GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

S **D**

SENATE BILL 257

Appropriations/Base Budget Committee Substitute Adopted with unengrossed amendments 5/10/17
Finance Committee favorable with unengrossed amendments 5/10/17
Pensions and Retirement and Aging Committee Substitute Adopted 5/10/17
Third Edition Engrossed 5/12/17
Corrected Copy 5/15/17
House Committee Substitute Favorable 5/30/17
PROPOSED HOUSE COMMITTEE SUBSTITUTE S257-PCS45438-LRxf-4

Short Title: Appropriations Act of 2017. (Public)

Sponsors:

Referred to:

March 15, 2017

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE OF ACT

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

INTRODUCTION

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

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

Current Operations – General Fund	**FY 2017-2018**	**FY 2018-2019**

EDUCATION		
Community Colleges System Office	1,080,846,444	1,082,834,026
Department of Public Instruction	8,727,076,948	8,819,439,632
Appalachian State University	134,672,993	134,672,993
East Carolina University		
Academic Affairs	214,598,809	214,598,809
Health Affairs	74,210,941	74,210,941
Elizabeth City State University	31,964,712	31,154,712
Fayetteville State University	52,116,162	52,116,162
NC A&T State University	92,203,482	92,203,482
NC Central University	83,243,559	83,243,559
NC State University		
Academic Affairs	409,648,050	407,648,050
Agricultural Extension	39,745,231	39,745,231
Agricultural Research	52,636,905	52,636,905
UNC-Asheville	38,750,625	38,750,625
UNC-Chapel Hill		
Academic Affairs	251,309,119	251,309,119
Health Affairs	186,665,032	186,665,032
AHEC	48,783,693	48,783,693
UNC-Charlotte	226,376,692	226,376,692
UNC-Greensboro	150,156,774	150,156,774
UNC-Pembroke	53,711,549	53,715,428
UNC-School of the Arts	30,424,499	30,424,499
UNC-Wilmington	120,327,946	120,327,946
Western Carolina University	89,729,461	89,730,641
Winston-Salem State University	64,717,512	64,717,512
General Administration	42,172,369	42,172,369
University Institutional Programs	82,161,164	177,092,367
Related Educational Programs	55,056,853	58,582,411
NC School of Science & Math	20,958,012	20,959,212
Aid to Private Institutions	154,799,754	166,799,754
Total University of North Carolina – Board of Governors	2,801,141,898	2,908,794,918
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Central Management and Support	112,981,832	120,411,541
Division of Aging & Adult Services	45,054,844	45,054,844
Division of Blind Services/Deaf/Hard of Hearing	8,333,453	8,333,453
Division of Child Development & Early Education	272,251,390	281,249,113
Division of Health Service Regulation	18,299,014	18,664,867
Division of Medical Assistance	3,678,740,414	3,793,828,985
Division of Mental Health, Developmental Disabilities, & Substance Abuse Services	702,965,009	740,419,813
NC Health Choice	458,280	394,925

Division of Health Benefits	9,671,582	9,671,582
Division of Public Health	160,197,611	156,104,049
Division of Social Services	199,516,057	203,443,440
Division of Vocational Rehabilitation	38,402,154	38,419,567
Total Health and Human Services	5,246,871,640	5,415,996,179
AGRICULTURAL, NATURAL, AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	122,049,679	119,827,711
Department of Commerce		
Commerce	138,347,057	134,446,025
Commerce State-Aid	19,155,810	15,955,810
Wildlife Resources Commission	10,490,644	10,490,644
Department of Environmental Quality	78,778,302	77,628,302
Department of Labor	16,721,928	16,729,525
Department of Natural and Cultural Resources	182,091,699	171,401,954
Department of Natural and Cultural Resources – Roanoke Island	555,571	555,571
JUSTICE AND PUBLIC SAFETY		
Department of Public Safety	1,941,284,843	1,937,964,136
Judicial Department	518,891,603	519,914,066
Judicial Department – Indigent Defense	120,156,248	120,508,461
Department of Justice	56,044,687	55,296,955
GENERAL GOVERNMENT		
Department of Administration	62,329,144	62,279,144
Office of Administrative Hearings	5,817,094	5,859,643
Office of State Auditor	13,629,738	13,379,738
Office of State Controller	20,551,946	22,734,942
State Board of Elections	6,503,922	6,503,922
General Assembly	63,626,017	63,476,017
Office of the Governor	5,794,114	5,794,114
Office of the Governor – Special Projects	0	0

Office of State Budget and Management		
Office of State Budget and Management	8,060,470	8,060,470
OSBM – Reserve for Special Appropriations	2,000,000	2,000,000
Housing Finance Agency	14,609,159	30,660,000
Department of Insurance	42,761,889	42,714,054
Office of Lieutenant Governor	781,114	751,114
Department of Military and Veterans Affairs	11,894,025	9,644,025
Department of Revenue	83,010,320	83,010,320
Department of Secretary of State	12,783,774	12,844,422
Department of State Treasurer		
State Treasurer	4,774,240	4,774,240
State Treasurer – Retirement for Fire and Rescue Squad Workers	27,322,281	27,322,281
DEPARTMENT OF INFORMATION TECHNOLOGY	**51,279,650**	**51,279,650**
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Contingency & Emergency Fund	4,800,000	4,800,000
Classification and Compensation System	3,900,000	7,800,000
Compensation Increase Reserve	390,780,300	862,337,136
Savings from Personnel Turnover	(74,192,266)	(74,192,266)
State Retirement Contributions and State Health Plan	144,069,793	287,986,437
Workers' Compensation Settlement Reserve	2,000,000	0
Salary Adjustment Fund	5,000,000	5,000,000
Film and Entertainment Grant Fund	15,000,000	30,000,000
State Emergency Response and Disaster Relief Fund	150,000,000	0
Reserve for Pending Legislation	7,099,116	1,510,386
Enterprise Resource Planning	3,200,000	10,000,000
Debt Service		
General Debt Service	727,166,339	770,458,736
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**22,878,473,560**	**23,768,188,820**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2017-2019 fiscal biennial budget is shown below:

	FY 2017-2018	**FY 2018-2019**
Unappropriated Balance	208,607,416	279,227,665

Disaster Recovery Appropriations (S.L. 2016-124)	(200,928,370)	0
Transfer From Savings Reserve	100,928,370	0
Revised Unappropriated Balance	108,607,416	0
Over Collections FY 2016-17	580,600,000	0
Reversions FY 2016-17	271,000,000	0
Replenish Savings Reserve (S.L. 2016-124)	(100,928,370)	0
Earmarkings of Year End Fund Balance:		
Savings Reserve	(263,000,000)	0
Repairs and Renovations	(365,000,000)	0
Beginning Unreserved Fund Balance	**231,279,046**	**279,227,665**
Revenues Based on Existing Tax Structure	**22,303,700,000**	**23,299,200,000**
Non-tax Revenues		
Investment Income	60,100,000	60,600,000
Judicial Fees	240,900,000	240,500,000
Disproportionate Share	164,700,000	149,600,000
Insurance	75,500,000	75,500,000
Master Settlement Agreement (MSA)	127,200,000	127,200,000
Other Non-Tax Revenues	180,600,000	182,900,000
Subtotal Non-tax Revenues	**849,000,000**	**836,300,000**
Total General Fund Availability	**23,383,979,046**	**24,414,727,665**
Adjustments to Availability: 2017 Session		
Tax Law Changes	(120,100,000)	(246,100,000)
Diversion of Taxes from Short-Term Lease		
or Rental of Motor Vehicles to Highway Fund	(77,130,000)	(79,060,000)
Diversion to Savings Reserve (S.L. 2017-5)	0	(130,135,500)
Divert additional MSA funds to Golden L.E.A.F.	(5,000,000)	(5,000,000)
Transfer from Department of Insurance	2,971,205	2,921,205
Transfer from the Department of the State Treasurer	(5,492,586)	(5,492,586)
Subtotal Adjustments to Availability: 2017 Session	**(204,751,381)**	**(462,866,881)**
Revised General Fund Availability	**23,179,227,665**	**23,951,860,784**
Less General Fund Net Appropriation	(22,900,000,000)	(23,779,584,013)
Unappropriated Balance Remaining	**279,227,665**	**172,276,771**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3(a), the State Controller shall transfer a total of three hundred sixty-five million dollars ($365,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2017. This subsection becomes effective June 30, 2017. Funds transferred under this section to the Repairs and Renovations Reserve are appropriated for the 2017-2018 fiscal year and shall be used in accordance with Section 36.5 of this act.

