justice, and Bar Criminal Law Sections. The ombudsman shall make recommendations on a regular basis to the Director of the State Crime ~~Laboratory, Director of the SBI,~~ Laboratory and the Attorney General of North Carolina as to policies, procedures, practices, and training of employees needed at the Laboratory to ensure compliance with State and federal law, best forensic law practices, and to resolve any meritorious systemic complaints received by the ombudsman."

OPERATING EFFICIENCIES REDUCTION

SECTION 17.7.(a) Funds appropriated or allocated to the North Carolina State Crime Laboratory shall not be reduced in order to meet any portion of the operating efficiencies reduction set forth in this act.

SECTION 17.7.(b) No later than October 1, 2013, the Department of Justice shall report to the Fiscal Research Division on the reductions that were made to meet the operating efficiencies reduction to the Department of Justice set forth in this act. The report shall include an itemized list of any position eliminations, including the position numbers, titles, and budgeted salaries of each eliminated position.

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 18A.1. The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and the Senate Appropriations Committee on Justice and Public Safety by March 1 of each year on:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;

(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense, including the capital case program;

(3) Plans for changes in rules, standards, or regulations in the upcoming year; and

(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 18A.2. The Judicial Department, Office of Indigent Defense Services, may use up to the sum of four million dollars ($4,000,000) in appropriated funds during the 2013-2015 fiscal biennium for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, for the creation of new public defender offices within existing public defender programs, or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used to create up to 50 new attorney positions and 25 new support staff positions during the 2013-2015 fiscal biennium and for the salaries, benefits, equipment, and related expenses for these new positions in both years of the biennium. Positions creation will be staggered across the two years of the biennium. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the proposed expansion.

OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 18A.3. Notwithstanding G.S. 143C-6-9, during the 2013-2015 fiscal biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand dollars ($50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS

GRANT FUNDS

SECTION 18B.1. Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars ($1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and to the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 18B.2. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2013, for the purchase or repair of office or information technology equipment during the 2013-2014 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

CONFERENCE OF DISTRICT ATTORNEYS PILOT PROGRAMS

SECTION 18B.4. Of the funds appropriated in this act to the Judicial Department, the sum of five hundred thousand dollars ($500,000) in the 2013-2014 fiscal year shall be allocated to the Conference of District Attorneys and shall be used to establish pilot programs in Prosecutorial Districts 17A (Rockingham County) and 19D (Moore County) to provide the district attorneys in those districts with the resources to obtain toxicology analysis from local hospitals on persons charged with driving while impaired whose conduct did not result in serious injury or death to others. The Conference of District Attorneys shall report on the results of the pilot programs to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.

MODIFY LEGAL AID DOMESTIC VIOLENCE REPORT

SECTION 18B.5. G.S. 7A-474.20 reads as rewritten:

"**§ 7A-474.20. Records and reports.**

The established legal services programs shall keep appropriate records and make periodic reports, as requested, to the North Carolina State Bar. The North Carolina State Bar shall report annually to the ~~General Assembly~~ Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the amount of the funds disbursed and the use of the funds by each legal services program receiving funds. The report to the ~~General Assembly~~ Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety shall be made by January 15 of each year beginning January 15, 2006."

FAMILY COURT PROGRAMS

SECTION 18B.6. The Administrative Office of the Courts shall provide direction and oversight to the existing family court programs in order to ensure that each district with a family court program is utilizing best practices and is working effectively and efficiently in the disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report on its efforts in this regard and the results of those efforts to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2014.

MAGISTRATE DISTRIBUTION FORMULA

SECTION 18B.7. The Administrative Office of the Courts, in consultation with the National Center for State Courts, shall study its current formula for the distribution of magistrates across the State and consider revisions to that formula designed to take into account regional differences, travel considerations, and the potential for regionalizing magistrates. The Administrative Office of the Courts shall report its findings and recommendations to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.

JUDICIAL FORMS SHALL CONFORM TO JUSTICE REINVESTMENT CHANGES

SECTION 18B.9. The Administrative Office of the Courts shall ensure that all judicial forms being used in the General Court of Justice conform to all of the changes made in the law with the enactment of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

CRIMINAL CASE INFORMATION SYSTEM FOR PUBLIC DEFENDERS

SECTION 18B.10. The Administrative Office of the Courts, in consultation with the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand dollars ($350,000) in funds available to the Administrative Office of the Courts for the 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars ($350,000) in funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium to

develop or acquire and to implement a component of the Department's criminal case information system for use by public defenders no later than February 1, 2015. The Administrative Office of the Courts shall make an interim report on the development and implementation of this system by February 1, 2014, and a final report on the completed implementation of the system by March 1, 2015.

CLERKS' ACCEPTANCE OF CREDIT CARDS

SECTION 18B.11.(a) G.S. 7A-321(a) reads as rewritten:

"(a) The Judicial Department may, in lieu of payment by cash or check, accept payment by credit card, charge card, or debit card for the ~~fines, fees, and~~ costs owed to the ~~courts by offenders.~~ court, including fines, fees, and restitution."

SECTION 18B.11.(b) The Judicial Department shall begin implementation of a cost-effective system for the acceptance of credit card payments for court costs to clerks of superior court as provided under this subsection. The Judicial Department shall select at least five counties that do not currently accept credit card payments, representing a balance of the urban and rural areas of the State, and shall implement the system in those counties by February 1, 2014. The Department shall report on this implementation and on its plans for implementing the system in the remaining counties to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2014.

AMEND CLASS 3 MISDEMEANOR SENTENCES

SECTION 18B.13.(a) G.S. 15A-1340.23 reads as rewritten:

"**§ 15A-1340.23. Punishment limits for each class of offense and prior conviction level.**

(a) Offense Classification; Default Classifications. – The offense classification is as specified in the offense for which the sentence is being imposed. If the offense is a misdemeanor for which there is no classification, it is as classified in G.S. 14-3.

(b) Fines. – Any judgment that includes a sentence of imprisonment may also include a fine. Additionally, when the defendant is other than an individual, the judgment may consist of a fine only. If a community punishment is authorized, the judgment may consist of a fine only. Unless otherwise provided for a specific offense, the maximum fine that may be imposed is two hundred dollars ($200.00) for a Class 3 misdemeanor and one thousand dollars ($1,000) for a Class 2 misdemeanor. The amount of the fine for a Class 1 misdemeanor and a Class A1 misdemeanor is in the discretion of the court.

(c) Punishment for Each Class of Offense and Prior Conviction Level; Punishment Chart Described. – Unless otherwise provided for a specific offense, the authorized punishment for each class of offense and prior conviction level is as specified in the chart below. Prior conviction levels are indicated by the Roman numerals placed horizontally on the top of the chart. Classes of offenses are indicated by the Arabic numbers placed vertically on the left side of the chart. Each grid on the chart contains the following components:

(1) A sentence disposition or dispositions: "C" indicates that a community punishment is authorized; "I" indicates that an intermediate punishment is authorized; and "A" indicates that an active punishment is authorized; and

(2) A range of durations for the sentence of imprisonment: any sentence within the duration specified is permitted.

	PRIOR CONVICTION LEVELS		
MISDEMEANOR OFFENSE CLASS	LEVEL I No Prior Convictions	LEVEL II One to Four Prior Convictions	LEVEL III Five or More Prior Convictions

A1	1-60 days C/I/A	1-75 days C/I/A	1-150 days C/I/A
1	1-45 days C	1-45 days C/I/A	1-120 days C/I/A
2	1-30 days C	1-45 days C/I	1-60 days C/I/A
3	1-10 days C	~~1-15 days C/I~~	1-20 days C/I/A.
		1-15 days C	
		if one to three prior convictions	
		1-15 days C/I if four prior convictions	

(d) Fine Only for Certain Class 3 Misdemeanors. – Unless otherwise provided for a specific offense, the judgment for a person convicted of a Class 3 misdemeanor who has no more than three prior convictions shall consist only of a fine."

SECTION 18B.13.(b) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

RECLASSIFICATION OF CERTAIN CLASS 1 AND CLASS 2 MISDEMEANORS AS CLASS 3 MISDEMEANORS

SECTION 18B.14.(a) G.S. 14-106 reads as rewritten:

"**§ 14-106. Obtaining property in return for worthless check, draft or order.**

Every person who, with intent to cheat and defraud another, shall obtain money, credit, goods, wares or any other thing of value by means of a check, draft or order of any kind upon any bank, person, firm or corporation, not indebted to the drawer, or where he has not provided for the payment or acceptance of the same, and the same be not paid upon presentation, shall be guilty of a ~~Class 2 misdemeanor.~~Class 3 misdemeanor. The giving of the aforesaid worthless check, draft, or order shall be prima facie evidence of an intent to cheat and defraud."

SECTION 18B.14.(b) G.S. 14-107(d) reads as rewritten:

"(d) A violation of this section is a Class I felony if the amount of the check or draft is more than two thousand dollars ($2,000). If the amount of the check or draft is two thousand dollars ($2,000) or less, a violation of this section is a misdemeanor punishable as follows:

(1) Except as provided in subdivision (3) or (4) of this subsection, the person is guilty of a ~~Class 2 misdemeanor.~~Class 3 misdemeanor. Provided, however, if the person has been convicted three times of violating this section, the person shall on the fourth and all subsequent convictions (i) be punished as for a Class 1 misdemeanor and (ii) be ordered, as a condition of probation, to refrain from maintaining a checking account or making or uttering a check for three years.

(2) Repealed by Session Laws 1999-408, s. 1.

(3) If the check or draft is drawn upon a nonexistent account, the person is guilty of a Class 1 misdemeanor.

(4) If the check or draft is drawn upon an account that has been closed by the drawer, or that the drawer knows to have been closed by the bank or depository, prior to time the check is drawn, the person is guilty of a Class 1 misdemeanor."

SECTION 18B.14.(c) G.S. 14-167 reads as rewritten:

"**§ 14-167. Failure to return hired property.**

Any person who shall rent or hire, any horse, mule or other like animal, or any buggy, wagon, truck, automobile, or other vehicle, aircraft, motor, trailer, appliance, equipment, tool, or other thing of value, and who shall willfully fail to return the same to the possession of the person, firm or corporation from whom such property has been rented or hired at the expiration of the time for which such property has been rented or hired, shall be guilty of a ~~Class 2 misdemeanor.~~Class 3 misdemeanor.

If the value at the time of the rental or hiring of the truck, automobile, or other motor vehicle that is not returned is in excess of four thousand dollars ($4,000), the person who rented or hired it and failed to return it shall be guilty of a Class H felony."

SECTION 18B.14.(d) G.S. 14-168.1 reads as rewritten:

"**§ 14-168.1. Conversion by bailee, lessee, tenant or attorney-in-fact.**

Every person entrusted with any property as bailee, lessee, tenant or lodger, or with any power of attorney for the sale or transfer thereof, who fraudulently converts the same, or the proceeds thereof, to his own use, or secretes it with a fraudulent intent to convert it to his own use, shall be guilty of a ~~Class 1 misdemeanor.~~ Class 3 misdemeanor.

If, however, the value of the property converted or secreted, or the proceeds thereof, is in excess of four hundred dollars ($400.00), every person so converting or secreting it is guilty of a Class H felony. In all cases of doubt the jury shall, in the verdict, fix the value of the property converted or secreted."

SECTION 18B.14.(e) G.S. 14-168.4(a) reads as rewritten:

"(a) It shall be a ~~Class 2 misdemeanor~~Class 3 misdemeanor for any person to fail to return rented property with intent to defeat the rights of the owner, which is rented pursuant to a written rental agreement in which there is an option to purchase the property, after the date of termination provided in the agreement has occurred or, if the termination date is the occurrence of a specified event, then that such event has in fact occurred."

SECTION 18B.14.(f) G.S. 20-28(a) reads as rewritten:

"(a) Driving While License Revoked. – Except as provided in subsection (a1) of this section, any person whose drivers license has been revoked who drives any motor vehicle upon the highways of the State while the license is revoked is guilty of a Class 3 misdemeanor unless the person's license was originally revoked for an impaired driving revocation, in which case the person is guilty of a Class 1 misdemeanor. Upon conviction, the person's license shall be revoked for an additional period of one year for the first offense, two years for the second offense, and permanently for a third or subsequent offense.

If the person's license was originally revoked for an impaired driving revocation, the court may order as a condition of probation that the offender abstain from alcohol consumption and verify compliance by use of a continuous alcohol monitoring system, of a type approved by the Division of Adult Correction of the Department of Public Safety, for a minimum period of 90 days.

The restoree of a revoked drivers license who operates a motor vehicle upon the highways of the State without maintaining financial responsibility as provided by law shall be punished as for driving without a license."

SECTION 18B.14.(g) G.S. 20-35 reads as rewritten:

"**§ 20-35. Penalties for violating Article; defense to driving without a license.**

(a) Penalty. – ~~A~~Except as otherwise provided in subsection (a1) of this section, a violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different punishment for the violation. If a statute in this Article sets a different punishment for a violation of the Article, the different punishment applies.

(a1) The following offenses are Class 3 misdemeanors:

(1) Failure to obtain a license before driving a motor vehicle, in violation of G.S. 20-7(a).

(2) Failure to carry a valid license while driving a motor vehicle, in violation of G.S. 20-7(a).

(3) Failure to comply with license restrictions, in violation of G.S. 20-7(e).

(4) Operation of a motor vehicle with an expired license, in violation of G.S. 20-7(f).

(5) Failure to notify the Division of Motor Vehicles of an address change for a drivers license within 60 days after the change occurs, in violation of G.S. 20-7.1.

(6) Permitting a motor vehicle owned by the person to be operated by an unlicensed person, in violation of G.S. 20-34.

…."

SECTION 18B.14.(h) G.S. 20-176 reads as rewritten:

"**§ 20-176. Penalty for misdemeanor or infraction.**

(a) Violation of a provision of Part 9, 10, 10A, or 11 of this Article is an infraction unless the violation is specifically declared by law to be a misdemeanor or felony. Violation of the remaining Parts of this Article is a misdemeanor unless the violation is specifically declared by law to be an infraction or a felony.

(b) Unless a specific penalty is otherwise provided by law, a person found responsible for an infraction contained in this Article may be ordered to pay a penalty of not more than one hundred dollars ($100.00).

(c) ~~Unless~~Except as otherwise provided in subsection (c2) of this section, and unless a specific penalty is otherwise provided by law, a person convicted of a misdemeanor contained in this Article is guilty of a Class 2 misdemeanor. A punishment is specific for purposes of this subsection if it contains a quantitative limit on the term of imprisonment or the amount of fine a judge can impose.

(c1) Notwithstanding any other provision of law, no person convicted of a misdemeanor for the violation of any provision of this Chapter except G.S. 20-28(a) and (b), G.S. 20-141(j), 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 shall be imprisoned in the State prison system unless the person previously has been imprisoned in a local confinement facility, as defined by G.S. 153A-217(5), for a violation of this Chapter.

(c2) A person who does any of the following is guilty of a Class 3 misdemeanor:

(1) Fails to carry the registration card in the vehicle, in violation of G.S. 20-57(c).

(2) Fails to sign the vehicle registration card, in violation of G.S. 20-57(c).

(3) Fails to notify the Division of Motor Vehicles of an address change for a vehicle registration card within 60 days after the change occurs, in violation of G.S. 20-67.

(d) For purposes of determining whether a violation of an offense contained in this Chapter constitutes negligence per se, crimes and infractions shall be treated identically."

SECTION 18B.14.(i) G.S. 20-111 reads as rewritten:

"**§ 20-111. Violation of registration provisions.**

It shall be unlawful for any person to commit any of the following acts:

(1) To drive a vehicle on a highway, or knowingly permit a vehicle owned by that person to be driven on a highway, when the vehicle is not registered with the Division in accordance with this Article or does not display a current registration plate. Violation of this subdivision is a Class 3 misdemeanor.

(2) To display or cause or permit to be displayed or to have in possession any registration card, certificate of title or registration number plate knowing the same to be fictitious or to have been canceled, revoked, suspended or altered, or to willfully display an expired license or registration plate on a vehicle knowing the same to be expired. Violation of this subdivision is a Class 3 misdemeanor.

(3) The giving, lending, or borrowing of a license plate for the purpose of using same on some motor vehicle other than that for which issued shall make the

giver, lender, or borrower guilty of a Class 3 misdemeanor. Where license plate is found being improperly used, such plate or plates shall be revoked or canceled, and new license plates must be purchased before further operation of the motor vehicle.

(4) To fail or refuse to surrender to the Division, upon demand, any title certificate, registration card or registration number plate which has been suspended, canceled or revoked as in this Article provided. Service of the demand shall be in accordance with G.S. 20-48.

(5) To use a false or fictitious name or address in any application for the registration of any vehicle or for a certificate of title or for any renewal or duplicate thereof, or knowingly to make a false statement or knowingly to conceal a material fact or otherwise commit a fraud in any such application. A violation of this subdivision shall constitute a Class 1 misdemeanor.

(6) To give, lend, sell or obtain a certificate of title for the purpose of such certificate being used for any purpose other than the registration, sale, or other use in connection with the vehicle for which the certificate was issued. Any person violating the provisions of this subdivision shall be guilty of a Class 2 misdemeanor."

SECTION 18B.14.(j) G.S. 20-127(d) reads as rewritten:

"(d) Violations. – A person who does any of the following commits a ~~misdemeanor of the class set in G.S. 20-176:~~ Class 3 misdemeanor:

(1) Applies tinting to the window of a vehicle that is subject to a safety inspection in this State and the resulting tinted window does not meet the window tinting restrictions set in this section.

(2) Drives on a highway or a public vehicular area a vehicle that has a window that does not meet the window tinting restrictions set in this section."

SECTION 18B.14.(k) G.S. 20-141(j1) reads as rewritten:

"(j1) A person who drives a vehicle on a highway at a speed that is either more than 15 miles per hour more than the speed limit established by law for the highway where the offense occurred or over 80 miles per hour is guilty of a ~~Class 2 misdemeanor.~~ Class 3 misdemeanor."

SECTION 18B.14.(l) G.S. 20-313(a) reads as rewritten:

"(a) On or after July 1, 1963, any owner of a motor vehicle registered or required to be registered in this State who shall operate or permit such motor vehicle to be operated in this State without having in full force and effect the financial responsibility required by this Article shall be guilty of a ~~Class 1 misdemeanor.~~Class 3 misdemeanor."

SECTION 18B.14.(m) G.S. 113-135(a) reads as rewritten:

"(a) Any person who violates any provision of this Subchapter or any rule adopted by the Marine Fisheries Commission or the Wildlife Resources Commission, as appropriate, pursuant to the authority of this Subchapter, is guilty of a misdemeanor except that punishment for violation of the rules of the Wildlife Resources Commission is limited as set forth in G.S. 113-135.1. ~~Unless~~Fishing without a license in violation of G.S. 113-174.1(a) or G.S. 113-270.1B(a) is punishable as a Class 3 misdemeanor. Otherwise, unless a different level of punishment is elsewhere set out, anyone convicted of a misdemeanor under this section is punishable as follows:

(1) For a first conviction, as a Class 3 misdemeanor.

(2) For a second or subsequent conviction within three years, as a Class 2 misdemeanor."

SECTION 18B.14.(n) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

RECLASSIFY CERTAIN VIOLATIONS OF THE BOATING SAFETY ACT FROM CLASS 3 MISDEMEANORS TO INFRACTIONS

SECTION 18B.15.(a) G.S. 75A-6.1 reads as rewritten:

"(c) Violation of the navigation rules specified in subsection (a) of this section shall constitute ~~a Class 3 misdemeanor and is punishable only by a fine not to exceed one hundred dollars ($100.00).~~an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(b) G.S. 75A-13.1 reads as rewritten:

"**§ 75A-13.1. Skin and scuba divers.**

(a) No person shall engage in skin diving or scuba diving in the waters of this State that are open to boating, or assist in such diving, without displaying a diver's flag from a mast, buoy, or other structure at the place of diving; and no person shall display such flag except when diving operations are under way or in preparation.

(b) The diver's flag shall be square, not less than 12 inches on a side, and shall be of red background with a diagonal white stripe, of a width equal to one fifth of the flag's height, running from the upper corner adjacent to the mast downward to the opposite outside corner.

(c) No operator of a vessel under way in the waters of this State shall permit the vessel to approach closer than 50 feet to any structure from which a diver's flag is then being displayed, except where the flag is so positioned as to constitute an unreasonable obstruction to navigation; and no person shall engage in skin diving or scuba diving or display a diver's flag in any locality that will unreasonably obstruct vessels from making legitimate navigational use of the water.

(d) A person who violates a provision of this section is ~~guilty of a Class 3 misdemeanor and shall only be subject to a fine not to exceed twenty-five dollars ($25.00).~~responsible for an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(c) G.S. 75A-13.3(c3) reads as rewritten:

"(c3) A vessel livery shall provide the operator of a leased personal watercraft with basic safety instruction prior to allowing the operation of the leased personal watercraft. "Basic safety instruction" shall include direction on how to safely operate the personal watercraft and a review of the safety provisions of this section. A vessel livery that fails to provide basic safety instruction is ~~guilty of a Class 3 misdemeanor.~~responsible for an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(d) G.S. 75A-17(f) reads as rewritten:

"(f) Vessels operated on the waters of this State shall slow to a no-wake speed when passing within 100 feet of a law enforcement vessel that is displaying a flashing blue light unless the vessel is in a narrow channel. Vessels operated on the waters of this State in a narrow channel shall slow to a no-wake speed when passing within 50 feet of a law enforcement vessel that is displaying a flashing blue light. A person who violates this subsection is ~~guilty of a Class 3 misdemeanor.~~responsible for an infraction as provided in G.S. 14-3.1."

SECTION 18B.15.(e) G.S. 75A-18(a) reads as rewritten:

"(a) Except as otherwise provided, a person who violates a provision of this Article or who violates a rule adopted under authority of this Chapter is ~~guilty of a Class 3 misdemeanor and shall only be subject to a fine not to exceed two hundred and fifty dollars ($250.00) for each violation.~~responsible for an infraction as provided in G.S. 14-3.1. This limitation shall not apply in a case where a more severe penalty is prescribed in this Chapter."

SECTION 18B.15.(f) This section becomes effective December 1, 2013. Prosecutions for offenses committed before the effective date of this section are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

EXPUNCTION FEES

SECTION 18B.16.(a) G.S. 15A-145(e) reads as rewritten:

"(e) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of ~~one hundred twenty-five dollars ($125.00)~~ one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection ~~shall be deposited in the General Fund.~~ are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents ($122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents ($52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(b) G.S. 15A-145.1 is amended by adding a new subsection to read:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents ($122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents ($52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(c) G.S. 15A-145.2(d) reads as rewritten:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of ~~sixty-five dollars ($65.00)~~ one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection ~~shall be deposited in the General Fund.~~ are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents ($122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents ($52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(d) G.S. 15A-145.3 is amended by adding a new subsection to read:

"(d) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents ($122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents ($52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(e) G.S. 15A-145.4 is amended by adding a new subsection to read:

"(j) A person who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents ($122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents ($52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(f) G.S. 15A-146 is amended by adding a new subsection to read:

"(d) A person charged with a crime that is dismissed pursuant to compliance with a deferred prosecution agreement and who files a petition for expunction of a criminal record under this section must pay the clerk of superior court a fee of one hundred seventy-five dollars ($175.00) at the time the petition is filed. Fees collected under this subsection are payable to the Administrative Office of the Courts. The clerk of superior court shall remit one hundred twenty-two dollars and fifty cents ($122.50) of each fee to the North Carolina Department of Justice for the costs of criminal record checks performed in connection with processing petitions for expunctions under this section. The remaining fifty-two dollars and fifty cents ($52.50) of each fee shall be retained by the Administrative Office of the Courts and used to pay the costs of processing petitions for expunctions under this section. This subsection does not apply to petitions filed by an indigent."

SECTION 18B.16.(g) The receipts generated by the fees imposed under this section are appropriated to the Administrative Office of the Courts and the Department of Justice for the 2013-2014 fiscal year and for the 2014-2015 fiscal year and may be used to assist with the cost of processing petitions for expunctions and conducting the criminal background checks required for expunctions. The Department of Justice may also use up to one million four hundred thousand dollars ($1,400,000) of the revenue generated by the fees appropriated to the Department of Justice under this section to create and support up to five new staff positions to help process petitions for expunction and conduct criminal record checks required for those petitions.

SECTION 18B.16.(h) Subsections (a) through (f) of this section become effective December 1, 2013, and apply to petitions for expunction filed on or after that date.

AMEND MOTION FEES

SECTION 18B.17.(a) G.S. 7A-305(f) reads as rewritten:

"(f) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing ~~containing one or more motions~~ of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 18B.17.(b) G.S. 7A-306(g) reads as rewritten:

"(g) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing ~~containing one or more motions~~ of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 18B.17.(c) G.S. 7A-307(a)(4) reads as rewritten:

"(4) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing ~~requiring a notice of hearing and~~

~~containing one or more motions~~ of a notice of hearing on a motion not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a notice of hearing on a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 18B.17.(d) This section becomes effective August 1, 2013, and applies to notices of hearing on a motion not listed in G.S. 7A-308 filed on or after that date.

CRIMINAL JUSTICE EDUCATION AND STANDARDS COMMISSION COURT FEE

SECTION 18B.18.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8) of this section.

…

(3b) For the services, staffing, and operations of the Criminal Justice Education and Standards ~~Commission and the Sheriffs' Education and Training Standards~~Commission, the sum of two dollars ($2.00) to be remitted to the Department of Justice. ~~One dollar and thirty cents ($1.30) of this sum shall be used exclusively for the Criminal Justice Education and Standards Commission, and seventy cents (70¢) shall be used exclusively for the Sheriffs' Education and Training Standards Commission.~~

…."

SECTION 18B.18.(b) This section becomes effective July 1, 2013, and applies to all costs assessed or collected on or after that date.

COURT COSTS FOR SERVICES OF EXPERT WITNESS PROVIDING TESTIMONY ABOUT A CHEMICAL OR FORENSIC ANALYSIS AT TRIAL

SECTION 18B.19.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under ~~subdivisions (7) or (8)~~subdivision (7), (8), (11), or (12) of this section.

…

(11) For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Crime Laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) of this subsection.

(12) For the services of an expert witness employed by a crime laboratory operated by a local government or group of local governments who

completes a chemical analysis pursuant to G.S. 20-139.1 or a forensic analysis pursuant to G.S. 8-58.20 and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for local law enforcement. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8) of this subsection."

SECTION 18B.19.(b) This section becomes effective July 1, 2013, and applies to fees assessed or collected on or after that date.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 18B.20. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2013-2015 fiscal biennium, may elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

STUDY USE AND COMPENSATION OF COURT REPORTERS

SECTION 18B.21. The Administrative Office of the Courts, in consultation with the National Center for State Courts, shall study the most effective and efficient deployment of court reporters to produce timely records of court proceedings and the most appropriate and effective compensation for court reporters. The Administrative Office of the Courts shall report its findings and recommendations to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2014.

CONSOLIDATE SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 6A AND 6B/RESTRUCTURE SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 16A, 19B, AND 20A

SECTION 18B.22.(a) G.S. 7A-41(a) reads as rewritten:

"(a) The counties of the State are organized into judicial divisions and superior court districts, and each superior court district has the counties, and the number of regular resident superior court judges set forth in the following table, and for districts of less than a whole county, as set out in subsection (b) of this section:

Judicial Division	Superior Court District	Counties	No. of Resident Judges
First	1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	2
First	2	Beaufort, Hyde, Martin, Tyrrell, Washington	1
First	3A	Pitt	2
Second	3B	Carteret, Craven, Pamlico	3

Second	4A	Duplin, Jones, Sampson	1
Second	4B	Onslow	1
Second	5A	(part of New Hanover, part of Pender see subsection (b))	1
	5B	(part of New Hanover, part of Pender see subsection (b))	1
	5C	(part of New Hanover, see subsection (b))	1
~~First~~	~~6A~~	~~Halifax~~	~~1~~
First	~~6B~~6	Bertie, Halifax, Hertford, Northampton	~~1~~2
First	7A	Nash	1
First	7B	(part of Wilson, part of Edgecombe, see subsection (b))	1
First	7C	(part of Wilson, part of Edgecombe, see subsection (b))	1
Second	8A	Lenoir and Greene	1
Second	8B	Wayne	1
Third	9	Franklin, Granville, Vance, Warren	2
Third	9A	Person, Caswell	1
Third	10A	(part of Wake, see subsection (b))	1
Third	10B	(part of Wake, see subsection (b))	1
Third	10C	(part of Wake, see subsection (b))	1
Third	10D	(part of Wake, see subsection (b))	1
Third`	10E	(part of Wake, see subsection (b))	1
Third	10F	(part of Wake, see subsection (b))	1
Fourth	11A	Harnett, Lee	1
Fourth	11B	Johnston	1
Fourth	12A	(part of Cumberland, see subsection (b))	1
Fourth	12B	(part of Cumberland, see subsection (b))	1
Fourth	12C	(part of Cumberland, see subsection (b))	2
Fourth	13A	Bladen, Columbus	1
Fourth	13B	Brunswick	1
Third	14A	(part of Durham, see subsection (b))	1

Third	14B	(part of Durham, see subsection (b))	3
Third	15A	Alamance	2
Third	15B	Orange, Chatham	2
Fourth	16A	Anson, Richmond, Scotland, Hoke	~~1~~2
Fourth	16B	Robeson	2
Fifth	17A	Rockingham	2
Fifth	17B	Stokes, Surry	2
Fifth	18A	(part of Guilford, see subsection (b))	1
Fifth	18B	(part of Guilford, see subsection (b))	1
Fifth	18C	(part of Guilford, see subsection (b))	1
Fifth	18D	(part of Guilford, see subsection (b))	1
Fifth	18E	(part of Guilford, see subsection (b))	1
Sixth	19A	Cabarrus	1
Fifth	19B	~~Montgomery,~~Randolph	1
Sixth	19C	Rowan	1
~~Fifth~~Fourth	19D	Moore	1
Sixth	20A	~~Anson, Richmond,~~ Montgomery, ~~Stanley~~Stanly	~~2~~1
Sixth	20B	Union	2
Fifth	21A	(part of Forsyth, see subsection (b))	1
Fifth	21B	(part of Forsyth, see subsection (b))	1
Fifth	21C	(part of Forsyth, see subsection (b))	1
Fifth	21D	(part of Forsyth, see subsection (b))	1
Sixth	22A	Alexander, Iredell	2
Sixth	22B	Davidson, Davie	2
Fifth	23	Alleghany, Ashe, Wilkes, Yadkin	1
Eighth	24	Avery, Madison, Mitchell, Watauga, Yancey	2
Seventh	25A	Burke, Caldwell	2
Seventh	25B	Catawba	2
Seventh	26A	(part of Mecklenburg, see subsection (b))	2
Seventh	26B	(part of Mecklenburg, see subsection (b))	3
Seventh	26C	(part of Mecklenburg, see subsection (b))	2
Seventh	27A	Gaston	2
Seventh	27B	Cleveland, Lincoln	2

Eighth	28	Buncombe	2
Eighth	29A	McDowell, Rutherford	1
Eighth	29B	Henderson, Polk, Transylvania	1
Eighth	30A	Cherokee, Clay, Graham, Macon, Swain	1
Eighth	30B	Haywood, Jackson	1."

SECTION 18B.22.(b) The two superior court judgeships established for Superior Court District 6 by subsection (a) of this section shall be filled by the superior court judges currently serving Superior Court Districts 6A and 6B who reside in Hertford and Halifax Counties. The terms of those judges expire December 31, 2020, and successors shall be elected in the 2020 general election for eight-year terms commencing January 1, 2021.

SECTION 18B.22.(c) The two superior court judgeships established for Superior Court District 16A by subsection (a) of this section shall be filled by the superior court judge currently serving Superior Court District 16A who resides in Scotland County and by the superior court judge currently serving Superior Court District 20A who resides in Richmond County. The terms of those judges expire December 31, 2016, and successors shall be elected in the 2016 general election for eight-year terms commencing January 1, 2017.

SECTION 18B.22.(d) The superior court judgeship for Superior Court District 19B shall be filled by election in the 2014 general election for an eight-year term commencing January 1, 2015.

SECTION 18B.22.(e) The superior court judgeship established for Superior Court District 20A by subsection (a) of this section shall be filled by the superior court judge currently serving Superior Court District 20A who resides in Stanly County. The term of that judge expires December 31, 2016, and a successor shall be elected in the 2016 general election for an eight-year term commencing January 1, 2017.

SECTION 18B.22.(f) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden
		Chowan
		Currituck
		Dare
		Gates
		Pasquotank
		Perquimans
2	4	Martin
		Beaufort
		Tyrrell
		Hyde
		Washington
3A	5	Pitt
3B	6	Craven
		Pamlico
		Carteret
4	8	Sampson
		Duplin

		Jones
		Onslow
5	9	New Hanover
		Pender
~~6A~~	~~3~~	~~Halifax~~
~~6B~~6	~~3~~4	Northampton
		Bertie
		Hertford
		Halifax
7	7	Nash
		Edgecombe
		Wilson
8	6	Wayne
		Greene
		Lenoir
9	4	Granville
		(part of Vance
		see subsection (b))
		Franklin
9A	2	Person
		Caswell
9B	2	Warren
		(part of Vance
		see subsection (b))
10	19	Wake
11	11	Harnett
		Johnston
		Lee
12	10	Cumberland
13	6	Bladen
		Brunswick
		Columbus
14	7	Durham
15A	4	Alamance
15B	5	Orange
		Chatham
16A	~~3~~6	Scotland
		Hoke
		Anson
		Richmond
16B	5	Robeson
17A	3	Rockingham
17B	4	Stokes
		Surry
18	14	Guilford
19A	4	Cabarrus
19B	7	~~Montgomery~~
		Moore
		Randolph
19C	5	Rowan
20A	~~4~~3	Stanly

		Montgomery
		~~Anson~~
		~~Richmond~~
20B	1	(part of Union see subsection (b))
20C	2	(part of Union see subsection (b))
20D	1	Union
21	10	Forsyth
22A	5	Alexander
		Iredell
22B	6	Davidson
		Davie
23	4	Alleghany
		Ashe
		Wilkes
		Yadkin
24	4	Avery
		Madison
		Mitchell
		Watauga
		Yancey
25	9	Burke
		Caldwell
		Catawba
26	21	Mecklenburg
27A	7	Gaston
27B	5	Cleveland
		Lincoln
28	7	Buncombe
29A	3	McDowell
		Rutherford
29B	4	Henderson
		Polk
		Transylvania
30	6	Cherokee
		Clay
		Graham
		Haywood
		Jackson
		Macon
		Swain."

SECTION 18B.22.(g) The four district judgeships established for District Court District 6 by subsection (f) of this section shall be filled by:

(1) The three district court judges currently serving District Court District 6A who reside in Halifax County whose terms expire December 31, 2016. Successors shall be elected in the 2016 general election for four-year terms commencing January 1, 2017.

(2) The district court judge currently serving District Court District 6B who resides in Northampton County whose term expires December 31, 2016. A

successor shall be elected in the 2016 general election for a four-year term commencing January 1, 2017.

SECTION 18B.22.(h) The six district court judgeships established for District Court District 16A by subsection (f) of this section shall be filled by:

(1) The district court judge currently serving District Court District 16A who resides in Scotland County whose term expires December 31, 2016.

(2) The district court judge currently serving District Court District 20A who resides in Richmond County whose term expires December 31, 2016.

(3) The district court judge currently serving District Court District 20A who resides in Anson County whose term expires December 31, 2016.

(4) Election of three judges in the 2014 general election for four-year terms commencing January 1, 2015.

SECTION 18B.22.(i) The seven district court judgeships for District Court District 19B shall be the seven judges currently serving District Court District 19B who reside in Moore and Randolph Counties.

SECTION 18B.22.(j) The three district court judgeships established for District Court District 20A by subsection (f) of this section shall be filled by election of three district court judges in the 2014 general election for four-year terms commencing January 1, 2015.

SECTION 18B.22.(k) G.S. 7A-60(a1) reads as rewritten:

"**§ 7A-60. District attorneys and prosecutorial districts.**

(a) The State shall be divided into prosecutorial districts, as shown in subsection (a1) of this section. There shall be a district attorney for each prosecutorial district, as provided in subsections (b) and (c) of this section who shall be a resident of the prosecutorial district for which elected. A vacancy in the office of district attorney shall be filled as provided in Article IV, Sec. 19 of the Constitution.

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	8
3A	Pitt	11
3B	Carteret, Craven, Pamlico	12
4	Duplin, Jones, Onslow, Sampson	18
5	New Hanover, Pender	18
~~6A~~	~~Halifax~~	~~5~~
~~6B~~6	Bertie, Halifax, Hertford, Northampton	~~5~~11
7	Edgecombe, Nash, Wilson	18
8	Greene, Lenoir, Wayne	14
9	Franklin, Granville, Vance, Warren	10
9A	Person, Caswell	6
10	Wake	41
11A	Harnett, Lee	9

11B	Johnston	10
12	Cumberland	23
13	Bladen, Brunswick, Columbus	13
14	Durham	18
15A	Alamance	11
15B	Orange, Chatham	10
16A	Anson, Richmond, Scotland, Hoke	~~7~~14
16B	Robeson	12
17A	Rockingham	7
17B	Stokes, Surry	8
18	Guilford	32
19A	Cabarrus	9
19B	~~Montgomery,~~Randolph	9
19C	Rowan	8
19D	Moore	5
20A	~~Anson, Richmond,~~ Montgomery, Stanly	~~11~~5
20B	Union	10
21	Forsyth	25
22A	Alexander, Iredell	11
22B	Davidson, Davie	11
23	Alleghany, Ashe, Wilkes, Yadkin	8
24	Avery, Madison, Mitchell, Watauga, Yancey	7
25	Burke, Caldwell, Catawba	18
26	Mecklenburg	58
27A	Gaston	14
27B	Cleveland, Lincoln	11
28	Buncombe	14
29A	McDowell, Rutherford	7
29B	Henderson, Polk, Transylvania	8
30	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain.	10

…."

SECTION 18B.22.(l) The district attorney position established for Prosecutorial District 6 by subsection (k) of this section shall be filled by election in the 2014 general election for a four-year term commencing January 1, 2015. The district attorney positions for current Prosecutorial Districts 6A and 6B shall expire December 31, 2014.

SECTION 18B.22.(m) The district attorney position established for Prosecutorial District 16A by subsection (k) of this act shall be filled by the district attorney currently serving Prosecutorial District 16A who resides in Hoke County. That district attorney's successor shall be elected in the 2016 general election for a four-year term commencing January 1, 2017.