SECTION 2.2.(c) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of two hundred sixty-three million dollars ($263,000,000) from the unreserved fund balance to the Savings Reserve Account on June 30, 2017. This transfer is not an

"appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2017.

SECTION 2.2.(d) On June 30, 2017, the State Controller shall transfer and deposit the balance of one hundred eighty-six million three hundred seventy-two thousand six hundred seventy-three dollars ($186,372,673) in the Medicaid Contingency Reserve established in Section 12H.38 of S.L. 2014-100 to the Medicaid Transformation Fund established in Section 12H.29 of S.L. 2015-241. This transfer is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2017.

SECTION 2.2.(e) Funds reserved in the Medicaid Transformation Fund established in Section 12H.29 of S.L. 2015-241 in the amount of four hundred eleven million three hundred seventy-two thousand six hundred seventy-three dollars ($411,372,673) do not constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 2.2.(f) Section 2.2(k) and Section 12H.38 of S.L. 2014-100 are repealed. Section 2.2(i) and Section 12H.28 of S.L. 2015-241 are repealed. This subsection becomes effective July 1, 2017.

SECTION 2.2.(g) Notwithstanding G.S. 105-187.9(a), taxes collected under Article 5A of Chapter 105 of the General Statutes at the rate of eight percent (8%) shall be credited to the Highway Fund.

SECTION 2.2.(h) Subsection (g) of this section becomes effective July 1, 2017, and applies to taxes collected on or after that date. Subsection (g) of this section expires June 30, 2019.

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, 2019, according to the following schedule:

Current Operations – Highway Fund	**FY 2017-2018**	**FY 2018-2019**
Department of Transportation		
Administration	$ 96,416,366	$ 94,370,410
Division of Highways		
Administration	34,782,224	34,782,224
Construction	91,100,000	93,250,000
Maintenance	1,348,083,918	1,347,702,405
Planning and Research	0	0
OSHA Program	358,030	358,030
State Aid to Municipalities	147,500,000	147,500,000
Intermodal Divisions		
Ferry	51,733,375	46,733,375
Public Transportation	93,777,592	94,277,592
Aviation	135,442,773	133,072,773
Rail	43,659,362	43,850,362
Bicycle and Pedestrian	724,032	724,032

Governor's Highway Safety	255,367	255,367
Division of Motor Vehicles	130,399,383	127,946,774
Other State Agencies, Reserves, Transfers	76,781,319	149,082,980
Capital Improvements	7,362,700	7,216,707
Total Highway Fund Appropriations	**$ 2,258,376,441**	**$ 2,321,123,031**

HIGHWAY FUND AVAILABILITY STATEMENT

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

Highway Fund Availability Statement	**FY 2017-2018**	**FY 2018-2019**
Unreserved Fund Balance	$ 0	$ 0
Estimated Revenue	2,179,096,441	2,237,763,031
Adjustment to Revenue Availability:		
Division of Motor Vehicles Hearing Fees	2,150,000	4,300,000
Highway Use Tax Lease Proceeds	77,130,000	79,060,000
Total Highway Fund Availability	**$ 2,258,376,441**	**$ 2,321,123,031**
Unappropriated Balance	$ 0	$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2019, according to the following schedule:

Current Operations – Highway Trust Fund	**FY 2017-2018**	**FY 2018-2019**
Program Administration	$ 35,156,560	$ 35,156,560
Debt Service	52,160,868	50,036,452
Turnpike Authority	49,000,000	49,000,000
State Ports Authority	45,000,000	45,000,000
Transfer to Highway Fund	400,000	400,000
FHWA State Match	4,640,000	4,640,000
Strategic Prioritization Funding Plan for Transportation Investments	1,360,770,863	1,401,591,150
Total Highway Trust Fund Appropriations	**$ 1,547,128,291**	**$ 1,585,824,162**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

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

Highway Trust Fund Availability	**FY 2017-2018**	**FY 2018-2019**

Unreserved Fund Balance	$ 0	$ 0
Estimated Revenue	1,547,614,829	1,586,320,316
Adjustment to Revenue Availability:		
Title Fees (Mercury Switch Removal)	(486,538)	(496,154)
Total Highway Trust Fund Availability	**$ 1,547,128,291**	**$ 1,585,824,162**
Unappropriated Balance	$ 0	$ 0

PART V. OTHER APPROPRIATIONS

CASH BALANCES AND OTHER APPROPRIATIONS

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

(1) For all budget codes listed in the Governor's Recommended Budget for the 2017-2019 fiscal biennium, dated March 2017, and in the Budget Support Document, fund balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2017-2018 fiscal year and the 2018-2019 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 2017-2018 fiscal year and the 2018-2019 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 2017-2018 fiscal year and the 2018-2019 fiscal year.

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

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

OTHER RECEIPTS FROM PENDING GRANT AWARDS

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

capital project. State agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of receipt of such funds.

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

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

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

EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS

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

	FY 2017-2018	**FY 2018-2019**
Noninstructional Support Personnel	$383,888,897	$385,914,455
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	64,156,381	62,130,823
LEA Transportation	50,000,000	–
TOTAL APPROPRIATION	**$706,747,388**	**$656,747,388**

SECTION 5.3.(b) G.S. 18C-164 reads as rewritten:

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

…

(b) ~~From the Education Lottery Fund, the~~ The Office of State Budget and Management shall transfer ~~a sum equal to five percent (5%) of the~~ any net revenue ~~of the prior~~ in excess of the amount appropriated from the Education Lottery Fund in a fiscal 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.~~Fund.

…

(e) If the actual net revenues are less than the appropriation for that given year, then the Governor ~~may~~ shall transfer from the Education Lottery Reserve Fund an amount sufficient to equal the appropriation by the General Assembly. To the extent that the funds described in this subsection are required to be appropriated, they are hereby appropriated for the purpose set forth in this subsection.

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

CIVIL PENALTY AND FORFEITURE FUND

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

	FY 2017-2018	FY 2018-2019
School Technology Fund	$18,000,000	$18,000,000
Drivers Education	27,393,768	27,393,768
State Public School Fund	134,784,022	128,341,640
Total Appropriation	**$180,177,790**	**$173,735,408**

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

SECTION 5.4.(c) Notwithstanding Section 5.3(b) of S.L. 2015-241, the sum of six million four hundred forty-two thousand three hundred eighty-two dollars ($6,442,382) of excess receipts realized in the Civil Penalty and Forfeiture Fund for the 2016-2017 fiscal year shall be allocated to the State Public School Fund for the 2017-2018 fiscal year.