SECTION 18B.22.(n) The district attorney position established for Prosecutorial District 20A by subsection (k) of this section shall be filled by election in the 2014 general election for a four-year term commencing January 1, 2015.

SECTION 18B.22.(o) The district attorney position established for Prosecutorial District 19B by subsection (k) of this section shall be filled by the district attorney currently

serving District 19B who resides in Randolph County. That district attorney's successor shall be elected in the 2016 general election for a four-year term commencing January 1, 2017.

SECTION 18B.22.(p) This section becomes effective January 1, 2015, or, if preclearance is required under Section 5 of the Voting Rights Act of 1965, the later of January 1, 2015, or the date of preclearance.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

CULTURAL RESOURCES TO FIND ALTERNATIVE FUNDING FOR STATE HISTORIC SITES

SECTION 19.1. In an effort to reduce funding of the State's 27 Historic Sites, the Department of Cultural Resources shall find alternative funding sources to support these sites by actively seeking support from the following: (i) the local governments where these Historic Sites are located, (ii) the nonprofit groups associated with these Historic Sites, and (iii) other private sources.

ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM VENDOR SERVICES

SECTION 19.3.(a) Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

"**§ 111-47.2. Food service at museums and historic sites operated by the Department of Cultural Resources.**

Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North Carolina Department of Cultural Resources may operate or contract for the operation of food or vending services at museums and historic sites operated by the Department. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food and vending services provided at museums and historic sites operated by the Department or a vendor with whom the Department has contracted shall be credited to the appropriate fund of the museum or historic site where the funds were generated and shall be used for the operation of that museum or historic site."

SECTION 19.3.(b) G.S. 111-47.2, as enacted by subsection (a) of this section, shall not be construed to alter any contract for food or vending services at any museum or historic site operated by the Department that is in force at the time this section becomes law.

ALLOW EXEMPTION FOR HISTORIC SITES AND MUSEUMS ADMINISTERED BY THE DEPARTMENT OF CULTURAL RESOURCES FROM THE PROHIBITION OF THE SALE OF MERCHANDISE OR SERVICES BY GOVERNMENTAL UNITS

SECTION 19.4. G.S. 66-58 reads as rewritten:

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

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

leased or operated by any unit, department or agency or division or subdivision thereof of the State for the purpose of operating or rendering of any of the businesses or services herein referred to is hereby prohibited.

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

…

(9b) The Department of Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related items at historic sites and museums administered by the Department.

…."

EXECUTIVE MANSION EXCESS PROPERTY

SECTION 19.8.(a) G.S. 143B-79 reads as rewritten:

"**§ 143B-79. Executive Mansion Fine Arts Committee – creation, powers and duties.**

There is hereby created the Executive Mansion Fine Arts Committee. The Executive Mansion Fine Arts Committee shall have the following functions and duties:

…

(7) The Committee may dispose of property held in the Executive Mansion after consultation with a review committee comprised of one person from the Executive Mansion Fine Arts Committee, appointed by its chairman; one person from the Department of Administration appointed by the Secretary of Administration; and two qualified professionals from the Department of Cultural Resources, Division of Archives and History, appointed by the Secretary of Cultural Resources. Upon request of the Executive Mansion Fine Arts Committee, the review committee will view proposed items for disposition and make a recommendation to the North Carolina Historical Commission who will make a final decision. The Historical Commission must consider whether the disposition is in the best interest of the State of North Carolina. If ~~such~~ any property is sold, ~~(i) if the records with regard to the property reflect that it was acquired by the State by gift or devise~~ the net proceeds of each ~~such~~ sale shall be deposited in the State Treasury to the credit of the Executive Mansion, Special Fund, and shall be used only for the purchase, conservation, restoration or repair of other property for use in the Executive ~~Mansion and; (ii) if the records with regard to the property reflect that the property was acquired by the State by purchase with appropriated funds or do not show the manner of acquisition, the net proceeds of such sale shall be deposited in the General Fund.~~Mansion."

SECTION 19.8.(b) Notwithstanding G.S. 143B-79(7) or any other law pertaining to surplus State property, the Executive Mansion Fine Arts Committee shall obtain an appraisal of all items held in the Executive Mansion proposed for disposition. If House Bill 153 of the 2013 General Assembly becomes law, the Committee shall, prior to the sale of any item, report to the Joint Legislative Oversight Committee on General Government on the items inventoried and their value. If House Bill 153 of the 2013 General Assembly does not become law, the Committee shall, prior to the sale of any item, report to the Chairs of the House Appropriations Subcommittee on General Government, the Senate Appropriations Committee on General Government and Information Technology, and to the Fiscal Research Division.

ROANOKE ISLAND FUNDING/FRIENDS OF ELIZABETH II SUPPORT

SECTION 19.9. The Roanoke Island Commission shall request financial support from the Friends of Elizabeth II, Inc., in the amount of three hundred twenty-five thousand dollars ($325,000) or a sum equal to the average of the last three consecutive years of the Friends' investment earnings, whichever is greater, for each fiscal year of the 2013-2015

biennium and for each subsequent fiscal year. These funds shall be used pursuant to G.S. 143B-131.2.

PART XX. DEPARTMENT OF INSURANCE

CONSUMER PROTECTION FUND RETAINED AMOUNT

SECTION 20.1. G.S. 58-2-215 reads as rewritten:

"**§ 58-2-215. Consumer Protection Fund.**

…

(c) Moneys appropriated by the General Assembly shall be deposited in the Fund and shall become a part of the continuation budget of the Department of Insurance. Such continuation budget amount shall equal the actual expenditures drawn from the Fund during the prior fiscal year plus the official inflation rate designated by the Director of the Budget in the preparation of the State Budget for each ensuing fiscal year; provided that if interest income on the Fund exceeds the amount yielded by the application of the official inflation rate, such continuation budget amount shall be the actual expenditures drawn from the Fund. In the event the amount in the Fund exceeds ~~five hundred thousand dollars ($500,000)~~two hundred fifty thousand dollars ($250,000) at the end of any fiscal year, such excess shall revert to the General Fund."

WORKERS' COMPENSATION FUND/ALLOCATION FOR VOLUNTEER SAFETY WORKERS

SECTION 20.2.(a) G.S. 105-228.5(d)(3) reads as rewritten:

"(d) Tax Rates; Disposition. –

…

(3) Additional Rate on Property Coverage Contracts. – An additional tax at the rate of seventy-four hundredths percent (0.74%) applies to gross premiums on insurance contracts for property coverage. The tax is imposed on ten percent (10%) of the gross premiums from insurance contracts for automobile physical damage coverage and on one hundred percent (100%) of the gross premiums from all other contracts for property coverage. ~~Thirty percent (30%)~~ Twenty-five percent (25%) of the net proceeds of this additional tax must be credited to the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. ~~Twenty-five percent (25%)~~ Twenty percent (20%) of the net proceeds must be credited to the Department of Insurance for disbursement pursuant to G.S. 58-84-25. ~~The remaining net proceeds must be credited to the General Fund.~~ Up to twenty percent (20%), as determined in accordance with G.S. 58-87-10(f), must be credited to the Workers' Compensation Fund. The remaining net proceeds must be credited to the General Fund.

The following definitions apply in this subdivision:

a. Automobile physical damage. – The following lines of business identified by the NAIC: private passenger automobile physical damage and commercial automobile physical damage.

b. Property coverage. – The following lines of business identified by the NAIC: fire, farm owners multiple peril, homeowners multiple peril, nonliability portion of commercial multiple peril, ocean marine, inland marine, earthquake, private passenger automobile physical damage, commercial automobile physical damage, aircraft, and boiler and machinery. The term also includes insurance contracts for wind damage.

c. NAIC. – National Association of Insurance Commissioners."

SECTION 20.2.(b) G.S. 58-87-1 reads as rewritten:

"**§ 58-87-1. Volunteer Fire Department Fund.**

(a) Fund. – The Volunteer Fire Department Fund is created as an interest-bearing, nonreverting fund in the Department to provide matching grants to volunteer fire departments to purchase equipment and make capital improvements. The Commissioner shall administer the Fund. Up to ~~two percent (2%)~~one percent (1%) of the Fund may be used for additional staff and resources to administer the Fund in each fiscal year.

…."

SECTION 20.2.(c) G.S. 58-84-25 reads as rewritten:

"**§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

(a) Distribution. – The Insurance Commissioner shall deduct the sum of three percent (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's Association for general purposes. The Insurance Commissioner shall deduct the sum of ~~two percent (2%)~~one percent (1%) from the tax proceeds and retain the same in the budget of the Department of Insurance for the purpose of administering the disbursement of funds by the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's Association. The Insurance Commissioner shall distribute the remaining tax proceeds to the treasurer of each fire district as provided in subsections (b) and (c) of this section.

…."

SECTION 20.2.(d) G.S. 58-87-10 reads as rewritten:

"**§ 58-87-10. Workers' Compensation Fund for the benefit of volunteer safety workers.**

(a) Definition. – As used in this section, the term "eligible unit" means a volunteer fire department or volunteer rescue/EMS unit that is not part of a unit of local government and is exempt from State income tax under G.S. 105-130.11.

(b) Creation. – The Workers' Compensation Fund is created in the Department of Insurance as an expendable trust fund. Accordingly, interest and other investment income earned by the Fund accrues to it, and revenue in the Fund at the end of a fiscal year remains in the Fund and does not revert.

(c) Use. – Revenue in the Workers' Compensation Fund shall be used to provide workers' compensation benefits to members of eligible units. Chapter 97 of the General Statutes governs the payment of benefits from the Fund. Benefits are payable for compensable injuries or deaths that occur on or after July 1, 1996.

(d) Administration. – The State Fire and Rescue Commission, established under G.S. 58-78-1, shall administer the Workers' Compensation Fund and shall perform this duty by contracting with a third-party administrator. The contracting procedure is not subject to Article 3C of Chapter 143 of the General Statutes. The reasonable and necessary expenses incurred by the Commission in administering the Fund shall be paid out of the Fund by the State Treasurer. The Commission may adopt rules to implement this section.

(e) Revenue Source. – Revenue is credited to the Workers' Compensation Fund from ~~appropriations made to the Department of Insurance for this purpose.~~ a portion of the proceeds of the tax levied under G.S. 105-228.5(d)(3) and from an assessment on local governments served by one or more eligible units as set forth in subsection (g) of this section. In addition, every eligible unit that elects to participate shall pay into the Fund an amount set annually by the State Fire and Rescue Commission to ensure that the Fund will be able to meet its payment obligations under this section. The amount shall be set as a per capita fixed dollar amount for each member of the roster of the eligible unit.

The payment shall be made to the State Fire and Rescue Commission on or before July 1 of each year. The Commission shall remit the payments it receives to the State Treasurer, who shall credit the payments to the Fund.

(f) Funding Study. – The Department of Insurance shall conduct a periodic actuarial study to calculate the amount required to meet the needs of the Fund. The study shall be based on a revenue amount that is the greater of the amount paid by members of the Fund as determined under subsection (e) of this section for the fiscal year to which the study applies or the amount paid by members of the Fund as determined under subsection (e) of this section for fiscal year 2012-2013. The study shall be reviewed by the Office of State Budget and Management. On or before March 1 of each year, the Office of State Budget and Management, in consultation with the Department of Insurance, must notify the Secretary of Revenue of the amount required to meet the needs of the Fund, as determined by the study, for the upcoming fiscal year. The Secretary of Revenue shall remit that amount, subject to the twenty percent (20%) limitation in G.S. 105-228.5(d)(3), to the Fund.

(g) Treatment of Shortfall. – If the amount remitted to the Fund by the Secretary of Revenue under subsection (f) of this section is insufficient to meet the needs of the Fund, the State Fire and Rescue Commission may collect the remaining amount from units of local government by increasing the amount collected from eligible units under subsection (e) of this section."

SECTION 20.2.(e) G.S. 58-87-10(g), as rewritten by subsection (d) of this section, reads as rewritten:

"(g) ~~Treatment of~~Assessment for Shortfall. – If the amount remitted to the Fund by the Secretary of Revenue under subsection (f) of this section is insufficient to meet the needs of the Fund, ~~the State Fire and Rescue Commission may collect the remaining amount from units of local government by increasing the amount collected from eligible units under subsection (e) of this section.~~the Department of Insurance shall collect the remaining amount from units of local government by multiplying the remaining amount needed by a fraction, the numerator of which is the number of residents in the unit of government served by an eligible unit and the denominator of which is the number of residents in the State served by all eligible units. The Department shall provide written notification to the units of local government of the amount of the assessment no later than April 1 of each year, and the unit of local government shall have 90 days to remit the assessment to the Department for deposit into the Fund."

SECTION 20.2.(f) Subsection (e) of this section becomes effective April 1, 2016.

SET INSURANCE REGULATORY CHARGE

SECTION 20.3.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2013 and 2014 calendar years.

SECTION 20.3.(b) This section is effective when it becomes law.

LICENSING FEES TO COVER ALL COSTS RELATED TO LICENSURE

SECTION 20.4. All expenses incurred or allowed for the licensure of entities regulated by the Commissioner of Insurance shall be paid exclusively out of the fees collected by the Commissioner as authorized by Chapter 58 of the General Statutes, regardless of whether the licensure activities are administered by the Department or a separate entity pursuant to contract. No other fees shall be charged against an applicant or licensee to carry out the purposes of that Chapter.

PART XXI. STATE BOARD OF ELECTIONS

ELIMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND

SECTION 21.1.(a) Article 22D of Chapter 163 of the General Statutes is repealed, except that G.S. 163-278.69 is repealed effective upon exhaustion of the funds for publication of the Judicial Voter Guide.

SECTION 21.1.(b) G.S. 84-34 reads as rewritten:

"**§ 84-34. Membership fees and list of members.**

Every active member of the North Carolina State Bar shall, prior to the first day of July of each year, pay to the secretary-treasurer an annual membership fee in an amount determined by the Council but not to exceed three hundred dollars ($300.00), ~~plus a surcharge of fifty dollars ($50.00) for the implementation of Article 22D of Chapter 163 of the General Statutes,~~ and every member shall notify the secretary-treasurer of the member's correct mailing address. Any member who fails to pay the required dues by the last day of June of each year shall be subject to a late fee in an amount determined by the Council but not to exceed thirty dollars ($30.00). All dues for prior years shall be as were set forth in the General Statutes then in effect. The membership fee shall be regarded as a service charge for the maintenance of the several services authorized by this Article, and shall be in addition to all fees required in connection with admissions to practice, and in addition to all license taxes required by law. The fee shall not be prorated: Provided, that no fee shall be required of an attorney licensed after this Article shall have gone into effect until the first day of January of the calendar year following that in which the attorney was licensed; but this proviso shall not apply to attorneys from other states admitted on certificate. The fees shall be disbursed by the secretary-treasurer on the order of the Council. ~~The fifty-dollar ($50.00) surcharge shall be sent on a monthly schedule to the State Board of Elections.~~ The secretary-treasurer shall annually, at a time and in a law magazine or daily newspaper to be prescribed by the Council, publish an account of the financial transactions of the Council in a form to be prescribed by it. The secretary-treasurer shall compile and keep currently correct from the names and mailing addresses forwarded to the secretary-treasurer and from any other available sources of information a list of members of the North Carolina State Bar and furnish to the clerk of the superior court in each county, not later than the first day of October in each year, a list showing the name and address of each attorney for that county who has not complied with the provisions of this Article. The name of each of the active members who are in arrears in the payment of membership fees shall be furnished to the presiding judge at the next term of the superior court after the first day of October of each year, by the clerk of the superior court of each county wherein the member or members reside, and the court shall thereupon take action that is necessary and proper. The names and addresses of attorneys so certified shall be kept available to the public. The Secretary of Revenue is hereby directed to supply the secretary-treasurer, from records of license tax payments, with any information for which the secretary-treasurer may call in order to enable the secretary-treasurer to comply with this requirement.

The list submitted to several clerks of the superior court shall also be submitted to the Council at its October meeting of each year and it shall take the action thereon that is necessary and proper."

SECTION 21.1.(c) G.S. 105-159.2 is repealed.

SECTION 21.1.(d) G.S. 163-278.5 reads as rewritten:

"**§ 163-278.5. Scope of Article; severability.**

The provisions of this Article apply to primaries and elections for North Carolina offices and to North Carolina referenda and do not apply to primaries and elections for federal offices or offices in other States or to non-North Carolina referenda. Any provision in this Article that regulates a non-North Carolina entity does so only to the extent that the entity's actions affect elections for North Carolina offices or North Carolina referenda.

The provisions of this Article are severable. If any provision is held invalid by a court of competent jurisdiction, the invalidity does not affect other provisions of the Article that can be given effect without the invalid provision.

This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, 22J, and 22M of the General Statutes to the same extent that it applies to this Article."

SECTION 21.1.(e) G.S. 163-278.13(e) reads as rewritten:

"(e) Except as provided in subsections ~~(e2), (e3),~~(e3) and (e4) of this section, this section shall not apply to any national, State, district or county executive committee of any political party. For the purposes of this section only, the term "political party" means only those political parties officially recognized under G.S. 163-96."

SECTION 21.1.(f) G.S. 163-278.13(e2) is repealed.

SECTION 21.1.(g) G.S. 163-278.23 reads as rewritten:

"**§ 163-278.23. Duties of Executive Director of Board.**

…

This section applies to Articles 22B, ~~22D, 22E, 22F,~~ 22G, 22H, and 22M of the General Statutes to the same extent that it applies to this Article."

SECTION 21.1.(h) G.S. 163-278.97 reads as rewritten:

"**§ 163-278.97. Voter-Owned Elections Fund established; sources of funding.**

…

(c) Evaluation and Determination of Fund Amount. – By January 1, 2011, and every four years thereafter, the ~~Board, in conjunction with the Advisory Council established under G.S. 163-278.68(b),~~Board shall prepare and provide to the Joint Legislative Commission on Governmental Operations of the General Assembly a report documenting, evaluating, and making recommendations relating to the administration, implementation, and enforcement of this Article. In its report, the Board shall set out the funds received to date and the expected needs of the Fund during the next election cycle and make recommendations about the feasibility of expanding its provisions to include other candidates for State office based on the experience of this Article and the experience of similar programs in North Carolina and other states. The Board shall also evaluate and make recommendations regarding how to address activities that could undermine the purpose of this Article, including spending that appears to target candidates but is not reached by regulation."

SECTION 21.1.(i) G.S. 163-278.99E(d) is repealed effective upon exhaustion of the funds for publication of the Judicial Voter Guide in G.S. 163-278.69.

SECTION 21.1.(j) The State Board of Elections shall use the money in the North Carolina Public Campaign Fund to only publish Judicial Voter Guides as described in G.S. 163-278.69 until the funds have been exhausted.

SECTION 21.1.(k) The secretary-treasurer of the North Carolina State Bar shall remit any payments of the fifty-dollar ($50.00) surcharge payable for the taxable year January 1, 2013, to the State Board of Elections, and the State Board of Elections must credit the funds received to the North Carolina Public Campaign Fund.

SECTION 21.1.(l) The State Board of Elections shall notify the Revisor of Statutes when the funds have been exhausted for publication of the Judicial Voter Guide.

SECTION 21.1.(m) Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2013. The remainder of this section becomes effective July 1, 2013.