INDIAN GAMING EDUCATION REVENUE FUND

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

DISASTER RELIEF FUNDING

SECTION 5.6.(a) Funding. – Of the funds appropriated in this act to the State Emergency Response and Disaster Relief Fund, the sum of one hundred fifty million dollars ($150,000,000) shall be used for disaster relief as provided by the Disaster Recovery Act of 2016, S.L. 2016-124. The Governor may not expend these funds to make budget adjustments under G.S. 143C-6-4 or reallocations under G.S. 166A-19.40(c); however, nothing in this subsection shall be construed to prohibit the Governor from exercising the Governor's authority under these statutes with respect to other funds.

SECTION 5.6.(b) No Reversion of Funds. – G.S. 143C-6-23(f1)(1) does not apply to these funds, which shall remain available to implement S.L. 2016-124 until the General Assembly directs the reversion of any remaining unexpended and unencumbered funds.

PART VI. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

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

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

EXPENDITURES OF FUNDS IN RESERVES LIMITED

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

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

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

CAP STATE-FUNDED PORTION OF NONPROFIT SALARIES

SECTION 6.4. No more than one hundred twenty thousand dollars ($120,000) in State funds, including any interest earnings accruing from those funds, may be used for the annual salary of any individual employee of a nonprofit organization.

MASTER SETTLEMENT AGREEMENT/GOLDEN L.E.A.F.

SECTION 6.5. Notwithstanding any provision of G.S. 143C-9-3 to the contrary, the additional sum of five million dollars ($5,000,000) in each year of the 2017-2019 fiscal biennium is appropriated from the Settlement Reserve Fund to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation, for research, rural economic development, and job-creation related purposes.

CLARIFY BASE BUDGET DEFINITION

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

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

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

…

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

a. Annualization of programs and ~~positions.~~positions created in the previous biennium.

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

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

d. Adjustments for federal payroll tax changes.

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

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

g. Reconciliation of intragovernmental and intergovermental transfers.

h. Adjustments for statutory appropriations and other adjustments as directed by the General Assembly.

…

~~(6) Capital Improvements Appropriations Act. – An act of the General Assembly containing appropriations for one or more capital improvement projects.~~

…

(9) Current Operations Appropriations Act. – An act of the General Assembly estimating revenue availability for and appropriating money for the current operations and capital improvement needs of State government during one or more budget years.

…

(28) Statutory appropriation. – An appropriation enacted by the General Assembly in the General Statutes that authorizes the current and future withdrawal of funds from the State treasury during ~~fiscal years extending beyond the current fiscal biennium,~~ current and future fiscal years, without further act of the General Assembly.

…."

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

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

Fiscal Year	Appropriation
2017-2018	$44,840,000
2018-2019	$54,840,000
2019-2020	$64,840,000
2020-2021	$74,840,000
2021-2022	$84,840,000
2022-2023	$94,840,000
2023-2024	$104,840,000
2024-2025	$114,840,000
2025-2026	$124,840,000
2026-2027	$134,840,000

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

SECTION 6.6.(c) G.S. 143C-3-5 reads as rewritten:

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

…

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

…

(3) A Current Operations Appropriations Act that makes appropriations for each fiscal year of the upcoming biennium for the operating and capital expenses of all State agencies as contained in the Recommended State ~~Budget, together with a Capital Improvements Appropriations Act that authorizes any capital improvements projects.~~Budget.

…

(c) Even-Numbered 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.~~ Appropriations Act. 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.

…."

SECTION 6.6.(d) G.S. 143C-5-1 reads as rewritten:

"**§ 143C-5-1. Rules for the introduction of the Governor's appropriations bills.**

The Current Operations Appropriations Act recommended by the Governor ~~and the Capital Improvements Appropriations Act recommended by the Governor~~ shall be introduced by the chairs of the committee on appropriations in each house of the General Assembly. This section shall be considered and treated as a rule of procedure in the Senate and House of Representatives unless provided otherwise by a rule of either branch of the General Assembly."

SECTION 6.6.(e) G.S. 143C-5-5 reads as rewritten:

"**§ 143C-5-5. Committee report used to construe intent of 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 as part of the explanation of the act is to be construed with 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."

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

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

(a) Governor to Administer the Budget as Enacted by the General Assembly. – In accordance with Section 5(3) of Article III of the North Carolina Constitution, the Governor shall administer the budget as enacted by the General Assembly. All appropriations of State funds now or hereafter made to the State agencies and non-State entities authorize expenditures only for the (i) purposes or programs and (ii) objects or line items enumerated in the Recommended State Budget and the Budget Support Document recommended to the General Assembly by the Governor, as amended and enacted by the General Assembly in the Current Operations Appropriations ~~Act, the Capital Improvements Appropriations Act,~~ Act or any other act affecting the State budget. The Governor shall ensure that appropriations are expended in strict accordance with the budget enacted by the General Assembly.

(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 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,~~ 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 6.6.(g) Section 11A.3(i) of S.L. 2016-94 reads as rewritten:

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

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

PENDING LITIGATION

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

FOOD SCIENCE INNOVATION ADVISORY BOARD

SECTION 6.9.(a) There is created the Food Science Processing Innovation Advisory Board (Board), which shall be located administratively in the General Assembly. The Board shall consist of nine members, including:

(1) The Commissioner of Agriculture or the Commissioner's designee.

(2) The Secretary of Commerce or the Secretary's designee.

(3) The President of the Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., or the President's designee.

(4) Two members shall be appointed by the Speaker of the House of Representatives, one of whom shall be a farmer and one of whom shall have expertise in one or more of the following fields: patents, copyrights, intellectual property, royalties, and finance.

(5) Two members shall be appointed by the President Pro Tempore of the Senate, one of whom shall have expertise in food science and one of whom shall have expertise in one or more of the following fields: local economic development, workforce development, or public-private partnerships in this State.

(6) One member appointed by the Board of Trustees of the North Carolina State University.

(7) One member who is a representative of the North Carolina Research Campus.

SECTION 6.9.(b) The Board shall study and make recommendations to the General Assembly on the following:

(1) Preserving existing rural agricultural and manufacturing jobs and creating new agricultural and manufacturing jobs from research discoveries.

(2) Encouraging and networking agricultural entrepreneurs and enabling collaboration between producers and available markets.

(3) Reducing production waste stemming from agricultural manufacturing.

(4) Enabling advancements in food security and food safety by leveraging emerging technologies with the production resources available in this State.

(5) Establishing best practices for the provision of potential royalties stemming from campus-based research and projects to enable a public-private partnership that will be rurally focused and will enable local economic and workforce development by investing the results and benefits of the collaborative efforts of the educational institutions of the State and the private sector.

(6) Increasing markets for North Carolina agricultural products.

SECTION 6.9.(c) Appointments for all members shall be for terms of four years beginning on January 1. Appointed members may be reappointed but shall not serve more than two consecutive terms of four years. Vacancies among appointed members shall be filled by the appointing entity and shall be for the remainder of the vacant term.

The Board shall elect from the appointed members a chair and a vice-chair for terms of two years. A chair or vice-chair may serve no more than two consecutive terms in that role. No member of the General Assembly, spouse of a member of the General Assembly, or officer or employee of the State shall be eligible to serve on the Board as an appointed member.