PART XXII. GENERAL ASSEMBLY

DAILY BULLETIN

SECTION 22.1. For the 2013-2015 fiscal biennium, the interagency agreement between the North Carolina General Assembly and the UNC School of Government for the production of the Daily Bulletin shall be no more than eighty-seven thousand eight hundred fifteen dollars ($87,815) for each fiscal year.

FOOD SERVICES

SECTION 22.2.(a) The Legislative Services Commission shall issue a Request for Information (RFI) to identify vendors that are interested in providing food services within the General Assembly's buildings. The RFI shall include the following:

(1) Require that the vendor take over the operations of the General Assembly's food services in the 2014-2015 fiscal year.

(2) Make available all existing restaurant wares to the vendor. All new equipment costs and repairs would be borne by the vendor.

(3) Require a plan for services and service levels, including days and hours of operations and number of food service outlets to be operational. The proposal of interest by the vendor shall identify any additional cost that must be covered by the General Assembly and any revenue sharing that may benefit the General Assembly's budget.

(4) Provide the menu items that would be offered at the food service outlets, including pricing.

The Legislative Services Commission shall review the proposals, hold interviews with the vendors, and collect all of the necessary information to make a comprehensive report to the General Assembly. If House Bill 153 of the 2013 General Assembly becomes law, the Legislative Services Commission shall report the results of the RFI to the Joint Legislative Oversight Committee on General Government by November 1, 2013.

SECTION 22.2.(b) The Food Services Section of the Administrative Division of the General Assembly may submit a proposal under subsection (a) of this section, and the proposal shall be reviewed and evaluated in the same manner as proposals submitted by other vendors.

MEDICAID ADVISORY GROUP MATCHING FUNDS

SECTION 22.5. Of the funds appropriated to Budget Code 21000 in the General Assembly, the sum of thirty-seven thousand five hundred dollars ($37,500) for the 2013-2014 fiscal year shall be transferred to the Department of Health and Human Services to provide matching funds for the activities of the Medicaid Advisory Group established in Section 12H.1(e) of this act.

PART XXIII. OFFICE OF THE GOVERNOR

RESERVED

SECTION 23.0. This section is reserved.

PART XXIV. OFFICE OF STATE BUDGET AND MANAGEMENT

SYMPHONY CHALLENGE GRANT

SECTION 24.1.(a) Of the funds appropriated in this act to the Office of State Budget and Management-Special Appropriations, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2013-2014 fiscal year and the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2014-2015 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least eight million dollars ($8,000,000) in non-State funds for the 2013-2014 fiscal year and at least eight million dollars ($8,000,000) in non-State funds for the 2014-2015 fiscal year. The NC Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

SECTION 24.1.(b) For the 2013-2014 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(3) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total sum of eight million dollars ($8,000,000) in non-State funds, the NC Symphony shall receive the final sum of five hundred thousand dollars ($500,000) in the 2013-2014 fiscal year.

SECTION 24.1.(c) For the 2014-2015 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(3) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total sum of eight million dollars ($8,000,000) in non-State funds, the NC Symphony shall receive the final sum of five hundred thousand dollars ($500,000) in the 2014-2015 fiscal year.

PART XXV. OFFICE OF THE STATE AUDITOR

RESERVED

SECTION 25.0. This section is reserved.

PART XXVI. DEPARTMENT OF REVENUE

RESERVED

SECTION 26.0. This section is reserved.

PART XXVII. DEPARTMENT OF THE SECRETARY OF STATE

INCREASE REGISTRATION FEE FOR LOBBYIST & LOBBYIST PRINCIPAL/ELECTRONIC SUBMISSION OF ALL DOCUMENTS, REPORTS, AND PAYMENTS BY LOBBYISTS

SECTION 27.1.(a) G.S. 120C-201 reads as rewritten:

"**§ 120C-201. Lobbyist's registration fee.**

(a) ~~Except as provided for in subsection (b) of this section, a~~A fee of ~~one hundred dollars ($100.00)~~two hundred fifty dollars ($250.00) is due and payable to the Secretary of State at the time of each lobbyist registration. Fees so collected shall be deposited in the General Fund of the State. The Secretary of State shall allow fees required under this section to be paid electronically but shall not require the fees to be paid electronically.

~~(b) The Secretary of State shall adopt rules providing for a waiver or reduction of the fees required by this section for lobbyists registering to represent persons who have been granted nonprofit status under 26 U.S.C. § 501(c)(3).~~"

SECTION 27.1.(b) G.S. 120C-207 reads as rewritten:

"**§ 120C-207. Lobbyist principal's fees.**

(a) ~~Except as provided for in subsection (b) of this section, a~~A fee of ~~one hundred dollars ($100.00)~~two hundred fifty dollars ($250.00) is due and payable to the Secretary of State at the time the principal's first authorization statement is filed each calendar year for a lobbyist. Fees so collected shall be deposited in the General Fund of the State. The Secretary of State shall allow fees required under this section to be paid electronically but shall not require the fees to be paid electronically.

~~(b) The Secretary of State shall adopt rules providing for a waiver or reduction of the fees required by this section for lobbyist principals that have been granted nonprofit status under 26 U.S.C. § 501(c)(3).~~"

SECTION 27.1.(c) G.S. 120C-200 reads as rewritten:

"**§ 120C-200. Lobbyist registration procedure.**

…

(b) The form of the registration shall be prescribed by the Secretary of ~~State~~State, be filed electronically, and shall include the registrant's full name, firm, complete address, and telephone number; the registrant's place of business; the full name, complete address, and telephone number of each principal the lobbyist represents; and a general description of the matters on which the registrant expects to act as a lobbyist.

(c) Each lobbyist shall electronically file an amended registration form with the Secretary of State no later than 10 business days after any change in the information supplied in the lobbyist's last registration under subsection (b) of this section. Each supplementary registration shall include a complete statement of the information that has changed.

…."

SECTION 27.1.(d) G.S. 120C-201(a), as amended by subsection (a) of this section, reads as rewritten:

"(a) A fee of two hundred fifty dollars ($250.00) is due and payable to the Secretary of State at the time of each lobbyist registration. Fees so collected shall be deposited in the General Fund of the State. The ~~Secretary of State shall allow~~ fees required under this section ~~to~~shall be paid ~~electronically but shall not require the fees to be paid electronically.~~electronically."

SECTION 27.1.(e) G.S. 120C-206 reads as rewritten:

"**§ 120C-206. Lobbyist principal's authorization.**

…

(b) The form of the written authorization shall be prescribed by the Secretary of ~~State~~State, be filed electronically, and shall include the lobbyist principal's full name, complete address, and telephone number, name and title of any official authorized to sign for the lobbyist principal, and the name of each lobbyist registered to represent that principal.

(c) An amended authorization shall be electronically filed with the Secretary of State no later than 10 business days after any change in the information on the principal's authorization. Each supplementary authorization shall include a complete statement of the information that has changed."

SECTION 27.1.(f) G.S. 120C-207(a), as amended by subsection (b) of this section, reads as rewritten:

"(a) A fee of two hundred fifty dollars ($250.00) is due and payable to the Secretary of State at the time the principal's first authorization statement is filed each calendar year for a lobbyist. Fees so collected shall be deposited in the General Fund of the State. The ~~Secretary of~~

~~State shall allow~~ fees required under this section ~~to~~shall be paid ~~electronically but shall not require the fees to be paid electronically.~~electronically."

SECTION 27.1.(g) G.S. 120C-401(d) reads as rewritten:

"(d) Each report required by this Article shall be in the form prescribed by the Secretary of ~~State, which may include electronic reports.~~State and filed electronically."

SECTION 27.1.(h) G.S. 120C-800(f) reads as rewritten:

"(f) Within 15 business days after the end of the quarter in which the reportable expenditure was made, reports required by this section shall be filed electronically with the Secretary of State in a ~~manner~~form prescribed by the Secretary of ~~State, which may include electronic reports.~~State. If the designated individual is required to file a statement of economic interest under G.S. 138A-24, then that designated individual may opt to report any information required by this section in the statement of economic interest."

SECTION 27.1.(i) Subsections (a) and (b) of this section become effective July 1, 2013. This remainder of this section becomes effective August 1, 2013, and applies to all filings, payments due, and registrations, on or after that date.

PART XXVIII. OFFICE OF THE LIEUTENANT GOVERNOR

RESERVED

SECTION 28.0. This section is reserved.

PART XXIX. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 29.1.(a) During the 2013-2015 fiscal biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account 24172 as required by G.S. 147-86.22(c).

SECTION 29.1.(b) For each year of the 2013-2015 fiscal biennium, five hundred thousand dollars ($500,000) of the funds in the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs and are hereby appropriated for that purpose.

SECTION 29.1.(c) All funds available in Special Reserve Account 24172 on June 30 of each year of the 2013-2015 fiscal biennium shall revert to the General Fund on that date.

SECTION 29.1.(d) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.

PART XXX. DEPARTMENT OF ADMINISTRATION

REQUIRE CONTINUATION REVIEW OF THE YOUTH ADVOCACY AND INVOLVEMENT OFFICE

SECTION 30.1.(a) A continuation review of the Youth Advocacy and Involvement Office shall be prepared by the Department of Administration. The review shall be submitted to the House of Representatives Appropriations Subcommittee on General Government and the Senate Appropriations Committee on General Government and Information Technology no later than March 31, 2014. The written report shall include the information listed in subsection (b) of this section.

SECTION 30.1.(b) The continuation review required by this section shall include all of the following information:

(1) A description of the services provided by the Youth Advocacy and Involvement Office and its mission, goals, and objectives.
(2) The statutory objectives of the Office and the problem or need addressed.
(3) The extent to which the objectives of the Office have been achieved.
(4) The functions or programs performed by the Office without specific statutory authority.
(5) The performance measures and the process by which the performance measures determine efficiency and effectiveness.
(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
(7) The consequences of discontinuing funding.
(8) Recommendations for improving services or reducing costs or duplication.
(9) The identification of policy issues that should be brought to the attention of the General Assembly.
(10) Any other information necessary to fully support this continuation review requirement.

ELIMINATE DISPLACED HOMEMAKERS PROGRAM/FUND

SECTION 30.2.(a) G.S. 7A-305(a2) reads as rewritten:

"(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five dollars ($75.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit ~~fifty-five dollars ($55.00)~~thirty-five dollars ($35.00) to the North Carolina Fund for Displaced Homemakers established under G.S. 143B-394.10 and ~~twenty dollars ($20.00)~~forty dollars ($40.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section."

SECTION 30.2.(a1) G.S. 7A-305(a2), as amended by subsection (a) of this section, reads as rewritten:

"(a2) In every action for absolute divorce filed in the district court, a cost of seventy-five dollars ($75.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit ~~thirty-five dollars ($35.00) to the North Carolina Fund for Displaced Homemakers established under G.S. 143B-394.10 and forty dollars ($40.00)~~seventy-five dollars ($75.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section."

SECTION 30.2.(b) G.S. 143B-393 reads as rewritten:

"**§ 143B-393. North Carolina Council for Women – creation; powers and duties.**

There is hereby created the North Carolina Council for Women of the Department of Administration. The North Carolina Council for Women shall have the following functions and duties:

(1) To advise the Governor, the principal State departments, and the State legislature concerning the education and employment of women in the State of North ~~Carolina; and~~Carolina.
(2) To advise the Secretary of Administration upon any matter the Secretary may refer to ~~it; and~~the Council.
~~(3) To establish programs for the assistance of displaced homemakers as set forth in Part 10B of this Article.~~"

SECTION 30.2.(c) Part 10B of Article 9 of Chapter 143B of the General Statutes is repealed.

SECTION 30.2.(d) All unencumbered funds as of June 30, 2014, in the North Carolina Fund for Displaced Homemakers shall be transferred to the Domestic Violence Center Fund established under G.S. 50B-9.

SECTION 30.2.(e) Subsection (a1) of this section becomes effective July 1, 2014.

OSP/FICA SAVINGS

SECTION 30.2A. Notwithstanding the provisions of Article 6 of Chapter 143C of the General Statutes, G.S. 126-95, or any other law to the contrary, the State Controller shall transfer the sum of six million dollars ($6,000,000) in savings from the NC FICA Account to the Office of State Personnel for the 2013-2014 fiscal year.

USE OF E-COMMERCE FUNDS

SECTION 30.5.(a) Notwithstanding the provisions of G.S. 66-58.12(c), the sum of one million two hundred eighteen thousand six hundred fifty-nine dollars ($1,218,659) for the 2013-2014 fiscal year and the sum of one million four hundred seventy-six thousand five hundred forty-three dollars ($1,476,543) for the 2014-2015 fiscal year shall be transferred from the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to be used for each year of the 2013-2015 biennium, on a recurring basis, to pay the operating expenses of the Division of Purchase and Contract.

SECTION 30.5.(b) Notwithstanding the provisions of G.S. 66-58.12(c), the sum of four million dollars ($4,000,000) for the 2013-2014 fiscal year and the sum of six million dollars ($6,000,000) for the 2014-2015 fiscal year shall be transferred from the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to be used to support operations at the Department of Administration on a nonrecurring basis.

SECTION 30.5.(c) Notwithstanding the provisions of G.S. 66-58.12(c), the sum of one million one hundred eleven thousand five hundred eighty-five dollars ($1,111,585) for the 2013-2014 fiscal year shall be transferred from the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to the Department of the State Treasurer to fund the Core Banking System Upgrade.

STUDY/E-PROCUREMENT FEE

SECTION 30.6. The Department of Administration shall study the feasibility of reducing or eliminating the e-commerce fee authorized under G.S. 66-58.12(b). The e-commerce fee supports the E-Procurement System operated by the Department. By February 1, 2014, the Department shall report its findings to the Senate Appropriations Committee on General Government and Information Technology, House of Representatives Appropriations Subcommittee on General Government, Joint Legislative Committee on Information Technology, and Office of State Budget and Management. The report shall include the following:

(1) The current rate of the fee and how it was calculated.
(2) The current revenue generated from the fee by departmental users.
(3) The current break-even point for the operation of the E-Procurement System.
(4) The requirements for the operation and administration of the E-Procurement System, including the term of any contract with an outside vendor for the management of the E-Procurement System.
(5) Total payments to vendors since the initiation of the E-Procurement System.
(6) Total State receipts since the initiation of the E-Procurement System.
(7) Information on e-procurement systems currently in operation in other states and within North Carolina, including an analysis of the advantages and disadvantages of each.

(8) The feasibility and cost of utilizing e-procurement systems under management by any State institution.

(9) The feasibility of eliminating the fee supporting the E-Procurement System, E-Commerce Fund (2514), and moving the administration of the E-Procurement System to General Fund Support, including any cost-savings to agencies as a result of vendors not assessing the fee on goods purchased through the System.

(10) The feasibility of reducing the fee by assessing the fee on goods and services only.

(11) The potential for savings from training State employees to operate and maintain the System.

ELIMINATE AUTHORITY FOR STATE CONTRIBUTION TO COUNTY VETERANS SERVICE PROGRAMS

SECTION 30.7. G.S. 165-6(9) is repealed.

PART XXXI. HOUSING FINANCE AGENCY

RESERVED

SECTION 31.0. This section is reserved.

PART XXXII. OFFICE OF ADMINISTRATIVE HEARINGS

STUDY STAFFING REQUIREMENTS OF RULES REVIEW COMMISSION

SECTION 32.1. If House Bill 74 of the 2013 Regular Session of the General Assembly is enacted, the Office of Administrative Hearings shall study whether the requirements of that bill regarding periodic review of existing rules necessitates additional staffing for the Rules Review Commission. The Office of Administrative Hearings shall report by March 1, 2014, on its findings. The report shall include the number of rules that have been reviewed by the Rules Review Commission, broken down by agency, Rules Review legal staff, and the number of rules that have been overturned or reauthorized for the 2013-2014 fiscal year. If House Bill 153 of the 2013 Regular Session of the General Assembly is enacted, the report shall be to the Joint Legislative Oversight Committee on General Government, if that committee is created as a result of the enactment. Otherwise, the report shall be to the Chairs of the House Appropriations Subcommittee on General Government and the Senate Appropriations Committee on General Government and Information Technology and to the Fiscal Research Division.

PART XXXIII. DEPARTMENT OF THE STATE TREASURER

RESERVED

SECTION 33.0. This section is reserved.

PART XXXIV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

SECTION 34.1.(a) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2015-2016	$1,946.7 million
For Fiscal Year 2016-2017	$2,027.6 million
For Fiscal Year 2017-2018	$2,103.3 million

For Fiscal Year 2018-2019 $2,140.4 million

SECTION 34.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2015-2016 $1,160.3 million
For Fiscal Year 2016-2017 $1,215.2 million
For Fiscal Year 2017-2018 $1,256 million
For Fiscal Year 2018-2019 $1,283.7 million

INCREASE DOT PRIVATIZATION

SECTION 34.2.(a) The Department of Transportation shall seek to increase the use of contracts to further privatize preconstruction work where practical, economical, and likely to lead to increased efficiency. In doing so, the Department shall meet each of the following privatization requirements:

(1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to sixty-five percent (65%) of the total cost of activities performed by those units in fiscal year 2013-2014 and to seventy percent (70%) of the total cost of activities performed by those units in fiscal year 2014-2015, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.

(2) Increase the total cost of outsourced activity in the Roadway Design, Right-of-Way, and Project Development and Environmental Analysis units by seven and one-half percent (7.5%) in fiscal year 2013-2014 and by an additional seven and one-half percent (7.5%) in fiscal year 2014-2015 from a baseline of fiscal year 2012-2013 actual expenditures for those units.

(3) The Department of Transportation shall eliminate a minimum of 15 filled positions on July 1 of each year of the 2013-2015 biennium to comply with the requirement to increase outsourcing in the Preconstruction and Technical Services units, with an emphasis on reducing staffing in the Right-of-Way, Project Development and Environmental Analysis, and Roadway Design units. The Department is authorized to eliminate additional positions if necessary to meet the requirements of subdivisions (1) and (2) of this section.

SECTION 34.2.(b) The Department of Transportation shall increase contracts for construction of transportation projects on a design-build basis awarded under the provisions of G.S. 136-28.11 by five percent (5%) in each year of the 2013-2015 biennium, based on the total cost of construction projects.

SECTION 34.2.(c) G.S. 136-28.11(d) is repealed.

SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES

SECTION 34.3. The funds allocated to the system preservation program (fund center 84210-7839) for fiscal years 2013-2014 and 2014-2015 shall be used for improvements to structurally deficient and functionally obsolete bridges. All projects funded under this section, with the exception of pre-engineering and contract preparation and planning activities, shall be outsourced to private contractors.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 34.4.(a) Of the funds appropriated in this act to the Department of Transportation:

(1) Seven million dollars ($7,000,000) shall be allocated in each fiscal year for small construction projects recommended by the State Highway

Administrator in consultation with the Chief Operating Officer and approved by the Secretary of the Department of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.

(2) Twelve million dollars ($12,000,000) shall be allocated statewide in each fiscal year for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

None of these funds used for secondary road improvements during the 2013-2014 fiscal year are subject to the county allocation formulas in G.S. 136-44.5(b).

SECTION 34.4.(b) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

SECTION 34.4.(c) The sum of twenty-seven million sixty thousand eighty-three dollars ($27,060,083) of the unallotted and unexpended balance of funds within the Contingency Fund (fund center 1500/157818) shall be transferred to the Highway Fund as appropriated and allocated by this act.