The Board shall meet at stated times established by the Board but not less frequently than four times a year. Special meetings of the Board may be set at any regular meeting or may be called by the chair. A majority of the appointed members of the Board shall constitute a quorum for the transaction of business.

From funds available to the General Assembly, the Legislative Services Commission shall allocate monies to fund the work of the Board. Members of the Board shall receive subsistence and travel expenses as provided in G.S. 120-3.1 and G.S. 138-5. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Council 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 Board. The expenses for clerical employees shall be borne by the Board.

SECTION 6.9.(d) Notwithstanding subsection (c) of this section, the four Board members appointed pursuant to subdivisions (4) and (5) of subsection (a) of this section shall serve a first term beginning on the date of their designation and ending on December 31, 2019. Thereafter, they shall serve four-year terms which shall begin on January 1, 2020.

SECTION 6.9.(e) On or before September 1, 2018, and at least semiannually thereafter, the Board shall submit a report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division with its recommendations based upon its study of the items listed in subsection (b) of this section.

BUDGET ACCOUNTABILITY AND TRANSPARENCY REFORM INITIATIVE

SECTION 6.10.(a) Finding and Purpose. – The General Assembly finds that the State budget is its central policy document and primary vehicle for directing the provision of programs and services to the citizens of the State. As such, the State's budget must be clear, transparent, and credible if it is to serve as a basis of accountability to its citizens. Therefore, it is the intent of the General Assembly to provide flexibility and support to the Governor in continuing efforts to effectuate the necessary changes to the structure and presentation of the State budget. The purpose of the Budget Accountability and Transparency Reform Initiative (BATR) established by this section is to ensure the highest level of transparency for meaningful review of the State budget by all citizens of the State.

SECTION 6.10.(b) Base Budget Reform Plan. – The Office of State Budget and Management and all State departments, agencies, and institutions shall develop jointly and execute a base budget reform plan that ensures all of the following:

(1) Strict adherence to Chapter 143C of the General Statutes, the State Budget Act.

(2) Realignment of the State's expenditures and revenues in a clear and logical manner.

(3) Presentation of a comprehensive, accurate, and reliable account of all State expenditures and revenues.

(4) An annual base budget document that:

a. Is presented in a format that promotes effective decision making, accountability, and oversight; and

b. Provides detailed budget information that can be understood at all levels of State government and by members of the general public.

SECTION 6.10.(c) Realignments. – Effective with the development and presentation of the Governor's 2019-2021 recommended biennial base budget, the Office of State Budget and Management may realign the various line items of expenditure and revenue in all State agency, departmental, and institutional budgets. For the purpose of correctly realigning the State's budget, the line items for aid and public assistance shall remain budgeted at the levels appropriated by the General Assembly for fiscal year 2018-2019. State agencies, with the approval of the Office of State Budget and Management, shall build their line-item budgets, including elimination of vacant positions to more closely align with actual requirements and anticipated receipts for each of the programs and purposes contained in the Governor's Recommended Base Budget. State agencies must budget receipts based on historical trends. Under no circumstances may an agency move receipts between programs and purposes. State agencies newly aligned line-item budgets shall be submitted to the General Assembly as part of the Governor's Recommended Base Budget for the 2019-2021 fiscal biennium.

SECTION 6.10.(d) Reward Demonstrated Operating Efficiencies. – The Office of State Budget and Management and representatives of the State agencies, departments, and institutions shall develop jointly a plan to reward State agencies, departments, and institutions for achieving demonstrable operating efficiencies. The plan shall identify the necessary and appropriate metrics to be used in assessing efficiency and shall ensure that financial rewards provided to State agencies are made with nonrecurring funds.

SECTION 6.10.(e) Implementation. – Upon issuance of a fully reformed and realigned base State budget in compliance with this section, the Office of State Budget and Management may execute the plan described in subsection (b) of this section.

SECTION 6.10.(f) Authorization to Eliminate Positions. – Notwithstanding any State law, rule, regulation, or directive to the contrary, including any order issued by the Governor or the Governor's designee, vacant positions in State government employment may be eliminated for the purpose of realigning the State budget only upon the express authorization of the General Assembly in this act or a subsequent enactment.

SECTION 6.10.(g) Reporting. – The Office of State Budget and Management shall report its progress in developing the realigned base budget required in subsection (a) of this section no later than November 1, 2019. The Office of State Budget and Management shall present the realigned base budget by January 1, 2020, and shall provide a final report on the execution of the requirements in subsection (b) of this section by no later than August 31, 2020.

PAY-AS-YOU-GO CAPITAL AND INFRASTRUCTURE FUND

SECTION 6.11. Article 4 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-4-3.1. State Capital and Infrastructure Fund.**

(a) Legislative Intent. – The General Assembly recognizes the need to establish and maintain a sufficient funding source to address the ongoing capital and infrastructure needs of the State. The General Assembly further recognizes the need to protect the State's substantial improvements in existing public facilities while providing a stable funding source to pay for new facilities to meet the needs of a growing population. In particular, the General Assembly recognizes that many low-wealth counties struggle to maintain aging infrastructure and public school facilities and lack the ability to generate the funds needed for new capital investment. The General Assembly intends to establish a recurring source of funds to fulfill the purposes of this section.

(b) Creation of Fund. – There is established in the General Fund the State Capital and Infrastructure Fund, hereinafter referred to as the "Fund." The Fund shall be maintained as a special fund and administered by the Office of State Budget and Management to carry out the

provisions of this section. With the exception of debt service obligations, appropriations from the Fund may be administered by other State agencies as deemed necessary by the Office of State Budget and Management.

(c) Source and Use of Funds. – The Fund shall consist of appropriations and other sources as directed by the General Assembly. Interest accruing from the monies in the Fund shall be credited to the Fund. It is the intent of the General Assembly to annually appropriate to the Fund the amount set aside pursuant to this subsection during the fiscal year to meet the debt service obligations of the State. In addition to meeting the State's debt service obligations, monies in the Fund may be used for the following purposes:

(1) New capital projects governed pursuant to Article 8 of Chapter 143C of the General Statutes.

(2) Repair and renovation of existing capital assets, as provided in G.S. 143C-8-13.

(3) Grants to public schools and community colleges for the cost, or apportion of the cost, of the renewal, renovation, improvement, expansion, construction, and reconstruction of facilities.

(4) Economic development infrastructure projects.

(5) Transportation capital improvement projects.

(6) Early repayment of outstanding General Fund debt."

PART VII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of four thousand one hundred twenty-five dollars and twenty-seven cents ($4,125.27) per child for fiscal years 2017-2018 and 2018-2019. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) thirteen percent (13%) of its 2017-2018 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand three hundred fourteen dollars and fifty-six cents ($1,314.56) per child for fiscal years 2017-2018 and 2018-2019. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2017-2018 fiscal year allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.3.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and digital resources and (ii) for salary supplements for instructional personnel and instructional support personnel.

Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

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

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

(2) Anticipated total county revenue availability. – The sum of the following:
- a. Anticipated county property tax revenue availability.
- b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
- c. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

(3) Anticipated total county revenue availability per student. – 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. – The sum of all anticipated total county revenue availability divided by the average daily membership for the State.

(5) Average daily membership. – 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. – 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. – 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. – 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. – 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. – The average of effective county tax rates for all counties.

(11) Local current expense funds. – 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. – 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. – Sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

(14) State average adjusted property tax base per square mile. – 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.

(15) State average current expense appropriations per student. – 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.