SECTION 34.4.(d) The sum of twenty-one million nine hundred fourteen thousand four hundred ten dollars ($21,914,410) of the unallotted and unexpended balance of funds within the Division Small Urban Construction Program (fund center 1500/157837) shall be transferred to the Highway Fund as appropriated and allocated by this act.

ACCESS AND PUBLIC SERVICE ROAD FUNDS

SECTION 34.6. The sum of four million eight hundred forty-three thousand four hundred forty-one dollars ($4,843,441) of the unallotted and unexpended balance of funds within the Access and Public Service Road program (fund center 1500/157814) shall be transferred to the Highway Fund as appropriated and allocated by this act.

ECONOMIC DEVELOPMENT PROGRAM FUNDS

SECTION 34.7.(a) The sum of three million three hundred forty-six thousand two hundred fifteen dollars ($3,346,215) of the unallotted and unexpended balance of funds within the Economic Development fund (fund center 1500/157838) shall be transferred to the Highway Fund as appropriated and allocated by this act.

SECTION 34.7.(b) Of the funds appropriated to the Economic Development fund, the sum of three million three hundred forty-six thousand two hundred fifteen dollars ($3,346,215) in fiscal year 2013-2014 and four million thirty-six thousand one hundred seventy-one dollars ($4,036,171) in fiscal year 2014-2015 shall be used for prioritized transportation improvements and infrastructure that expedite commercial growth as well as either job creation or job retention. Projects funded under this section shall be jointly approved by the Secretary of Transportation and the Secretary of Commerce.

SECTION 34.7.(c) Of the funds appropriated to the Economic Development fund, the sum of three million dollars ($3,000,000) is allocated for airport infrastructure improvements to the Piedmont Triad International Airport, and the sum of three million five hundred thousand dollars ($3,500,000) is allocated for program operations and airport infrastructure improvements to the Hyde County Airport.

SECTION 34.7.(d) Funds allocated under subsection (c) of this section for the 2013-2014 fiscal year may be used during both years of the biennium. Funds unexpended and unallotted on June 30, 2015, shall revert to the Highway Fund.

CONGESTION AND MOBILITY REPORTING

SECTION 34.8. G.S. 136-44.3 reads as rewritten:

"**§ 136-44.3. Maintenance program.**

The Department shall establish performance standards for the maintenance and operation of the State highway system. In each even-numbered year, the Department of Transportation shall survey the condition of the State highway system and shall prepare a report of the findings of the survey. The report shall provide both quantitative and qualitative descriptions of the condition of the system and shall provide estimates of the following:

(1) The annual cost to meet and sustain the established performance standards for the primary and secondary highway system, to include: (i) routine maintenance and operations, (ii) system preservation, and (iii) pavement and bridge rehabilitation.

(2) Projected system condition and corresponding optimal funding requirements for a seven-year plan to sustain established performance standards.

(3) Any significant variations in system conditions among highway divisions.

(4) An assessment of the level of congestion throughout the primary highway system based on traffic data, and a ranking of the most congested areas based on travel time reliability and the average number of congested hours, together with the Department's recommendations for congestion reduction and mobility improvement.

On the basis of the report and from funds available, the Department of Transportation shall develop a statewide annual maintenance program for the State highway system, which shall be subject to the approval of the Board of Transportation and is consistent with performance standards.

The report on the condition of the State highway system and maintenance funding needs shall be presented to the Joint Legislative Transportation Oversight Committee by December 31 of each even-numbered year, and copies shall be made available to any member of the General Assembly upon request."

REPEAL INTERMODAL CONTINUING APPROPRIATIONS

SECTION 34.9. The following statutes are repealed:

(1) G.S. 136-16.4.

(2) G.S. 136-16.5.

(3) G.S. 136-16.7.

(4) G.S. 136-16.8.

(5) G.S. 136-16.9.

FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL AND HUMAN SERVICE PUBLIC TRANSPORTATION

SECTION 34.10. In order to ensure maximum funding and to facilitate the use of funds available to the Department, the Department of Transportation, Public Transportation Division, shall have the flexibility to redistribute funding from the "rural capital" grant program and within the "urban technology, human service transportation management, and rural general public" grant program in order to leverage all eligible federal funds for operating assistance to rural and human service transportation systems. The distribution of funds to these systems shall be based on assessed system needs. This section applies only to the 2013-2015 fiscal biennium.

MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS

SECTION 34.11. The Department of Transportation, Public Transportation Division, shall provide local public transportation systems with maximum flexibility to use State operating funds from the "urban and regional maintenance" and "urban technology, human service transportation management, and rural general public" grant programs to leverage all eligible federal transit operating assistance funds. This section applies only to the 2013-2015 fiscal biennium.

FERRY TOLLING ALTERNATIVES

SECTION 34.13. G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

(a) Powers of Department. – The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, whenever in its discretion the public good may so ~~require, and shall collect tolls, as established by the Board of Transportation, on the ferry routes. The Board of Transportation shall establish tolls for all ferry routes, except for the Ocracoke/Hatteras Ferry and the Knotts Island Ferry.~~require. For purposes of this Article, the "ferry system" shall be defined as the ferry vessels and all associated equipment, land-based facilities, and personnel required to operate the vessels on routes established by the Board of Transportation.

To accomplish the purpose of this section said Department of Transportation is authorized to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or other facilities required for the proper operation of ~~such ferries~~the ferry system or to enter into contracts with persons, firms or corporations for the operation ~~thereof~~ of the ferry system and to pay ~~therefor~~ such reasonable sums ~~as may~~that in the opinion of said Department of Transportation represent the fair value of the public service rendered.

(b) Authority to Generate Certain Receipts. – The Department of Transportation, notwithstanding any other provision of law, may ~~operate,~~operate or contract for the following receipt-generating activities and use the proceeds to promote, improve, repair, maintain, or operate the ferry system:

(1) ~~operation~~ Operation of, concessions on the ferries and at ferry facilities to provide to passengers on the ferries food, drink, and other refreshments, personal comfort items, Internet access, and souvenirs publicizing the ferry system.

(2) The sale of naming rights to any ferry vessel, ferry route, or ferry facility.

(3) Advertising on or within any ferry vessel, including display advertising and advertising delivered to passengers through the use of video monitors, public address systems installed in passenger areas, and other electronic media.

(4) Any other receipt-generating activity not otherwise forbidden by applicable law pertaining to public health or safety.

(c) Nothing in this section shall affect the authority of the Department to collect tolls in accordance with the fare and rate structure established in 19A NCAC 02D .0532 and in effect as of May 1, 2013."

NORTH CAROLINA RAILROAD COMPANY REPORTING AND DIVIDENDS

SECTION 34.14.(a) Reporting and Oversight. – G.S. 124-1 reads as rewritten:

"**§ 124-1. Control of internal improvements.**

The Governor and Council of State shall have charge of all the State's interest in all railroads, canals and other works of internal improvements. The Board of Directors of a State-owned railroad company shall be responsible for managing its affairs and for reporting as set forth in ~~G.S. 124-3.~~G.S. 124-17."

SECTION 34.14.(b) Article 2 of Chapter 124 of the General Statutes is amended by adding a new section, G.S. 124-15. G.S. 124-6(b), as amended by Section 3.3(a) of S.L. 1999-431, is recodified as G.S. 124-15(a). G.S. 124-5(b) is recodified as G.S. 124-15(b). G.S. 124-15, as enacted and amended by this subsection, reads as rewritten:

"**§ 124-15. Board of directors; appointment and approval of encumbrances.**

(a) Notwithstanding subsection (a) of ~~this section,~~G.S. 124-6, for any State-owned railroad company ~~organized as a corporation in which the State is the owner of all the voting stock and which~~that has trackage in more than two counties, seven of the members of the Board of Directors shall be appointed by the Governor, three of the members of the Board of Directors shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and three of the members of the Board of Directors shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. The Board of Directors shall consist of 13 members. Of the Governor's seven appointments, one shall be from the appointees to the Board of Transportation, and one shall be the Secretary of Commerce or the Secretary's designee. Of the initial members appointed by the Governor, three shall be appointed for terms of four years and four shall be appointed for terms of two years. Of the initial members recommended to the General Assembly by the Speaker of the House of Representatives, two shall be appointed for terms of four years and one shall be appointed for a term of two years. Of the initial members recommended to the General Assembly by the President Pro Tempore of the Senate, two shall be appointed for terms of four years and one shall be appointed for a term of two years. Thereafter all Board members shall serve four-year terms. The Board shall elect the chairman from among its membership.

(b) No State-owned railroad company shall sell, lease, mortgage, or otherwise encumber its franchise, right-of-way, or other property, except by and with the approval and consent of the Board of Directors of that corporation. The president or other chief officer of the State-owned railroad company shall report any acquisitions and dispositions in accordance with G.S. 124-3(10)."

SECTION 34.14.(c) Article 2 of Chapter 124 of the General Statutes is amended by adding a new section to read as follows:

"**§ 124-16. Strategic plan and capital investment plan required of State-owned railroad company; performance management system.**

(a) Any State-owned railroad company shall prepare and maintain a comprehensive strategic plan and a capital investment plan. The strategic plan shall include a mission statement describing the purpose of the company and clear goals that address the strategic issues facing the company.

(b) Any State-owned railroad company shall develop and implement a formalized performance management system based on its strategic plan. The performance management system shall measure and monitor progress toward achieving strategic objectives. When performance fails to achieve strategic objectives within the time period established in the plan, a State-owned railroad company shall take corrective action."

SECTION 34.14.(d) Article 2 of Chapter 124 of the General Statutes is amended by adding a new section, G.S. 124-17. G.S. 124-3(b) is recodified as G.S. 124-17(b). G.S. 124-3(c) is recodified as G.S. 124-17(c). G.S. 124-17, as enacted and amended by this subsection, reads as rewritten:

"**§ 124-17. Enhanced annual report of State-owned railroad company; additional reporting requirements to Governor and General Assembly.**

(a) A State-owned railroad company shall submit an annual report to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Transportation Oversight Committee. The report shall include the following:

(1) The information required under G.S. 124-3.

(2) A copy of the strategic plan and the capital investment plan required under G.S. 124-16.
(3) Any failures to meet strategic objectives and what corrective actions were taken under G.S. 124-16(b).
(4) Anticipated dividends for the next three fiscal years.
(5) A description of the State-owned railroad company's business, subsidiaries, and markets in which it operates.
(6) A list of the properties owned by the State-owned railroad company.
(7) A list of the directors and executive officers of the State-owned railroad company and a description of the background and experience of each.
(8) A description of the State-owned railroad company's code of ethics and conflicts of interest policy.
(9) A summary of the fees paid to an accounting firm during the year.
(10) A list of the compensation paid to directors and officers of the State-owned railroad company.
(11) A description of the State-owned railroad company's disagreements with its accountants if there has been a change in accountants.
(12) A description of any transactions between the State-owned railroad company and its directors, officers, and their family members.

(b) Upon the request of the Governor or any committee of the General Assembly, a State-owned railroad company shall provide all additional information and data within its possession or ascertainable from its records. The State-owned railroad company shall not be deemed to have waived any attorney-client privilege when complying with this subsection. At the time a State-owned railroad company provides information under this section, it shall indicate whether the information is confidential. Confidential information shall be subject to subsection (c) of this section.

(c) Confidential information includes (i) information related to a proposed specific business transaction where inspection, examination, or copying of the records would frustrate the purpose for which the records were created, or (ii) information that is subject to confidentiality obligations of a railroad company. Confidential information is exempt from Chapter 132 of the General Statutes and shall not be subject to a request under G.S. 132-6(a)."

SECTION 34.14.(e) The Freight Rail & Rail Crossing Safety Improvement Fund is established within the Highway Fund.

SECTION 34.14.(f) One-time Cash Dividend. – Notwithstanding G.S. 124-5.1, any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall issue a cash dividend in the amount of fifteen million five hundred thousand dollars ($15,500,000), which shall be deposited into the Freight Rail & Rail Crossing Safety Improvement Fund no later than January 15, 2014.

SECTION 34.14.(g) Annual Cash Dividend. – G.S. 124-5.1 reads as rewritten:

"**§ 124-5.1. ~~State use of~~ North Carolina Railroad Company ~~dividends.~~dividends deposited to Highway Fund.**

(a) ~~Notwithstanding the provisions of G.S. 136-16.6, in order to increase the capital of the North Carolina Railroad Company, any dividends of the North Carolina Railroad Company received by the State shall be applied to reduce the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237.~~ Any dividends of the North Carolina Railroad Company received by the State shall be ~~used by the Department of Transportation for the improvement of the property of the North Carolina Railroad Company as recommended and approved by the Board of Directors of the North Carolina Railroad Company. The improvements may include the following project types:~~deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund and administered by the Rail Division of the Department of Transportation. The

Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing safety, which may include the following project types:

(1) ~~Railroad and industrial track rehabilitation.~~Track and associated infrastructure improvements for freight service.

(2) ~~Railroad signal and grade crossing protection.~~Grade crossing protection, elimination, and hazard removal.

(3) ~~Bridge improvements.~~Signalization improvements.

(4) ~~Corridor protection.~~Assistance for projects to improve rail access to industrial, port, and military facilities and for freight intermodal facility improvements, provided that funding assistance under this subdivision shall be subject to the same limits as that for short-line railroads under G.S. 136-44.39.

~~(5) Industrial site acquisition.~~

The Fund may also be used to supplement funds allocated for freight rail or railroad-roadway crossing safety projects approved as part of the Transportation Improvement Program.

~~The Department of Transportation shall use the Fund to supplement funds allocated for projects approved as part of the Transportation Improvement Program.~~

~~(b) Effective January 1, 2000, interest shall not be accrued or otherwise charged on the remaining balance of the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237. Interest accrued on those obligations relating to periods prior to January 1, 2000, shall be deemed paid and contributed by the State to the capital of the North Carolina Railroad Company.~~"

SECTION 34.14.(h) Article 2 of Chapter 124 of the General Statutes is amended by adding the following new section:

"**§ 124-18. Dividends required of State-owned railroad company.**

Any State-owned railroad company that has trackage in more than two counties shall issue an annual cash dividend to the State. The amount of the annual dividend is twenty-five percent (25%) of the company's income from the prior year's trackage rights agreements. The dividend is due by January 15 of each year, and interest shall accrue at the annual rate of prime plus one percent (1%) if the payment is not paid by the due date. The Directors of any State-owned railroad company who vote for or assent to the dividend required under this section shall not be held liable under G.S. 55-8-33."

SECTION 34.14.(i) G.S. 136-16.6 is repealed.

SECTION 34.14.(j) Assess Certain Real Properties. – Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall assess the company's noncorridor real property that is among the following parcels:

Property Description	County	Nearest Town	Parcel ID
Burke Street Lot	Alamance	Gibsonville	107493
Bridges Street Lot	Carteret	Morehead	638620911461000
Newport Lot	Carteret	Newport	634814246231000
Wye Property Extension	Carteret	Morehead	637616924807000
Wye Property	Carteret	Morehead	637620923019000
Clarks Lot	Craven	Clarks	8-221-035
Tiffany & Bright Sts. Property	Lenoir	Kinston	11185 & 26555
Morrisville Former Depot	Wake	Morrisville	0755-14-6475
Waynesboro Lot	Wayne	Goldsboro	2599119118

The assessment shall identify potential environmental issues; title, encroachment and other legal property issues; and any other characteristic of the property that would significantly impact the value of the parcels to a prospective purchaser. Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties

shall report no later than April 1, 2014, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division. The report shall include the findings of the assessment required by this subsection, an estimate of the costs to mitigate any environmental issues to meet applicable federal or State standards, the estimated value of the parcels taking into account mitigation costs, and potential alternate State uses for the parcels.

SECTION 34.14.(j1) One-Time Real Property Dividend. – Any State-owned railroad company, as defined under G.S. 124-11, that has trackage in more than two counties shall issue a dividend consisting of any of the company's noncorridor real property that is among the following parcels:

Property Description	County	Nearest Town	Parcel ID
4th Street Lot	Carteret	Morehead	638620808907000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000
Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 & 638620709868000
N. Craven St. Lot	Craven	New Bern	8-003-241-A

The dividend required by this subsection shall be issued no later than June 30, 2014, except as to the N Craven St Lot no later than August 1, 2013, and shall be in the form of a transfer of the property to the Department of Administration. Any State-owned railroad making a dividend under this subsection may deduct any tax liabilities under the Internal Revenue Code triggered by this dividend from the amount of the dividend required under subsection (f) of this section.

SECTION 34.14.(j2) The Department of Administration, in collaboration with the Department of Transportation and the North Carolina State Ports Authority (NCSPA), will evaluate the value of the parcels listed in subsection (j1) of this section that are located in Carteret County. The evaluation shall compare the value of the parcels for alternate transportation uses by the Department of Transportation or the NCSPA to the potential proceeds from sale of these properties to a non-State third party. The Departments of Administration and Transportation shall report the results of the evaluation, including recommended alternate uses, to the Joint Legislative Transportation Oversight Committee by April 1, 2014. The Department of Administration shall not sell or transfer the parcels described in this subsection until authorized to do so by an act of the General Assembly.

SECTION 34.14.(j3) Notwithstanding Articles 2 and 7 of Chapter 146 of the General Statutes and G.S. 124-5.1, the Department of Administration shall sell any parcels listed in subsection (j1) of this section that are located in Craven County and deposit the proceeds of the sales into the Freight Rail & Rail Crossing Safety Improvement Fund of the Highway Fund. Notwithstanding any other provision of law, the Department of Administration may deduct the costs of selling the property from the proceeds of the sales.

SECTION 34.14.(k) Subsections (g), (h), and (i) of this section become effective January 1, 2014.

ELIMINATE TELECOMMUNICATIONS AND INSPECTIONS PROGRAM ACCOUNTS

SECTION 34.15.(a) The sum of ten million five hundred thousand dollars ($10,500,000) of the unallotted and unexpended balance of funds within the Inspection Program Account shall be transferred to the Highway Fund as appropriated and allocated by this act. The Inspection Program Account shall be eliminated after all funds allotted as of June 30, 2013, have been expended. The remaining unallotted and unexpended balance of funds shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

SECTION 34.15.(b) Effective June 30, 2014, G.S. 20-183.7(d1) is repealed, and the unallotted and unexpended balance of funds in the Telecommunications Account on that date shall be transferred to the Reserve for General Maintenance (fund center 1500/150934).

SECTION 34.15.(c) G.S. 20-183.7 reads as rewritten:

"**§ 20-183.7. Fees for performing an inspection and issuing an electronic inspection authorization to a vehicle; use of civil penalties.**

…

(c) Fee Distribution. – Fees collected for electronic inspection authorizations are payable to the Division of Motor Vehicles. The amount of each fee listed in the table below shall be credited to the Highway Fund, ~~the Inspection Program Account established in subsection (d) of this section, the Telecommunications Account established in subsection (d1) of this section,~~ the Volunteer Rescue/EMS Fund established in G.S. 58-87-5, the Rescue Squad Workers' Relief Fund established in G.S. 58-88-5, and the Division of Air Quality of the Department of Environment and Natural Resources:

Recipient	Safety Only Electronic Authorization	Emissions and Safety Electronic Authorization
Highway Fund	.55	~~.55~~5.30
~~Inspection Program Account~~	~~.00~~	~~3.00~~
~~Telecommunications Account~~	~~.00~~	~~1.75~~
Volunteer Rescue/EMS Fund	.18	.18
Rescue Squad Workers' Relief Fund	.12	.12
Division of Air Quality	.00	.65.