(16) Supplant. – 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. – 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 7.3.(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 7.3.(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 7.3.(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 7.3.(f) Minimum Effort Required. – A county shall receive full funding under this section if the county (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. 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 7.3.(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 2017-2019 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

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

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

SECTION 7.3.(i) Funds for EVAAS Data. – Notwithstanding the requirements of subsection (a) of this section, local school administrative units may utilize funds allocated

under this section to purchase services that allow for extraction of data from the Education Value-Added Assessment System (EVAAS).

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

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

SMALL COUNTY SCHOOL SYSTEM SUPPLEMENTAL FUNDING

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

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

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

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

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

Allotments for eligible local school administrative units under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2017-2018 in any fiscal year. A local school administrative unit shall not become ineligible for funding if either the highest of the first two months total projected average daily membership

for the current year or the higher of the first two months total prior year average daily membership would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this section.

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

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

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

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

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

SECTION 7.4.(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 7.5.(a) Funds appropriated in this act for disadvantaged student supplemental funding shall be used, consistent with the policies and procedures adopted by the State Board of Education, only to do the following:

(1) Provide instructional positions or instructional support positions.

(2) Provide professional development.

(3) Provide intensive in-school or after-school remediation, or both.

(4) Purchase diagnostic software and progress-monitoring tools.

(5) 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 7.5.(b) Disadvantaged student supplemental funding (DSSF) shall be allotted to a local school administrative unit based on (i) the unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

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

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

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

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

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

DPI/ALIGNMENT OF FEDERAL FUNDS

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

ADMINISTRATION OF THE EXCELLENT PUBLIC SCHOOLS ACT

SECTION 7.9.(a) From the funds appropriated to implement Section 7A.1 of S.L. 2012-142, as amended, for the 2017-2019 fiscal biennium only, the Department of Public Instruction shall use those funds for the following 13 time-limited positions that support the kindergarten through third grade assessments pursuant to G.S. 115C-174.11:

Position	Title
65017164	Project Administrator
65017165	Project Lead
65017166	Project Lead
65017167	Program Assistant V
65017169	Northeast Consultant
65017170	Southeast Consultant
65017171	North Central Consultant
65017172	Sandhills Consultant
65017173	Piedmont Triad Consultant
65017174	Southwest Consultant
65017250	Northwest Consultant
65017251	Western Consultant
65021990	Project Coordinator

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

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

SUPERINTENDENT OF PUBLIC INSTRUCTION SUPPORT STAFF

SECTION 7.10. Of the funds appropriated by this act to the Department of Public Instruction for the 2017-2019 fiscal biennium, the Superintendent of Public Instruction may use up to nine hundred twenty-one thousand five hundred eighty-three dollars ($921,583) to appoint, in addition to any other personnel appointed by the Superintendent, up to 10 full-time equivalent exempt policy-making positions, as defined in G.S. 126-5(b)(3), to staff the office of the Superintendent and assist in the administration of the Superintendent's duties under Article III and Section 4(2) of Article IX of the North Carolina Constitution as an elected officer and member of the Council of State and as secretary and chief administrative officer of the State Board of Education. Personnel appointed to these positions shall be exempt from the North Carolina Human Resources Act and shall report solely to the Superintendent of Public Instruction. The Superintendent of Public Instruction shall fix the salaries of the personnel for the office of the Superintendent within the funds available as provided by this section. The personnel for the office of the Superintendent of Public Instruction within the Department of Public Instruction shall be in addition to any staff appointed to the Department in accordance with G.S. 115C-21(a)(1). The appointments shall not be subject to approval or disapproval by the State Board of Education.

CARRYFORWARD OF CERTAIN DPI FUNDS

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

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

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

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

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

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

Department of Public Instruction for the 2016-2017 fiscal year for the evaluation shall not revert at the end of the fiscal year but shall remain available until expended."

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

CLASS SIZE FLEXIBILITY FOR CURRENT PILOT PROGRAMS AND DUAL LANGUAGE IMMERSION CLASSES

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

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

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

SECTION 7.15.(c) In addition to the schools listed in subsection (b) of this section, schools participating in the existing Project LIFT, Inc., program in Charlotte-Mecklenburg Schools (CMS) may exceed individual class size requirements in kindergarten through third grade for the duration of that program. The schools participating in the Project LIFT, Inc., program are those schools within the feeder area for West Charlotte High School governed by the collaborative agreement between the CMS Board of Education and Project Leadership and Investment for Transformation.

SECTION 7.15.(d) G.S. 115C-301, as amended by Section 2 of S.L. 2017-9, reads as rewritten:

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

…

(c) Maximum Class Size for Kindergarten Through Third Grade. – The average class size for kindergarten through third grade in a local school administrative unit shall at no time exceed the funded allotment ratio of teachers to students in kindergarten through third grade. At the end of the second school month and for the remainder of the school year, the size of an individual class in kindergarten through third grade shall not exceed the allotment ratio by more than three students. The funded class size allotment ratio for kindergarten through third grade shall be as follows:

(1) For kindergarten, one teacher per 18 students.
(2) For first grade, one teacher per 16 students.
(3) For second grade, one teacher per 17 students.
(4) For third grade, one teacher per 17 students.

In grades four through 12, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement.

(c1) Class size requirements for kindergarten through third grade provided in subsection (c) of this section shall not apply to dual language immersion classes. For the purposes of this subsection, dual language immersion classes are classes in which (i) at least one-third of the students' dominant language is English, (ii) at least one-third of the students' dominant language is not English, but is the same non-English language, and (iii) instruction involves both languages in order to promote dual language proficiency for all students.

…."

SECTION 7.15.(e) Subsection (b) of this section expires June 30, 2020. Subsection (d) of this section applies beginning with the 2017-2018 school year.

ARTS EDUCATION REQUIREMENT

SECTION 7.15A.(a) The State Board of Education shall modify the State graduation requirements to include one required credit in arts education to be completed by each student at any time in grades six through 12.

The State Board of Education shall implement this arts education graduation requirement beginning with students entering the sixth grade in 2018. The State Board shall include an exemption from the arts education graduation requirement for students transferring into a North Carolina public school beginning in the ninth grade or later if such requirement would prevent a student from graduating with the graduation cohort to which the student was assigned when transferring.

SECTION 7.15A.(b) The State Board of Education shall do the following:

(1) Establish procedures and a time line for a phased-in implementation of the arts education graduation requirement.

(2) Establish the minimum criteria to meet the arts education graduation requirement.

(3) By December 15, 2018, report to the Joint Legislative Education Oversight Committee on the following:

a. The statewide implementation of the three interdependent components of comprehensive arts education (arts education, arts integration, and arts exposure).

b. The graduation requirement set forth in this section.

IMPROVE EDUCATION FINANCIAL AND INFORMATION TRANSPARENCY

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

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

SECTION 7.16.(b1) The State Superintendent shall work with the Friday Institute for Educational Innovation at North Carolina State University, GDAC, and other State agencies to improve communication between computer systems. The State Superintendent shall ensure, to the extent practicable, that its modernized computer systems are able to share data with computer systems at other State agencies, community colleges, and constituent institutions of The University of North Carolina.

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

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

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

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

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

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

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

(1) For the 2017-2018 fiscal year, the Department shall use funds appropriated to the Department for the Uniform Education Reporting System (UERS) by S.L. 2015-241 for the 2016-2017 fiscal year that were unexpended and did not revert at the end of the 2016-2017 fiscal year in accordance with Section 8.7 of that act.