~~(d) Inspection Program Account. – The Inspection Program Account is created as a nonreverting account within the Highway Fund. The Division shall administer the Account. Revenue in the Account may be used only to fund the vehicle inspection and maintenance program and to fund replacement of the State Titling and Registration System and the State Automated Driver License System.~~

…."

DIVISION OF MOTOR VEHICLES TECHNOLOGY IMPROVEMENT ACCOUNT

SECTION 34.16.(a) The Division of Motor Vehicles Technology Improvement Account shall be eliminated after all funds allotted as of June 30, 2013, have been expended. The unallotted and unexpended balance of funds in the Account shall be transferred to the Highway Fund as appropriated and allocated by this act.

SECTION 34.16.(b) G.S. 20-85 reads as rewritten:

"**§ 20-85 Schedule of fees.**

…

(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. ~~The Division shall use the fees derived from transactions with the Division for technology improvements.~~ The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited as follows:

(1) The first four hundred thousand dollars ($400,000) collected shall be credited to the Reserve for Visitor Centers in the Highway Fund.

(2) Any additional funds collected shall be credited to the Highway Trust Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects.

…."

DEPARTMENT OF TRANSPORTATION CONTRACTED SERVICES

SECTION 34.17. The Department of Transportation, Business and Contractual Services Unit, shall, in collaboration with the Division of Motor Vehicles, evaluate current contractual models and compensation for the provision of registration, title, tax collection, and other vehicle service transactions by branch agents contracting with the Division of Motor Vehicles. As part of this evaluation, the Department shall conduct an analysis of transaction trends, completion and error rates, and service times by transaction type and branch agent type, and shall assess the appropriateness of the current basis for contractor compensation and rates relative to documented service requirements.

Based on its findings, the Department shall recommend alternatives to the current contractual models for branch agents to standardize contract types, enhance performance, and strengthen contract administration, taking into account citizen accessibility to service centers. In addition, the Department shall submit detailed proposals for alternate options for contractor compensation, including, at a minimum, competitive bidding of branch agent contracts. The Department shall identify anticipated programmatic and fiscal impacts, and include implementation plans for each alternative.

The Department shall report its findings and recommendations to the Joint Legislative Transportation Oversight Committee, Joint Legislative Program Evaluation Oversight Committee, and Fiscal Research Division no later than March 1, 2014.

VISITOR CENTERS FUNDING

SECTION 34.22. G.S. 20-79.7(c)(2) reads as rewritten:

"(c) Use of Funds in Special Registration Plate Account. –

…

(2) From the funds remaining in the Special Registration Plate Account after the deductions in accordance with subdivision (1) of this subsection, there is annually appropriated from the Special Registration Plate Account the sum of one million three hundred thousand dollars ($1,300,000) to provide operating assistance for the Visitor Centers:

a. on U.S. Highway 17 in Camden County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

b. on U.S. Highway 17 in Brunswick County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

c. on U.S. Highway 441 in Macon County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

d. in the Town of Boone, Watauga County, ~~($100,000~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

e. on U.S. Highway 29 in Caswell County, ~~($100,000~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

f. on U.S. Highway 70 in Carteret County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

g. on U.S. Highway 64 in Tyrrell County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

h. at the intersection of U.S. Highway 701 and N.C. 904 in Columbus County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

i. on U.S. Highway 221 in McDowell County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

j. on Staton Road in Transylvania County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

k. in the Town of Fair Bluff, Columbus County, near the intersection of U.S. Highway 76 and N.C. 904, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857);

l. on U.S. Highway 421 in Wilkes County, ~~($100,000)~~ ninety-two thousand eight hundred fifty-seven dollars ($92,857); and

m. at the intersection of Interstate 73 and Interstate 74 in Randolph County, ~~($100,000~~ninety-two thousand eight hundred fifty-seven dollars ($92,858) each, for two centers."

STUDY GLOBAL TRANSPARK INFRASTRUCTURE AND RAIL ACCESS

SECTION 34.23. The Department of Transportation, in collaboration with the Department of Commerce and the Department of Agriculture and Consumer Services, shall study the feasibility of infrastructure and access improvements for the Global TransPark and the North Carolina State Port Authority. As part of its study, the Department shall undertake the following:

(1) Evaluate infrastructure improvements which will promote job creation and commerce and advance development of the Global TransPark as an inland terminal, including, at a minimum, specialized transloading equipment, refrigerated and dry storage facilities, and site improvements in support of co-located manufacturing facilities on property owned by the Global TransPark Authority.

(2) Perform financial feasibility analyses for each infrastructure improvement evaluated under subdivision (1) of this section, including the following components:

a. Project scope and development time line.

b. Assessment of technical feasibility.

c. Estimates of preconstruction, construction, maintenance, and operating costs.

d. Market scenarios, including identification of target industries and commodities and assessments of market demand, impacts on cargo throughput, utilization of Authority facilities, and other associated outputs.

e. Return on investment, including direct financial return to the Authority or State as well as local and regional economic impact attributable to each project.

f. Alternatives for project financing.

(3) Assess highway and rail infrastructure improvements or service scenarios that improve access and throughput to the Global TransPark and North Carolina State Port Authority Morehead City Terminal, addressing at a minimum, the relative benefits and costs of each highway or rail project, as well as the impacts on freight movements for the highway system and connecting rail corridors. As part of this assessment, the Department shall, in collaboration with the North Carolina Railroad Company, evaluate alternate routes to improve rail capacity and access to the Morehead City Terminal and Radio Island site.

(4) In addition, the Department shall perform a financial feasibility analysis of the Wallace to Castle Hayne and Wilmington track restoration project that includes the following components:

a. Project scope and development time line.

b. Assessment of technical feasibility, including traffic flow analysis and railroad capacity modeling.
c. Service models addressing operating scenarios over the line segment and connections to other rail lines, as well as rate implications.
d. Preliminary engineering, construction, maintenance, and operating cost.
e. Service and market demand for rail service, identifying projected utilization by industry and impacts to alternate rail routes.
f. Strategic value assessment, including return on investment, direct financial return to the State, and State, regional, and local economic impact.
g. Strategic value of the corridor to military installations and as a connection to national and regional railroad corridors.
h. Inventory of commercial and industrial sites or terminals benefitting from restored rail service or improved connectivity.
i. Alternatives for project financing.

The Department shall provide a preliminary report of its findings to the Joint Legislative Transportation Oversight Committee no later than March 1, 2014, and a final report, including any recommended legislation, no later than January 1, 2015.

PERMANENT PLATES/NONPROFIT TRANSPORTATION AGENCIES

SECTION 34.24. G.S. 20-84(b) is amended by adding a new subdivision to read:

"(b) Permanent Registration Plates. – The Division may issue permanent plates for the following motor vehicles:

…

(18) A motor vehicle used for providing public transportation services and owned by a nonprofit agency that is (i) a subrecipient of federal funds from the Nonurbanized Area Formula Program (49 U.S.C. § 5311) or (ii) a recipient of federal funds from the Urbanized Area Formula Grants Program (49 U.S.C. § 5307)."

LIFE CYCLE COST ANALYSIS

SECTION 34.25. The Department of Transportation shall perform a life cycle cost analysis based on the Department's "Procedure for Life Cycle Cost Analysis" for all highway projects constructed on a new location in accordance with the following schedule:

(1) Ninety percent (90%) of applicable projects in fiscal year 2013-2014.
(2) Ninety-five percent (95%) of applicable projects in fiscal year 2014-2015.
(3) All applicable projects for fiscal years beginning after June 30, 2015.

The Department shall adopt and provide a detailed report on the life cycle cost analysis methodology and component factors used to comply with the requirement of this section to the Fiscal Research Division and the Joint Legislative Transportation Oversight Committee no later than September 1, 2013.

COUNTIES MAY USE SALES TAX REVENUE FOR ROADS

SECTION 34.26.(a) Article 12 of Chapter 153A of the General Statutes is amended by adding a new section to read:

"**§ 153A-239.2 Use of local government sales and use tax revenue for public roads.**

Counties may use the proceeds of the tax levied under Article 46 of Chapter 105 of the General Statutes to participate in the cost of rights-of-way, construction, reconstruction, improvement, or maintenance of any road on the State highway system as set forth in G.S. 136-51. This section does not authorize any referendum regarding the levy of property

taxes for right-of-way acquisition or road construction, reconstruction, improvement, or maintenance under G.S. 153A-149(d)."

SECTION 34.26.(b) G.S. 153A-239.2, as enacted by subsection (a) of this section, reads as rewritten:

"**§ 153A-239.2 Use of local government sales and use tax revenue for public roads.**

Counties may use the proceeds of the tax levied under Article 46 of Chapter 105 of the General Statutes to participate in the cost of rights-of-way, construction, reconstruction, improvement, or maintenance of any road on the State highway system as set forth in ~~G.S. 136-51.~~ G.S. 136-51, or to qualify for a bonus allocation under G.S. 136-189.11(f). This section does not authorize any referendum regarding the levy of property taxes for right-of-way acquisition or road construction, reconstruction, improvement, or maintenance under G.S. 153A-149(d)."

SECTION 34.26.(c) G.S. 136-51 reads as rewritten:

"**§ 136-51. Maintenance of county public roads vested in Department of Transportation.**

From and after July 1, 1931, the exclusive control and management and responsibility for all public roads in the several counties shall be vested in the Department of Transportation as hereinafter provided, and all county, district, and township highway or road commissioners, by whatever name designated, and whether created under public, public-local, or private acts, shall be abolished:

Provided, that for the purpose of providing for the payment of any bonded or other indebtedness, and for the interest thereon, that may be outstanding as an obligation of any county, district, or township commission herein abolished, the boards of county commissioners of the respective counties are hereby constituted fiscal agents, and are vested with authority and it shall be their duty to levy such taxes on the taxable property or persons within the respective county, district, or township by or for which said bonds or other indebtedness were issued or incurred and as are now authorized by law to the extent that the same may be necessary to provide for the payment of such obligations; and the respective commissions herein abolished shall on or before July 1, 1931, turn over to said boards of county commissioners any moneys on hand or evidences of indebtedness properly applicable to the discharge of any such indebtedness (except such moneys as are mentioned in paragraph (a) above); and all uncollected special road taxes shall be payable to said boards of county commissioners, and the portion of said taxes applicable to indebtedness shall be applied by said commissioners to said indebtedness, or invested in a sinking fund according to law. All that portion of said taxes or other funds coming into the hands of said county commissioners and properly applicable to the maintenance or improvement of the public roads of the county shall be held by them as a special road fund and disbursed upon proper orders of the Department of Transportation.

Provided, further, that in order to fully carry out the provisions of this section the respective boards of county commissioners are vested with full authority to prosecute all suitable legal actions.

Nothing in this section shall prevent a county from participating in the cost of rights-of-way, construction, reconstruction, improvement, or maintenance of a road on the State highway system under agreement with the Department of Transportation. A county is authorized and empowered to acquire land by dedication and acceptance, purchase, or eminent domain and make improvements to portions of the State highway system lying within or outside the county limits utilizing local funds that have been authorized for that ~~purpose.~~purpose or the proceeds of a tax levied under Article 46 of Chapter 105 of the General Statutes. The provisions of G.S. 153A-15 apply to any county attempting to acquire property outside its limits. All improvements to the State highway system shall be done in accordance with the specifications and requirements of the Department of Transportation."

SECTION 34.26.(d) Subsection (b) of this section is effective only if House Bill 817, 2013 Regular Session, becomes law and, as enacted, includes G.S. 136-189.11(f), "Incentives for Local Funding and Highway Tolling."

OUTSIDE LEGAL COUNSEL/DEPARTMENT OF TRANSPORTATION

SECTION 34.27. The Department of Transportation may engage the services of private counsel with the pertinent expertise to timely defend or otherwise resolve legal challenges to transportation projects undertaken by the Department. The Department of Transportation shall supervise and manage the private counsel engaged under this section and shall not be required to obtain written permission from the Attorney General under G.S. 114-2.3.

LEGISLATIVE OVERSIGHT/DMV LICENSE & THEFT TRANSFERS

SECTION 34.28.(a) The Department of Transportation and the Department of Public Safety shall jointly study the potential consolidation and transfer of the License & Theft Bureau of the Department of Transportation, Division of Motor Vehicles, to the Department of Public Safety. The study shall address, at a minimum, the following:

(1) Core functions performed by each agency, including indicators of baseline performance for each affected organizational unit.
(2) Operational impacts resulting from the consolidation and transfer.
(3) Modifications to agency organizational structure.
(4) Allocation of resources between agencies, addressing affected personnel, projected cost-savings or efficiencies, and the proposed distribution of funds by funding source.
(5) Administrative requirements for supporting information technology systems and applications, including cost allocation methodologies for system or application development, support, and maintenance.

The Departments shall jointly report the findings of the study to the Fiscal Research Division, the Joint Legislative Transportation Oversight Committee, and the Joint Legislative Oversight Committee on Justice and Public Safety no later than April 1, 2014. The joint report shall include a transition plan for any proposed consolidation or transfer which addresses requisite statutory modifications, implementation milestones, and recommended funding allocations.

SECTION 34.28.(b) The Department of Transportation and the Department of Public Safety shall not transfer any personnel or functions of the License & Theft Bureau of the Department of Transportation's Division of Motor Vehicles or enter into any agreement regarding transfer of personnel or functions of the License & Theft Bureau until passage of an act of the General Assembly authorizing the transfer.

NCRR STOCK/ASSETS DISPOSITION

SECTION 34.29.(a) Part of the Charter of the North Carolina Railroad (Section 54 of Chapter 82 of the Laws of 1848-49, as added by Chapter 1046 of the 1951 Session Laws, and as rewritten by S.L. 1997-443, Section 32.30(d)) states:

"No stock owned by the State of North Carolina in the North Carolina Railroad Company shall be sold or transferred except with the prior consent of the General Assembly, except as part of a transaction or series of transactions relating to a plan of merger or consolidation of that company with another company, and where the State will be the owner of all of the voting stock in the merged or consolidated corporation."

SECTION 34.29.(b) The Department of Transportation and the Office of State Budget and Management may entertain offers to purchase the stock owned by the State in the North Carolina Railroad and may recommend to the General Assembly a course of action with

respect to such offers. Any recommendation shall be made as a report to the House and Senate Appropriations Committees, or, if the General Assembly is not in session, the Joint Legislative Commission on Governmental Operations, and shall include, at a minimum, the identity of the potential purchasers, the number of offers received, and the range of offered values. As provided by the Charter of the North Carolina Railroad Company, as set forth in subsection (a) of this section, no sale of stock shall be executed without prior approval through an act of the General Assembly.

SECTION 34.29.(c) Any State-owned railroad company as defined in Article 2 of Chapter 124 of the General Statutes shall cooperate in providing information and access to its records and facilities to third parties to conduct due diligence in evaluating the railroad as part of a process to evaluate a sale of the stock by the State. Information or records disclosed to third parties under this subsection and protected from public disclosure by the customary terms of a confidentiality and nondisclosure agreement shall not be considered a public record under Chapter 132 of the General Statutes because the Office of State Budget and Management receives or facilitates the transmission to third parties of the information or records.

PART XXXV. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 35.1.(a) Effective for the 2013-2015 fiscal biennium, the annual salary of the Governor set by G.S. 147-11(a) shall remain unchanged at the amount of one hundred forty-one thousand two hundred sixty-five dollars ($141,265).

SECTION 35.1.(b) Effective for the 2013-2015 fiscal biennium, the annual salaries for members of the Council of State, payable monthly, shall remain unchanged as follows:

Council of State	Annual Salary
Lieutenant Governor	$124,676
Attorney General	124,676
Secretary of State	124,676
State Treasurer	124,676
State Auditor	124,676
Superintendent of Public Instruction	124,676
Agriculture Commissioner	124,676
Insurance Commissioner	124,676
Labor Commissioner	124,676

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.2. Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for the following executive branch officials shall remain unchanged as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$110,868
State Controller	155,159
Commissioner of Banks	124,676
Chair, Board of Review, Division of Employment Security	122,255
Members, Board of Review, Division of Employment Security	120,737
Chairman, Parole Commission	101,235
Members of the Parole Commission	93,464
Chairman, Utilities Commission	138,849
Members of the Utilities Commission	124,676
Executive Director, North Carolina	

Agricultural Finance Authority	107,915

JUDICIAL BRANCH

SECTION 35.3.(a) Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for specified judicial branch officials shall remain unchanged as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$142,623
Associate Justice, Supreme Court	138,896
Chief Judge, Court of Appeals	136,682
Judge, Court of Appeals	133,109
Judge, Senior Regular Resident Superior Court	129,492
Judge, Superior Court	125,875
Chief Judge, District Court	114,301
Judge, District Court	110,684
District Attorney	120,737
Administrative Officer of the Courts	128,259
Assistant Administrative Officer of the Courts	117,152
Public Defender	120,737
Director of Indigent Defense Services	124,498

SECTION 35.3.(b) Effective for the 2013-2015 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:

(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.

(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.

(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged.

(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.

LEGISLATIVE BRANCH

SECTION 35.4. For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:

(1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.

(2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.

(3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

COMMUNITY COLLEGES PERSONNEL

SECTION 35.5.(a) The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the 2013-2015 fiscal biennium.

SECTION 35.5.(b) For the 2013-2015 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	$34,314
Associate Degree or Equivalent	34,819
Bachelor's Degree	37,009
Masters Degree or Education Specialist	38,952
Doctoral Degree	41,753

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 35.6.(a) The annual compensation 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 remain unchanged for the 2013-2015 fiscal biennium.

SECTION 35.6.(b) The annual compensation of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the 2013-2015 fiscal biennium.

MOST STATE EMPLOYEES

SECTION 35.7. For the 2013-2015 fiscal biennium, the salaries in effect June 30, 2013, for the following employees shall remain unchanged, effective July 1, 2013:

(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.

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES/NO AUTOMATIC INCREASES/AUTHORIZED SALARY ADJUSTMENT FUND ACTIONS NOT PROHIBITED

SECTION 35.8.(a) The annual compensation of all employees subject to or exempt from the State Personnel Act, including employees of local boards of education, community colleges, and The University of North Carolina, for the 2013-2015 fiscal biennium shall remain unchanged from that authorized on June 30, 2013, or the last date in pay status during the 2011-2013 fiscal biennium, if earlier, unless an increase is authorized by this section or under the Salary Adjustment Fund established by this act.

SECTION 35.8.(b) Salary increases may be awarded during the 2013-2015 fiscal biennium under this section only for the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to

the salary freeze otherwise provided by this Part. All other salary increases are prohibited.

(1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is funded from local funding sources.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for each fiscal year during the 2013-2015 fiscal biennium may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 35.8.(c) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2013-2015 fiscal biennium.

SECTION 35.8.(d) The salary increase provisions of G.S. 20-187.3 are suspended for the 2013-2015 fiscal biennium.

SECTION 35.8.(e) During the 2013-2015 fiscal biennium, notwithstanding G.S. 53C-2-3(c), employees of the Office of the Commissioner of Banks shall not be awarded (i) compensation increases unless allowed under subdivision (1) of subsection (b) of this section or (ii) compensation bonuses.

SECTION 35.8.(f) Employees of the Lottery Commission shall not receive compensation bonuses during the 2013-2015 fiscal biennium.

MONITOR MOST SALARY INCREASES

SECTION 35.9.(a) The Office of State Budget and Management and the Office of State Personnel shall monitor jointly the compliance of the following units of government with the provisions of Section 35.8 of this act and shall submit quarterly reports of their monitoring activities to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division: (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions.

The quarterly reports required by this section shall include the following information:

(1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including, but not limited to, promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay, trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.

(2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the University as promotions, changes in job duties or responsibilities,

Distinguished Professorships, retention pay, career progression, and any other similar actions increasing employee pay.

(3) A summary of actions taken by the Office of State Budget and Management and the Office of State Personnel with respect to unauthorized salary increases.

SECTION 35.9.(b) The Legislative Services Officer shall report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with Section 35.8 this act.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 35.10.(a) There are established in the Office of State Budget and Management General Fund and Highway Fund reserve budget codes for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. Severance-related expenditures from these reserves shall include obligations to fund:

(1) A State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer-related contributions for social security, and

(2) Noncontributory health premiums for up to 12 months as authorized by G.S. 135-48.40(b)(8) for employees of employing units as defined by G.S. 135-48.1(11).

SECTION 35.10.(b) The Director of the Budget shall allocate funds appropriated in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations.

Funds appropriated to the Severance Expenditure Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Funds appropriated to the Severance Expenditure Reserve may also be allocated to public agencies 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 but only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; or a local school administrative unit.

DHHS FLEXIBILITY FOR SALARY DETERMINATIONS FOR THE INITIAL EMPLOYMENT OF CERTAIN LICENSED PROFESSIONAL EMPLOYEES

SECTION 35.10A. The Department of Health and Human Services (Department) shall have flexibility to make salary determinations for the initial employment of facility directors and licensed physicians, dentists, nurses, and other allied health professionals within the State facilities under the jurisdiction of the Secretary of Health and Human Services pursuant to G.S. 122C-181. The Department shall exercise this flexibility within its existing resources and shall not make any salary determinations that exceed the maximum of the applicable salary range established by the Office of State Personnel (OSP) under the authority of Chapter 126 of the General Statutes. Beginning September 1, 2013, and then quarterly thereafter, the Department and the OSP shall report jointly to the Joint Legislative Commission

on Governmental Operations and to the Fiscal Research Division on the salary actions taken under this section.

SALARY ADJUSTMENT FUND

SECTION 35.10B.(a) The Salary Adjustment Fund is established to make funding available for salary increases in the executive, legislative, and judicial branches for specified purposes only as authorized in this section. Funds appropriated to the Salary Adjustment Fund by this act, or any other provision of law, shall only be used to fund agency requests for the following purposes in order to provide competitive salary rates: (i) to compensate employees for more difficult duties and (ii) for affected job classifications and groups in response to labor market rates:

(1) Reallocation of positions to higher level job classifications.
(2) In-range adjustments for job change.
(3) Career progression adjustments for demonstrated competencies.
(4) Salary range revisions.
(5) Geographic site differential adjustments.
(6) In-range adjustments for labor market.
(7) In-range adjustments for equity issues.
(8) Any other adjustments related to an increase in job duties or responsibilities or labor market changes.

These adjustments must be documented through data collection and analysis according to accepted human resource professional practices and standards. Further, funds may only be used for salary adjustments for the stated purposes that are in compliance with State Personnel Commission policies and other provisions of the Act. Funding shall be first provided to the oldest pending adjustments approved by the State Personnel Commission or the Office of State Personnel and shall not be used for any other purposes.

SECTION 35.10B.(b) Employees subject to the State Personnel Act in The University of North Carolina System are eligible for funding authorized in this section. Employees of local school boards and community colleges are not eligible for funding authorized in this section.

SECTION 35.10B.(c) The Director of the Budget may transfer to General Fund budget codes from the Salary Adjustment Fund amounts required to support salary adjustments authorized by this section with the oldest of the pending adjustments to be funded first. The Director of the Budget shall consult with the Joint Legislative Commission on Governmental Operations prior to transferring any salary adjustment funds pursuant to this section.

SECTION 35.10B.(d) For employees of the Department of Transportation or whose salaries are funded by the Highway Fund, the sum of up to three million dollars ($3,000,000) of funds available to the Department of Transportation for 2013-2015 fiscal biennium may be used for salary increases consistent with this section. Salary increases awarded under this subsection are special circumstances adjustments under Section 35.8 of this act.

SPECIAL ANNUAL LEAVE BONUS

SECTION 35.10C. Any person (i) who was on July 1, 2013, a full-time permanent employee of the State, a community college institution, or a local board of education, or was under contract on July 1, 2013, to be employed for the 2013-2014 school year in such a position, and (ii) who is eligible to earn annual leave, shall have a one-time additional five days of annual leave credited on July 1, 2013. The additional leave shall be accounted for either separately or together with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, and by Section 29.14A of S.L. 2005-276 and shall remain available until used, notwithstanding any other limitation on the total number of days of annual

leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days.

TEACHER SALARY SCHEDULES

SECTION 35.11.(a) The following monthly salary schedules shall apply for the 2013-2014 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 37 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a masters degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2013-2014 Monthly Salary Schedule
"A" Teachers

Years of Experience	"A" Teachers	NBPTS Certification
0-2	$3,080	N/A
3-5	$3,080	$3,450
6	$3,122	$3,497
7	$3,167	$3,547
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	$3,865	$4,329
14	$3,914	$4,384
15	$3,965	$4,441
16	$4,015	$4,497
17	$4,066	$4,554
18	$4,118	$4,612
19	$4,171	$4,672
20	$4,226	$4,733
21	$4,282	$4,796
22	$4,337	$4,857
23	$4,397	$4,925
24	$4,456	$4,991
25	$4,515	$5,057
26	$4,577	$5,126
27	$4,639	$5,196
28	$4,706	$5,271
29	$4,771	$5,344
30	$4,836	$5,416
31	$4,903	$5,491
32	$4,972	$5,569
33	$5,044	$5,649
34	$5,116	$5,730
35	$5,215	$5,841
36+	$5,318	$5,956

2013-2014 Monthly Salary Schedule
"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0-2	$3,388	N/A
3-5	$3,388	$3,795
6	$3,434	$3,846
7	$3,484	$3,902
8	$3,633	$4,069
9	$3,790	$4,245
10	$3,938	$4,411
11	$4,082	$4,572
12	$4,198	$4,702
13	$4,252	$4,762
14	$4,305	$4,822
15	$4,362	$4,885
16	$4,417	$4,947
17	$4,473	$5,010
18	$4,530	$5,074
19	$4,588	$5,139
20	$4,649	$5,207
21	$4,710	$5,275
22	$4,771	$5,344
23	$4,837	$5,417
24	$4,902	$5,490
25	$4,967	$5,563
26	$5,035	$5,639
27	$5,103	$5,715
28	$5,177	$5,798
29	$5,248	$5,878
30	$5,320	$5,958
31	$5,393	$6,040
32	$5,469	$6,125
33	$5,548	$6,214
34	$5,628	$6,303
35	$5,737	$6,425
36+	$5,850	$6,552

SECTION 35.11.(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 35.11.(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 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 35.11.(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.

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 35.11.(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 35.11.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 35.11.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 35.11.(h) Public school employees and State agency employees paid on the teacher salary schedule shall not move up on salary schedules or receive automatic step increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the General Assembly.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 35.12.(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 2013-2014 fiscal year, commencing July 1, 2013. Provided, however, school-based administrators (i) employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2013-2014 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2013-2014 Principal and Assistant Principal Salary Schedules

	Classification				
Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-9	$3,828	-	-	-	-
10	$3,977	-	-	-	-
11	$4,123	-	-	-	-
12	$4,240	-	-	-	-
13	$4,295	$4,295	-	-	-
14	$4,348	$4,348	-	-	-

15	$4,406	$4,406	$4,461	-	-
16	$4,461	$4,461	$4,518	-	-
17	$4,518	$4,518	$4,575	$4,634	-
18	$4,575	$4,575	$4,634	$4,695	$4,757
19	$4,634	$4,634	$4,695	$4,757	$4,819
20	$4,695	$4,695	$4,757	$4,819	$4,885
21	$4,757	$4,757	$4,819	$4,885	$4,951
22	$4,819	$4,819	$4,885	$4,951	$5,017
23	$4,885	$4,885	$4,951	$5,017	$5,085
24	$4,951	$4,951	$5,017	$5,085	$5,154
25	$5,017	$5,017	$5,085	$5,154	$5,229
26	$5,085	$5,085	$5,154	$5,229	$5,300
27	$5,154	$5,154	$5,229	$5,300	$5,373
28	$5,229	$5,229	$5,300	$5,373	$5,447
29	$5,300	$5,300	$5,373	$5,447	$5,524
30	$5,373	$5,373	$5,447	$5,524	$5,603
31	$5,447	$5,447	$5,524	$5,603	$5,684
32	$5,524	$5,524	$5,603	$5,684	$5,794
33	$5,603	$5,603	$5,684	$5,794	$5,909
34	$5,684	$5,684	$5,794	$5,909	$6,027
35	$5,794	$5,794	$5,909	$6,027	$6,148
36	$5,909	$5,909	$6,027	$6,148	$6,271
37	-	$6,027	$6,148	$6,271	$6,396
38	-	-	$6,271	$6,396	$6,524
39	-	-	$6,396	$6,524	$6,654
40	-	-	-	$6,654	$6,787
41	-	-	-	$6,787	$6,923
42	-	-	-	-	$7,061

2013-2014 Principal and Assistant Principal Salary Schedules

	Classification			
Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-19	$4,885	-	-	-
20	$4,951	-	-	-
21	$5,017	$5,085	-	-
22	$5,085	$5,154	$5,300	-
23	$5,154	$5,229	$5,373	$5,447
24	$5,229	$5,300	$5,447	$5,524
25	$5,300	$5,373	$5,524	$5,603
26	$5,373	$5,447	$5,603	$5,684
27	$5,447	$5,524	$5,684	$5,794
28	$5,524	$5,603	$5,794	$5,909
29	$5,603	$5,684	$5,909	$6,027
30	$5,684	$5,794	$6,027	$6,148
31	$5,794	$5,909	$6,148	$6,271
32	$5,909	$6,027	$6,271	$6,396
33	$6,027	$6,148	$6,396	$6,524
34	$6,148	$6,271	$6,524	$6,654
35	$6,271	$6,396	$6,654	$6,787
36	$6,396	$6,524	$6,787	$6,923

37	$6,524	$6,654	$6,923	$7,061
38	$6,654	$6,787	$7,061	$7,202
39	$6,787	$6,923	$7,202	$7,346
40	$6,923	$7,061	$7,346	$7,493
41	$7,061	$7,202	$7,493	$7,643
42	$7,202	$7,346	$7,643	$7,796
43	$7,346	$7,493	$7,796	$7,952
44	-	$7,643	$7,952	$8,111
45	-	$7,796	$8,111	$8,273
46+	-	-	$8,273	$8,438

SECTION 35.12.(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 35.12.(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. Provided, however, a principal who acquires an additional step for the 2013-2014 or 2014-2015 fiscal years shall not receive a corresponding increase in salary during the 2013-2015 fiscal biennium. 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 35.12.(d) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars ($253.00) per month.

SECTION 35.12.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 35.12.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as

if the principal had served the principal's entire career as a principal at the higher job classification.

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

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

SECTION 35.12.(g) Participants in an approved full-time masters in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time masters in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 35.12.(h) During the 2013-2015 fiscal biennium, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 35.12.(i) Public school employees and State agency employees paid on the school based administrator salary schedule shall not move up on salary schedules or receive automatic step increases, or other increments during the 2014-2015 Fiscal Year unless authorized by the General Assembly.

CENTRAL OFFICE SALARIES

SECTION 35.13.(a) The monthly salary ranges that follow, which apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.

School Administrator I	$3,349	$6,281
School Administrator II	$3,550	$6,662
School Administrator III	$3,769	$7,068
School Administrator IV	$3,920	$7,349
School Administrator V	$4,078	$7,647
School Administrator VI	$4,326	$8,109
School Administrator VII	$4,500	$8,436

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

SECTION 35.13.(b) The monthly salary ranges that follow, which apply to public school superintendents, shall remain unchanged for the 2013-2015 fiscal biennium, beginning July 1, 2013.

Superintendent I	$4,777	$8,949
Superintendent II	$5,071	$9,490
Superintendent III	$5,380	$10,067

Superintendent IV	$5,710	$10,679
Superintendent V	$6,060	$11,330

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

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

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

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

SECTION 35.13.(f) The salaries of all permanent, full-time personnel paid from the Central Office Allotment shall remain unchanged for the 2013-2015 fiscal biennium.

NONCERTIFIED PERSONNEL SALARIES

SECTION 35.14. The annual salary for permanent, full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall be remain unchanged for the 2013-2015 fiscal biennium.

SALARY-RELATED CONTRIBUTIONS

SECTION 35.15.(a) Effective for the 2013-2015 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Notwithstanding any other provision of law, an employing unit, as defined in G.S. 135-48.1, that hires or has hired as an employee a retiree that is in receipt of monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State shall enroll the retiree in the active group and pay the cost for the hospital medical benefits if that retiree is employed in a position that would require the employer to pay hospital medical benefits if the individual had not been retired.

SECTION 35.15.(b) Effective July 1, 2013, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2013-2015 fiscal biennium are (i) fourteen and sixty-nine hundredths percent (14.69%) –

Teachers and State Employees; (ii) nineteen and sixty-nine hundredths percent (19.69%) – Law Enforcement Officers; (iii) fourteen and twenty-nine hundredths percent (14.29%) – Law Enforcement Officers with the Department of Public Safety or the State Bureau of Investigation; (iv) twelve and sixty-eight hundredths percent (12.68%) – University Employees' Optional Retirement System; (v) twelve and sixty-eight hundredths percent (12.68%) – Community College Optional Retirement Program; (vi) thirty-three and forty-one hundredths percent (33.41%) – Consolidated Judicial Retirement System; and (vii) five and forty hundredths percent (5.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and forty hundredths percent (5.40%) for hospital and medical benefits except for the law enforcement officers with the Department of Public Safety or the State Bureau of Investigation. The rate for Teachers and State Employees, State Law Enforcement Officers, Law Enforcement Officers with the Department of Public Safety or the State Bureau of Investigation, Community College Optional Retirement Program, and the University Employees' Optional Retirement Program includes forty-four hundredths percent (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees, State Law Enforcement Officers, and Law Enforcement Officers with the Department of Public Safety or the State Bureau of Investigation include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers and Law Enforcement Officers with the Department of Public Safety or the State Bureau of Investigation includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees, State Law Enforcement Officers, and Law Enforcement Officers with the Department of Public Safety or the State Bureau of Investigation includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.15.(c) Effective July 1, 2013, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare eligible employees and retirees – four thousand one hundred eight dollars ($4,108) and (ii) non-Medicare eligible employees and retirees – five thousand two hundred eighty-six dollars ($5,286).

SECTION 35.15.(d) Effective July 1, 2014, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare eligible employees and retirees – four thousand two hundred fifty-six dollars ($4,256) and (ii) non-Medicare eligible employees and retirees – five thousand four hundred seventy-six dollars ($5,476).

SEPARATE INSURANCE BENEFITS PLAN ASSETS/PAYMENT OF HEALTH INSURANCE PREMIUMS FOR LAW ENFORCEMENT OFFICERS

SECTION 35.17.(a) G.S. 143-166.60 is amended by adding a new subsection to read:

"(d1) In addition to the benefits provided under subsection (d) of this section, the assets of the Plan may be used to pay the employer health insurance contributions and contribution rates on behalf of law enforcement officers, as defined in G.S. 135-1(11c), employed by the State and former law enforcement officers receiving a retirement allowance from the Teachers' and State Employees' Retirement System."

SECTION 35.17.(b) During the 2013-2015 fiscal biennium, the Department of Public Safety shall report monthly to the State Health Plan for Teachers and State Employees the total amount of employer premiums due on behalf of sworn law enforcement officers employed by the Department. The Plan shall reduce the total premiums the Department of Public Safety owes by this amount, and the Department of State Treasurer shall transfer the

same amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to the Plan.

SECTION 35.17.(c) During the 2013-2015 fiscal biennium, the Department of Justice shall report monthly to the State Health Plan for Teachers and State Employees the total amount of employer premiums due on behalf of sworn law enforcement officers employed in the State Bureau of Investigation (SBI). The Plan shall reduce the total premiums the Department of Justice owes by this amount, and the Department of State Treasurer shall transfer the same amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to the Plan.

SECTION 35.17.(d) For each fiscal year of the 2013-2015 fiscal biennium, the Department of State Treasurer shall calculate the total compensation for which the Department of Public Safety has paid retirement contributions on behalf of sworn law enforcement officers. The Department of State Treasurer shall multiply this total compensation by five and forty hundredths percent (5.40%) for months during the 2013-2014 fiscal year and five and fifty-nine hundredths percent (5.59%) for months during the 2014-2015 fiscal year and shall transfer the resulting amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to the Retiree Health Benefit Fund established under G.S. 135-7(f).

SECTION 35.17.(e) For each fiscal year of the 2013-2015 fiscal biennium, the Department of State Treasurer shall calculate the total compensation for which the Department of Justice has paid retirement contributions on behalf of sworn law enforcement officers employed in the State Bureau of Investigation (SBI). The Department of State Treasurer may use an alternative calculation in which it multiplies the total contributions on behalf of all sworn law enforcement officers in the Department of Justice by a reasonable estimate of the fraction of those officers employed in the SBI. The Department of State Treasurer shall multiply this total compensation by five and forty hundredths percent (5.40%) for months during the 2013-2014 fiscal year and five and fifty-nine hundredths percent (5.59%) for months during the 2014-2015 fiscal year and shall transfer the resulting amount from the Separate Insurance Benefit Plan established under G.S. 143-166.60 to the Retiree Health Benefit Fund established under G.S. 135-7(f).

STATE HEALTH PLAN BOARD TO CONTROL GROWTH OF EMPLOYER PREMIUM

SECTION 35.18. The Board of Trustees of the State Health Plan for Teachers and State Employees shall adopt new plan changes, beyond those already approved as of June 1, 2013, that are expected to reduce the average annual rate of increase in employer premiums needed over the next four years by at least one percent (1%). The plan changes may include one or more of the following: changes to out-of-pocket requirements, changes to employee or retiree premiums, new plan options, changes in the services and products covered, changes to the provider network structure, changes to provider rates or payment methodology, incentives to Plan members to adopt or maintain healthy behaviors, incentives to Plan members to control utilization, any type of integrated health management program, fraud detection, utilization management, or changes in plan administration.

PART XXXVI. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 36.1. 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 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	-
Department of Environment and Natural Resources		
Water Resources Development Projects	13,522,000	-
Department of Public Safety		
National Guard Projects	5,000,000	3,250,000
Samarkand Training Facility	5,250,000	5,173,000
The University of North Carolina System		
Appalachian State University – Health Sciences Building Advance Planning	2,000,000	2,000,000
University of North Carolina Asheville – Land Purchases	2,000,000	-
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 27,897,000**	**$ 10,423,000**

SECTION 36.2.(b) Funds appropriated in subsection (a) of this section for the Sandhills State Veterans Facility – Committal Enclosure shall be used to match non-State funds. The total project cost authorized is three hundred thousand dollars ($300,000).

SECTION 36.2.(c) Funds appropriated in subsection (a) of this section for the Samarkand Training Facility shall be used to convert the former Samarkand Youth Development Center property and facilities into an overnight Department of Public Safety training facility that shall include a firing range.