(2) For the 2018-2019 fiscal year, the Department shall use funds appropriated to the Department for UERS by this act for the 2017-2018 fiscal year that are unexpended and do not revert at the end of the 2017-2018 fiscal year in accordance with Section 7.6 of this act.

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

(1) Allows OCS to develop and assign submission types to manage compliance with applicable law, control document transparency reporting, and create and manage users and roles throughout the system.

(2) Controls collections of documents to assist in core authorizing functions, including the charter school application and charter school renewal processes.

(3) Provides for the visualization of academic, financial, and demographic information for either an individual school or a portfolio of charter schools.

(4) Provides for the safe and secure electronic storage of documents in a Tier 3 datacenter that meets the following standards:

a. Sarbanes-Oxley Act (SOX) compliant, including Statement on Auditing Standards (SAS) No. 70, Statement on Standards for Attestation Engagements (SSAE) No. 16, Service Organization Control (SOC) No. 1, and SOC No. 2.

b. Health Insurance Portability and Accountability Act (HIPAA) compliant, including the Office for Civil Rights (OCR) HIPAA Audit Protocol.

c. Payment Card Industry (PCI) Data Security Standard (DSS) compliant.

d. Safe Harbor certification program compliant.

COOPERATIVE INNOVATIVE HIGH SCHOOL FUNDING CHANGES

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

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

(2) To ensure continued efficiency in the investment of State funds to provide postsecondary dual enrollment programs for high school students, the

General Assembly directed the State Board of Education and the State Board of Community Colleges to jointly establish the Career and College Promise Program pursuant to Section 7.1A of S.L. 2011-145, effective January 1, 2012, to consolidate existing cooperative efforts between secondary schools and institutions of higher education by providing (i) for specific pathways for obtaining college credit that is transferable to community colleges and institutions of higher education, (ii) for college credit leading to a subject-area certificate, diploma, or degree, and (iii) through enrollment at a cooperative innovative high school, enabling students to concurrently obtain a high school diploma and to begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

(3) The recent growth in the establishment of cooperative innovative high school programs has resulted in a steady increase in full-time equivalent (FTE) student enrollment at community colleges due to the maturation of those programs, including an increase of one hundred forty percent (140%) in FTE enrollment for these students between 2008-2009 and 2013-2014.

(4) The implementation of other Career and College Promise pathways enabling certain traditional high school students to concurrently enroll in postsecondary courses leading to a defined academic goal has also resulted in a recent rise in student enrollment at community colleges with a thirty percent (30%) increase in the College Transfer pathway and a twenty-one percent (21%) increase in the Career and Technical Education pathway between 2012-2013 and 2013-2014.

(5) For the 2013-2014 academic year, the General Assembly appropriated fifty-seven million dollars ($57,000,000) in State funds to cover community college FTE for 11,389 students during the first year of full implementation of the Career and College Promise Program.

(6) For the 2015-2016 fiscal year, the General Assembly appropriated the following amounts to cover the cost of cooperative innovative high schools and other Career and College Promise programs:

a. For the cooperative innovative high school allotment, the sum of twenty-five million four hundred eighty-eight thousand seven hundred twenty-five dollars ($25,488,725).

b. For community college FTE for the following:

1. For students enrolled in cooperative innovative high schools, the sum of forty-two million two hundred ninety-one thousand three hundred eighty-six dollars ($42,291,386).

2. For students enrolled in courses that count toward the College Transfer pathway, the sum of twenty-one million three hundred forty-three thousand five hundred seven dollars ($21,343,507).

3. For students enrolled in courses that count toward the Career and Technical Education pathway, the sum of twenty-one million seven hundred eight thousand nine hundred thirty-two dollars ($21,708,932).

c. For the reimbursement of tuition for constituent institutions of the University of North Carolina as a partner institution of higher education to a cooperative innovative high school, the sum of one million nine hundred forty-five thousand two hundred one dollars ($1,945,201).

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

(7) Since considerable State funds have been appropriated on an ongoing basis to cover the cost of high school student enrollment at community colleges, constituent institutions, and approved private colleges pursuant to G.S. 115C-238.54 and G.S. 115D-5(b)(12) as part of the Career and College Promise programs, it is necessary to examine the total cost of these programs and prioritize the appropriation of State funds to achieve the General Assembly's goal of maximizing cost savings to students in obtaining a postsecondary education. This shall include reducing the amount of funds allocated to local school administrative units for the cooperative innovative high school allotment.

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

SECTION 7.22.(c) Cooperative Innovative High School Allotment Amount. – Of the funds appropriated to the Department of Public Instruction by this act for the 2017-2019 fiscal biennium, the Department of Public Instruction shall allocate from the cooperative innovative high school supplemental allotment the sum of two hundred thousand dollars ($200,000) in recurring funds each fiscal year to a local school administrative unit for the operation of each authorized cooperative innovative high school located in the unit that was approved by the State Board of Education pursuant to G.S. 115C-238.51A(c), except for a cooperative innovative high school operated by a regional school board of directors pursuant to G.S. 115C-238.50A(3a).

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

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

PREPARING FUTURE WORKFORCE IN CODING AND MOBILE APP DEVELOPMENT GRANT PROGRAM

SECTION 7.23.(a) Program Purpose. – The Department of Public Instruction shall establish the Coding and Mobile Application Grant Program (Program) to develop industry partnerships with local school administrative units and charter schools to design and implement computer science, coding, and mobile application development curricular programs for middle school and high school students. Funds appropriated for the Program shall be used to award competitive grants of up to four hundred thousand dollars ($400,000) each fiscal year to grant recipients. Grant funds shall be used for the purchase of equipment, digital materials, and related capacity building activities, which may include teacher professional development for coding, computer science, and mobile application development initiatives. Grant recipients shall use no more than five percent (5%) of the grant award each fiscal year for administrative costs.

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

(1) A description of how the proposed partnership initiative will provide increased career opportunities for students to engage in high-wage, high-skill, and high-demand occupations.

(2) Demonstrated evidence of employer demand for the partnership initiative and related career and technical education (CTE) training, including documentation of industry involvement in the partnership initiative.

(3) A proposed budget for the partnership initiative, including demonstrated commitment of local or regional partners to sustain the programs beyond the initial grant funding.

(4) A description of how the proposed initiative aligns with other programs, including CTE, Career and College Pathways, and postsecondary programs and, if appropriate, how equipment necessary for the initiative will be utilized by partners.

(5) A description of how the project will create innovative, nontraditional, and immediate career pathways for students to enter high demand jobs in the development of mobile software applications.

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

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

(1) The use of grant funds.
(2) The number of students by grade level participating in the partnership initiative.
(3) The number of students who subsequently participated in work-based opportunities, internships, or apprenticeship programs and a description of the types of opportunities for those students.
(4) Student outcome data regarding job attainment and postsecondary opportunities as a result of the partnership initiative.
(5) Any other information the Superintendent of Public Instruction deems necessary.

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

EXPAND SCHOOL CONNECTIVITY INITIATIVE/CYBERSECURITY AND RISK MANAGEMENT

SECTION 7.23A.(a) The State Board of Education and the Department of Public Instruction, in collaboration with the Friday Institute at North Carolina State University, shall expand the School Connectivity Initiative client network engineering to include cybersecurity and risk management services supporting local school administrative units and charter schools. The expansion shall include the following:

(1) Continuous monitoring and risk assessment. – Cloud-based solution to discover assets, assess their security posture, and recommend corrective actions based on real-world risk reduction.
(2) Security advisory and consulting services. – Five regional security consultants working with schools to assess security posture and develop and implement improvement plans. The plans shall include security policy, building security programs, implementing effective security controls, and ongoing support for operating security governance.
(3) Security training and education services. – Security training and education for teachers, staff, and administrators.

SECTION 7.23A.(b) Of the funds appropriated by this act to the Department of Public Instruction for the 2017-2019 fiscal biennium the sum of three hundred fifty thousand dollars ($350,000) in nonrecurring funds shall be used for the 2017-2018 fiscal year to develop and implement the new cybersecurity and risk management services to support public school cybersecurity and risk management service operations.

REPORT ON CURSIVE WRITING AND MULTIPLICATION TABLES

SECTION 7.23B. The State Board of Education and the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee by March 30, 2018, regarding the measures taken by each local school administrative unit to implement the requirements regarding cursive writing and memorization of the multiplication tables pursuant to G.S. 115C-81(k) and (*l*) and to ensure that those requirements are met.

K-3 CLASS SIZE REQUIREMENTS/BUILDING CAPACITY REPORT

SECTION 7.23C. G.S. 115C-301(f), as amended by Section 2(b) of S.L. 2017-9, reads as rewritten:

"(f) Biannual Reports. – At the end of September and end of February of each school year, each local board of education, through the superintendent, shall file a report, based on

information provided by the principal, for each school within the local school administrative unit with the Superintendent of Public Instruction. The report shall be filed in a format prescribed by the Superintendent of Public Instruction and shall include the organization for each school in the local school administrative unit, including the following information:

(1) For each class in each grade level at each school, the following:
  a. The duties of the teacher.
  b. The source of funds used to pay for the teacher.
  c. The number of students assigned to the class, including all exceptions to individual class size maximums in kindergarten through third grade that exist at that time.

(2) For each school, the following:
  a. The number of program enhancement teachers. For the purposes of this subdivision, program enhancement teachers are teachers who teach any of the following:
    1. Arts disciplines, including dance, music, theater, and the visual arts.
    2. Physical education and health programs.
    3. World languages.
  b. The source of funds used to pay each program enhancement teacher.

(3) The average class size for each grade from kindergarten through third grade in the local school administrative unit.

(3a) Any limitations on the capacity of school facilities for each school in the local school administrative unit that make it impracticable for the school to meet individual class size requirements for students in kindergarten through third grade without a school facility expansion.

(4) Any other information the Superintendent of Public Instruction may require.

The Superintendent of Public Instruction shall conduct periodic audits of the information reported by the local superintendent under this subsection to confirm the accuracy of reporting at the local school administrative unit and school level of the average and individual class size for students in kindergarten through third grade. If the Superintendent of Public Instruction finds that a local board of education is exceeding class size requirements without application to the State Board for an allotment adjustment or a waiver of those class size requirements, the State Board may impose the penalty set forth in subsection (j) of this section until such time the local board of education receives a waiver or the schools in the unit meet the class size requirements for kindergarten through third grade."

JOINT LEGISLATIVE TASK FORCE ON EDUCATION FINANCE REFORM

SECTION 7.23D.(a) There is created the Joint Legislative Task Force on Education Finance Reform (Task Force).

SECTION 7.23D.(b) The Task Force shall consist of nine members of the Senate appointed by the President Pro Tempore of the Senate and nine members of the House of Representatives appointed by the Speaker of the House of Representatives. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each appoint a cochair of the Task Force from among its membership. These appointments shall be made no later than September 1, 2017.

It is expected that the makeup of the Task Force reflect geographic and urban/rural diversity. At least one member of the House of Representatives and at least one member of the Senate shall be from the minority party of their respective chambers.

SECTION 7.23D.(c) In consultation with the State Board of Education and the Department of Public Instruction, the Task Force shall study various weighted student formula funding models and develop a new funding model for the elementary and secondary public

schools of North Carolina based on a weighted student formula. As a part of this process, the Task Force shall do all of the following:

(1) Review the State's current public school allotment system and undertake an in-depth study of various types of weighted student formula funding models. In its study, the Task Force is encouraged to consider models used by other states.

(2) Determine the base amount of funds that must be distributed on a per student basis to cover the cost of educating a student in the State.

(3) Identify the student characteristics eligible for weighted funding and the associated weights for each of these characteristics.

(4) Resolve the extent to which the base amount of funds to be distributed would be adjusted based on the characteristics of each local school administrative unit.

(5) Decide which funding elements, if any, would remain outside the base of funds to be distributed under a weighted student formula.

(6) Study other funding models for elementary and secondary public schools, including public charter schools, in addition to the weighted student funding formula.

(7) Study funding models to provide children with disabilities with a free appropriate public education. This shall include a consideration of economies of scale, the advisability and practicality of capping additional funding for children with disabilities, and additional costs associated with services required for particular disabilities.

(8) Study any other issue the Task Force considers relevant.

SECTION 7.23D.(d) The Task Force shall meet upon the call of its cochairs. A quorum of the Task Force is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present. The Task Force, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Task Force may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02. If the Task Force hires a consultant, the consultant shall not be a State employee or a person currently under contract with the State to provide services. Members of the Task Force shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1. The expenses of the Task Force shall be considered expenses incurred for the joint operation of the General Assembly.

SECTION 7.23D.(e) The Legislative Services Officer shall assign professional and clerical staff to assist the Task Force in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support to the Task Force.

SECTION 7.23D.(f) Meetings of the Task Force shall begin no later than October 1, 2017. The Task Force shall submit a final report on the results of its study and development, including proposed legislation, to the Joint Legislative Education Oversight Committee on or before October 1, 2018, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Legislative Library. The Task Force shall terminate on October 1, 2018, or upon the filing of its final report, whichever comes first.

ELIMINATE ANALYSIS OF STUDENT WORK PROCESS FOR TEACHER EVALUATIONS

SECTION 7.23E.(a) The State Board of Education shall eliminate the use of the analysis of student work process and shall prohibit use of an analysis of student work process to

assess teacher performance and professional growth as part of the North Carolina Teacher Evaluation System.

SECTION 7.23E.(b) The consolidated State plan to be submitted by the State Board of Education and the Department of Public Instruction to the U.S. Department of Education as required by the Elementary and Secondary Education Act of 1965, 20 U.S.C. § 6301, et seq., as amended by the Every Student Succeeds Act, P.L. 114-95, shall reflect the requirements of subsection (a) of this section.

SECTION 7.23E.(c) G.S. 115C-296(e) reads as rewritten:

"(e) The State Board of Education shall develop a mentor program to provide ongoing support for teachers entering the profession. In developing the mentor program, the State Board shall conduct a comprehensive study of the needs of new teachers and how those needs can be met through an orientation and mentor support program. For the purpose of helping local boards to support new teachers, the State Board shall develop and distribute guidelines which address optimum teaching load, extracurricular duties, student assignment, and other working condition considerations. These guidelines shall provide that initially licensed teachers not be assigned extracurricular activities unless they request the assignments in writing and that other noninstructional duties of these teachers be minimized. The State Board shall develop and coordinate a mentor teacher training program. The State Board shall develop criteria for selecting excellent, experienced, and qualified teachers to be participants in the mentor teacher training program, including requiring that mentor teachers have been rated, through formal evaluations, at least at the "accomplished" level as part of the North Carolina Teacher Evaluation ~~System and have met expectations for student growth.~~System."