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.3.(a) The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated thirty-nine million five hundred forty-eight thousand dollars ($39,548,000) in federal funds.

Name of Project		**2013-2014**
(1)	B. Everett Jordan Lake Water Supply Storage A	$ 200,000
(2)	Wilmington Harbor Deepening (75/25)	2,266,000
(3)	Morehead City Harbor Maintenance	-
(4)	Wilmington Harbor Maintenance (Disposal Area 8 & 10)	2,000,000
(5)	2012 Long-Term Dredging Memorandum of Agreement with USACE	2,000,000
(6)	Wilmington Harbor Improvements Feasibility (50/50)	503,000
(7)	Planning Assistance to Communities (50/50)	25,000
(8)	Manteo Old House Channel Cap Sec. 204 (65/35)	2,219,000
(9)	Natural Resources Conservation Service EQIP Project (75/25)	1,500,000
(10)	Wrightsville Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,077,000
(11)	Ocean Isle Beach Coastal Storm Damage Reduction Project (65/35)(Full Project)	1,481,000
(12)	Carolina Beach Coastal Storm Damage	

	Reduction Project (65/35)(40% project)	727,000
(13)	Kure Beach Coastal Storm Damage Reduction Project (65/35)(40% project)	808,000
(14)	Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
(15)	Concord Streams, NC Sec 206 (65/35)	1,023,000
(16)	Aquatic Plant Control, Statewide and Lake Gaston (50/50)	200,000
TOTALS		**$ 16,066,000**

SECTION 36.3.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the thirteen million five hundred twenty-two thousand dollars ($13,522,000) appropriated for water resources development projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

	Name of Project	**Amount Carried Forward**
(1)	Wilmington Harbor Maintenance (Disposal Area 8 & 10)	$ 1,200,000
(2)	Wilmington Harbor Improvements Feasibility (50/50)	57,000
(3)	Manteo Old House Channel Cap Sec. 204 (65/35)	1,250,000
(4)	Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25)	37,000
TOTALS		**$ 2,544,000**

SECTION 36.3.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2013-2014 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) U.S. Army Corps of Engineers project feasibility studies.
(2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in the 2013-2014 fiscal year.
(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2014-2015 fiscal year.

SECTION 36.3.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.
(2) The estimated cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.3.(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.

SECTION 36.3.(f) Up to two hundred fifty thousand dollars ($250,000) of the funds appropriated to the Department of Environment and Natural Resources for the Parks and Recreation Trust Fund for the 2013-2014 fiscal year may be transferred to the Division of Water Resources of the Department of Environment and Natural Resources to be used for the Lake Waccamaw Hydrilla Eradication Project. The funds transferred under this section shall be transferred to the Division of Water Resources on an as-needed basis.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund Funding Authorized for FY 2013-2014**
Department of Agriculture and Consumer Services	
Western North Carolina Agricultural Center – Midway Pavilion	$ 125,000
Western North Carolina Agricultural Center – Fill Retention Ponds	250,000
Piedmont Research Station – Calf Barn Construction	150,000
Research Stations – Forest Road Construction	150,000
Raleigh Farmers Market – Parking Improvement/Expansion	200,000
Department of Environment and Natural Resources	
Zoo Ocelot	642,000
Zoo Storage Facility	490,000
Aquariums – Exhibit Improvements & Interior Renovations at Roanoke Island	5,000,000
Department of Public Safety	
Tabor Correctional Visitor Registration Center	121,754
Correction Enterprise Storage Buildings	75,000
NC National Guard	
Albemarle Readiness Center	410,000
Fort Fisher Training Site	1,138,000
Fort Bragg Regional Training Inst.	250,000
USPFO Administration Building	350,000
Camp Butner West Perimeter Road	495,000
J4 Annex Motor Pool New Latrine	30,000
High Point Readiness Center Maintenance Shop	70,000
Camp Butner Classroom Building Phase 1 Design	50,000
Fort Bragg MATES Lower Parking Lot Storm Water Management	499,000

Fort Bragg MATES Lower Parking Lot Concrete Pavement`	740,000
Kinston Field Maintenance Shop #18 Motor Pool Parking Lot Repair	225,000
Electronic Simulation Training Building	750,000
Fire Bucket Storage Building	500,000
Camp Butner Big Top	475,000
Department of Transportation	
Lexington Equipment Shop	2,288,000
Division 2 Equipment Shop	7,044,300
Clay County Equipment Shop	1,210,000
Halifax County Salt Storage Shed	186,000
Lake Junaluska Salt Storage Shed	266,000
Nantahala Salt Storage Shed	35,000
Currituck Ferry Welcome Center	1,200,000
McDowell County Maintenance/Bridge Maintenance Assembly Office	1,500,000
Huntersville Satellite Maintenance Facility	96,300
Elizabeth City District/Resident Engineers Office	1,000,000
Southport Dormitory	862,000
Asheboro Maintenance Warehouse and Sign Subshop	489,000
Hatteras Toll Booth	76,000
Graham County Maintenance Assembly	704,000
Division 8 Office	141,000
Wildlife Resources Commission	
Land Purchases	3,750,000
Table Rock Hatchery Building Replacement	500,000
Construction of New Fishing Access Areas	240,000
Construction of New Boating Access Areas	800,000
Construction of New Shooting Ranges	1,500,000
New Cold Water Hatchery – Advance Planning	100,000
Holly Shelter Game Lands – Maintenance Building Replacement	250,000
Sandhills Depot – Building Replacement	600,000
Renovations to Existing BAAs	800,000
ADA Initiative of Existing BAAs	280,000
Infrastructure R&R	1,500,000
Sandhills Depot Shop and Storage Building	435,000
Holly Shelter Shop and Secure Storage Building	250,000
Tiffany Depot Storage Shed and Shop	165,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$41,453,354**

SECTION 36.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars ($30,000) for the 2013-2014 fiscal year and the sum of thirty thousand dollars ($30,000) for the 2014-2015 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 36.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2013-2014 and the 2014-2015 fiscal year, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

(1) One-third shall be allocated to the Board of Governors of The University of North Carolina.

(2) Two-thirds shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management and the Board of Governors shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(d).

SECTION 36.5.(b) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for the installation of fire sprinklers in university residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the university's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The safety and well-being of the residents of campus housing programs.

(2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.

(3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund or from bonds or certificates of participation supported by the General Fund since 1996.

(4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

(5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 36.5.(c) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

SECTION 36.5.(d) G.S. 143C-4-3(b), as rewritten by Section 6.12(l) of this act, reads as rewritten:

"(b) Use of Funds. – The funds in the Repairs and Renovations Reserve shall be used only for the repair and renovation of <u>(i)</u> State facilities and related infrastructure that are supported from the General ~~Fund.~~Fund or <u>(ii) State Information Technology Services facilities and related infrastructure.</u> Funds from the Repairs and Renovations Reserve shall be used only for the following types of projects:

(1) Roof repairs and replacements;

(2) Structural repairs;

(3) Repairs and renovations to meet federal and State standards;

(4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems;
(5) Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
(6) Improvements to meet fire safety needs;
(7) Improvements to existing facilities for energy efficiency;
(8) Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks;
(9) Improvements and renovations to improve use of existing space;
(10) Historical restoration;
(11) Improvements to roads, walks, drives, utilities infrastructure; and
(12) Drainage and landscape improvements.

Funds from the Repairs and Renovations Reserve shall not be used for new construction or the expansion of the building area (sq. ft.) of an existing facility unless required in order to comply with federal or State codes or standards."

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 36.6. The appropriations made by the 2013 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2013 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2013 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

REPORTING ON CAPITAL PROJECTS

SECTION 36.7.(a) Definitions. – The following definitions apply in this section:

(1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with State funds, including receipts, non-General Fund sources, or statutorily or constitutionally authorized indebtedness of any kind. This term includes only projects with a total cost of one hundred thousand dollars ($100,000) or more.

(2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.

(3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

SECTION 36.7.(b) Reporting. – The following reports are required:

(1) By October 1, 2013, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations.

(2) By October 1, 2013, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division and to the Office of State Budget and Management.

SECTION 36.7.(c) The reports required by subsection (b) of this section shall include at least the following information about every agency capital project:

(1) The current construction phase of the project.

(2) The anticipated time line from the current construction phase to project completion.

(3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.

(4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.

(5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

SECTION 36.7.(d) In addition to the other reports required by this section on October 1, 2013, and every six months thereafter, the Office of State Construction shall report on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative Commission on Governmental Operations. The report shall include (i) summary information about the average length of time that passes between FCAP assessments for an average State building; (ii) detailed information about when the last FCAP assessment was for each State building complex; and (iii) detailed information about the condition and repairs and renovations needs of each State building complex.

SECTION 36.7.(e) In addition to the other reports required by this section on October 1, 2013, and quarterly thereafter, the State Construction Office shall report to the General Assembly on the status of plan review, approval, and permitting for each State capital improvement project and community college capital improvement project over which the Office exercises plan review, approval, and permitting authority. Each report shall include (i) summary information about the workload of the Office during the previous quarter, including information about the average length of time spent by the State Construction Office on each major function it performs that is related to capital project approval and (ii) detailed information about the amount of time spent engaged in those functions for each project that the State Construction Office worked on during the previous quarter.

AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR REPAIRS AND RENOVATIONS

SECTION 36.9. Notwithstanding any other provision of law, for purposes of G.S. 143C-8-12, the term "non-General Fund money" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3. However, these funds shall only be used for projects listed in G.S. 143C-4-3(b). This section shall expire on June 30, 2014.

LIMIT UNC REPAIRS AND MAINTENANCE EXEMPTION

SECTION 36.10. G.S. 116-13.1(c) reads as rewritten:

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

NATIONAL GUARD PROJECTS

SECTION 36.11.(a) The Department of Public Safety shall allocate funds for National Guard capital projects during the 2013-2015 fiscal biennium in accordance with the schedule that follows. These funds will provide a State match for an estimated twenty-one million dollars ($21,000,000) in federal funds. The projects authorized, the allocation of State funds for each project, and the total project cost authorized for each project are as follows:

	Name of Project	State Fund Allocation	Total Project Cost
(1)	Wilmington Building Expansion/Rehab	$ 375,000	$ 1,125,000
(2)	Wilmington Site Expansion/Rehab	250,000	1,250,000
(3)	Nashville Building Expansion/Rehab	375,000	1,125,000
(4)	Nashville Site Expansion/Rehab	250,000	1,250,000
(5)	Clinton Building Expansion/Rehab	375,000	1,125,000
(6)	Clinton Site Expansion/Rehab	250,000	1,250,000
(7)	Salisbury Building Expansion/Rehab	375,000	1,125,000
(8)	Salisbury Site Expansion/Rehab	250,000	1,250,000
(9)	Parkton Building Expansion/Rehab	375,000	1,125,000
(10)	Parkton Site Expansion/Rehab	250,000	1,250,000
(11)	Benson Building Expansion/Rehab	375,000	1,125,000
(12)	Benson Site Expansion/Rehab	250,000	1,250,000
(13)	Charlotte Building Expansion/Rehab	375,000	1,125,000
(14)	Asheboro Site Expansion/Rehab	250,000	1,250,000
(15)	Winston-Salem Building Expansion/Rehab	375,000	1,125,000
(16)	Winston-Salem Site Expansion/Rehab	250,000	1,250,000
(17)	Concord Building Expansion/Rehab	375,000	1,125,000
(18)	Concord Site Expansion/Rehab	250,000	1,250,000
(19)	Burlington Site Expansion/Rehab	375,000	1,125,000
(20)	Albemarle Site Expansion/Rehab	375,000	1,125,000
(21)	Belmont Building Rehab	375,000	1,125,000
(22)	Beulaville Building Expansion/Rehab	375,000	1,125,000
(23)	Boone Building Expansion/Rehab	375,000	1,125,000
(24)	Dunn Building Expansion/Rehab	375,000	1,125,000
(25)	Durham Building Expansion/Rehab	375,000	1,125,000
TOTALS		**$ 8,250,000**	**29,250,000**

SECTION 36.11.(b) Subject to the limitations imposed by Section 36.2(a) of this act, the Adjutant General of the National Guard may determine which projects listed in

subsection (a) of this section shall receive an allocation of State funds in each fiscal year of the biennium.

SECTION 36.11.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Adjutant General of the National Guard may adjust the allocations among projects as needed. However, State funds shall not be allocated to a project in excess of the maximum amount of State funds authorized to be allocated to the project under subsection (a) of this section. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2013-2015 fiscal biennium, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) Future project feasibility studies.
(2) Survey, testing, and permitting.
(3) Planning and execution for reversion of facilities no longer in use.

SECTION 36.11.(d) No later than June 1, 2015, and every two years thereafter, the Department shall report on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) The status of all projects listed in this section.
(2) The estimated total cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of each project, including federal matching funds.
(6) Facilities planned for closure or reversion.
(7) A list of projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.11.(e) Chapter 127A of the General Statutes is amended by adding a new Article to read:

"Article 17.
"Armory and Facility Development Projects and Plan.

"**§ 127A-210. Armory and facility development project plan.**

(a) Plan Prepared. – No later than July 1 of each year, the Department of Public Safety shall prepare a statewide plan for armories for a period of seven years into the future. The plan shall be known as the Armory and Facilities Development Plan. If the plan differs from the Armory and Facilities Development Plan adopted for the preceding calendar year, the Department shall indicate the changes and the reasons for such changes. The Department shall submit the plan to the Director of the Budget for review.

(b) Projects Listed. – The plan shall list the following armory and facilities projects based on their status as of May 1 of the year in which the plan is prepared:

(1) Projects approved by the Congress of the United States but for which federal funds have not been appropriated.
(2) Projects for which the Congress of the United States has appropriated funds.

(c) Project Priorities and Funding Recommendations. – The Department shall assign a priority to each project within each of the two categories listed under subsection (b) of this section, either by giving the project a number with "1" assigned to the highest priority, or by recommending no funding. The Department shall state its reasons for recommending the funding, deferral, or elimination of a project. The Department shall determine the priority of a project based on the following criteria: federal requirements, a project's proximity to transportation infrastructure and other critical State and federal assets, and a project's ability to further the mission of the National Guard.

(d) Distribution of the Plan. – The Director of the Budget shall provide copies of the plan to the General Assembly along with the recommended biennial budget and the recommended revised budget for the second year of the biennium.

(e) Budget Recommendations. – The Director of the Budget shall determine which projects, if any, will be included in the recommended biennial budget and in the recommended revised budget for the second year of the biennium. The budget document transmitted to the General Assembly shall identify the projects or types of projects recommended for funding.

(f) Definitions. – For purposes of this section, the terms "armory," "armory site," and "facilities" shall have the same meaning as in G.S. 127A-161."

SECTION 36.11.(f) G.S. 127A-169 reads as rewritten:

"**§ 127A-169. Unexpended portion of State appropriation.**

The unexpended portion of any appropriation from the General Fund of the State for the purposes set out in this ~~Article,~~Article, or in Article 17 of this Chapter, remaining at the end of any biennium, shall not revert to the General Fund of the State, but shall constitute part of a permanent fund to be expended from time to time in the manner and for the purposes set out in this Article."

CLARIFY GENERAL ASSEMBLY'S AUTHORITY TO MAKE REPAIRS

SECTION 36.13. G.S. 120-32 reads as rewritten:

"**§ 120-32. Commission duties.**

The Legislative Services Commission is authorized to:

…

(11) To specify the operating and capital uses within the General Assembly budget of funds appropriated to the General Assembly which remain available for expenditure after the end of the biennial fiscal period, and to revert funds under G.S. 143C-1-2.

…."

CLOSURE OF HORACE WILLIAMS AIRPORT

SECTION 36.14. The Board of Governors of The University of North Carolina shall effectuate the closure of the Horace Williams Airport by August 1, 2013.

REPAIR, MAINTENANCE, AND SELF-CONSTRUCTION TO STATE PROPERTY

SECTION 36.15. Notwithstanding any other provision of the law, an employee of a State agency or institution may perform work involving the installation, construction, maintenance, or repair of any buildings, wiring, piping, devices, appliances, or equipment located in or constituting improvements located on State-owned land without the requirement of licensure under Chapter 87 of the General Statutes if (i) the work performed is valued at less than one hundred thousand dollars ($100,000), (ii) all work is performed as force-account work otherwise authorized by law up to the value authorized, and (iii) the work is performed by an employee who is employed by the State agency or institution. The Office of State Construction may regulate work performed pursuant to this section to ensure compliance with building and safety codes. Nothing in this section shall be construed to allow an employee of a State agency or institution to engage in any activities described in this section privately or outside the employee's scope of employment without meeting all licensure requirements otherwise required by law.

PART XXXVII. FINANCE PROVISIONS

RESERVED

SECTION 37.0. This section is reserved.

PART XXXVIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 38.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

MOST TEXT APPLIES ONLY TO THE 2013-2015 FISCAL BIENNIUM

SECTION 38.2. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2013-2015 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2013-2015 fiscal biennium.

EFFECT OF HEADINGS

SECTION 38.3. 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.

COMMITTEE REPORT

SECTION 38.4.(a) The N.C. House of Representatives Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated June 11, 2013, which was distributed in the House of Representatives and used to explain this act (i) is incorporated by reference in this act, (ii) shall indicate action by the General Assembly on this act, and (iii) shall be used to construe this act. As provided by G.S. 143C-5-5, if the report conflicts with the act, this act prevails. Amendments adopted on the floor of the House of Representatives subsequent to the publication of the report also prevail over the committee report.

SECTION 38.4.(b) G.S. 143C-5-5 reads as rewritten:

"**§ 143C-5-5. Committee report ~~used to construe intent of~~ <u>incorporated by reference in</u> budget acts.**

A committee report incorporated by reference in the Current Operations Appropriations Act or the Capital Improvements Appropriations Act and distributed on the floor of ~~the House of Representatives and of the Senate~~ <u>either house of the General Assembly</u> as part of the explanation of the act ~~is to be construed with~~ <u>shall be considered as part of</u> the appropriate act in interpreting its intent. If a report conflicts with the act, the act prevails. The Director of the Fiscal Research Division of the Legislative Services Commission shall send a copy of the reports to the Director. <u>The General Assembly shall publish an official copy of the report on its Web site and it shall also be printed as an Appendix of the Session Laws.</u>"

SECTION 38.4.(c) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2013-2015 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted a recommended continuation budget to the General Assembly on March 15 and 18, 2013, in the document "State of North Carolina Recommended Continuation Budget and Fund Purpose Statements, 2013-2015" and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 38.4.(d) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation.

In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO THE BUDGET/PUBLICATION

SECTION 38.4A.(a) The Fiscal Research Division of the Legislative Services Commission shall issue a report on budget actions taken by the 2013 Regular Session of the General Assembly in 2013. The report shall be in the form of a revision of the Committee Report adopted for Senate Bill 402 pursuant to G.S. 143C-5-5 and shall include all modifications made to the 2013-2015 biennial budget prior to sine die adjournment of the 2013 Regular Session.

SECTION 38.4A.(b) The report issued pursuant to this section, and the Committee Report issued pursuant to G.S. 143C-5-5, shall be construed together with this act in determining the intent of the General Assembly.

SECTION 38.4A.(c) The Director of the Fiscal Research Division of the Legislative Services Commission shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

SEVERABILITY CLAUSE

SECTION 38.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 38.6. Except as otherwise provided herein, this act becomes effective July 1, 2013.