SECTION 7.23E.(d) G.S. 115C-296.11(b)(3) reads as rewritten:

"(3) Educator preparation programs shall ensure clinical educators who supervise students in residencies or internships meet the following requirements:

a. Be professionally licensed in the field of licensure sought by the student.

b. Have a minimum of three years of experience in a teaching role.

c. Have been rated, through formal evaluations, at least at the "accomplished" level as part of the North Carolina Teacher Evaluation ~~System and have met expectations as part of student growth~~ System in the field of licensure sought by the student."

SECTION 7.23E.(e) This section applies beginning with the 2017-2018 school year.

SIXTH AND SEVENTH GRADE CTE PROGRAM EXPANSION GRANT PROGRAM

SECTION 7.23F.(a) G.S. 115C-64.15 reads as rewritten:

"**§ 115C-64.15. North Carolina Education and Workforce Innovation Commission.**

…

(d1) The Commission shall develop and administer, in coordination with the State Board of Education and the Superintendent of Public Instruction, the Career and Technical Education Grade Expansion Program, as established under G.S. 115C-64.17, and shall make awards of grants under the Program.

(e) The Commission shall publish a report on the Education and Workforce Innovation Program and the Career and Technical Education Grade Expansion 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 for each program and their impact on student achievement, retention, and employability.
(2) Recommended statutory and policy changes.
(3) Recommendations for improvement of ~~the~~ each program.
(4) For the Career and Technical Education Grade Expansion Program, recommendations on increasing availability of grants after the first two years of the program to include additional local school administrative units or providing additional grants to prior recipients."

SECTION 7.23F.(b) Article 6C of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-64.17. The Career and Technical Education Grade Expansion Program.**

(a) Program Establishment. – There is established the Career and Technical Education Grade Expansion Program (Program) to expand career and technical education (CTE) programs by prioritizing the inclusion of students in sixth and seventh grade through grant awards provided to selected local school administrative units for up to seven years. Funds appropriated for the Program shall be used to award competitive grants of (i) for the 2017-2018 fiscal year, up to seven hundred thousand dollars ($700,000) and (ii) for the 2018-2019 fiscal year and subsequent fiscal years, to the extent that those funds are available, up to one million dollars ($1,000,000) to be allocated to a selected local school administrative unit. Grant funds shall be used only for employing additional licensed personnel in career and technical education areas, career development coordination areas, and support service areas necessary for expanding the CTE program to sixth and seventh grade students. The funds may be used for CTE programs at one or more schools in the local school administrative unit. Grant funds allocated to the local school administrative unit each fiscal year under the Program shall not revert but shall be available for the purpose of the grant program until expended.

(b) Consideration of Factors in Awarding of Grants. – Local school administrative units applying for the Program shall submit an application that includes at least the following information:

(1) A plan for expansion of the CTE program to sixth and seventh grade students, including the specific programs that will be expanded, the significance of CTE in the local school administrative unit, and how a grade expansion would enhance the education program and the community.
(2) A request for the amount of funds, a description of how the funds will be used, and any other sources of funds available to accomplish the purposes of this program.
(3) A proposed budget for seven years that provides detail on the use of the amount of funds to add personnel, increase career development efforts, and provide support services.
(4) A strategy to achieve meaningful analysis of program outcomes due to the receipt of grant funds under this section.

(c) Selection of Recipients. – For the 2017-2018 fiscal year, the Commission shall accept applications for a grant until November 1, 2017. For subsequent fiscal years that funds are made available for the Program, the Commission shall accept applications for a grant until August 1 of each year. The Commission shall select recipients in a manner that considers diversity among the pool of applicants, including geographic location, location of industries in the area in which a local school administrative unit is located, and the size of the student population served by the unit, in order to award funds to the extent possible to grant recipients that represent different regions and characteristics of the State. The Commission shall recommend recipients of the grants to the State Board of Education. The State Board, upon

consultation with the Superintendent of Public Instruction, shall approve the recipients of grant awards.

(d) Allocation of Funds. – Of the funds available for the Program in each fiscal year, the Commission shall first allocate funds to applicants who received grant funds for the prior fiscal year for up to seven years. After funds are allocated to prior fiscal year grant recipients, any remaining funds may be used by the Commission to select new grant recipients. The Commission, in consultation with the Superintendent of Public Instruction, shall establish rules regarding any requirements for grant recipients to continue eligibility to receive funds each fiscal year, including timely and accurate reporting as required under subsection (e) of this section.

(e) Reporting Requirements. – No later than August 1 of each year, for up to seven years after the initial grant award, a grant recipient shall submit to the Department of Public Instruction, Local Planning Systems Regional Services staff within the Division of Career and Technical Education, an annual report for the preceding year in which grant funds were expended that provides at least the following information on the program for sixth and seventh grade students:

(1) The use of grant funds, including the CTE programs and courses that have been expanded in the local school administrative unit to include sixth and seventh grade students.

(2) The number of students enrolled in CTE courses as part of the expansion.

(3) The number of students who subsequently enrolled in CTE courses in high school.

(4) The number of students who subsequently participated in internships, cooperative education, or apprenticeship programs.

(5) The number of students who subsequently earned (i) college credit and (ii) approved industry certification and credentials.

(6) Any other information the Division of Career and Technical Education deems necessary.

The Superintendent of Public Instruction shall provide a report to the Commission by October 15 of each year based on the information reported to the Local Planning Systems Regional Services staff under this subsection, including how the grant recipients compare to CTE programs statewide and whether the programs are aligned with the Master Plan for Career and Technical Education adopted by the State Board."

SECTION 7.23F.(c) For the 2017-2019 fiscal biennium, the following funds shall be allocated to the North Carolina Education and Workforce Innovation Commission (Commission) established in G.S. 115C-64.15, as amended by Section 7.23G of this act, for the award of grants to grant recipients for the Career and Technical Education Grade Expansion Program in accordance with G.S. 115C-64.17, as enacted by this section:

(1) Of the funds appropriated by this act to the Department of Public Instruction for the 2017-2019 fiscal biennium, the Department shall allocate the sum of seven hundred thousand dollars ($700,000) each fiscal year to the Commission.

(2) Of the funds appropriated by this act for the At-Risk Student Services Alternative School Allotment for the 2018-2019 fiscal year, the Department of Public Instruction shall allocate the sum of three million five hundred thousand dollars ($3,500,000) for the 2018-2019 fiscal year to the Commission.

SECTION 7.23F.(d) The funds allocated to the Commission under subsection (c) of this section shall not revert at the end of each fiscal year but shall remain available until expended.

TRANSFER EDUCATION AND WORKFORCE INNOVATION COMMISSION TO DPI

SECTION 7.23G.(a) The North Carolina Education and Workforce Innovation Commission (Commission) is hereby transferred to the Department of Public Instruction. This transfer shall have all of the elements of a Type II transfer, as described in G.S. 143A-6, except that the management functions of the Commission, except for the provision of technical assistance and administrative assistance, including staff, shall not be performed under the direction and supervision of the Department of Public Instruction.

SECTION 7.23G.(b) G.S. 115C-64.15(a) reads as rewritten:

"(a) There is created the North Carolina Education and Workforce Innovation Commission (Commission). The Commission shall be located administratively in the ~~Office of the Governor~~Department of Public Instruction but shall exercise all its prescribed powers independently of the ~~Office of the Governor.~~Department of Public Instruction. Of the funds appropriated for the Education and Workforce Innovation Program established under G.S. 115C-64.16, up to ~~two hundred thousand dollars ($200,000)~~ten percent (10%) of those funds each fiscal year may be used by the ~~Office of the Governor~~Department of Public Instruction to provide technical assistance and administrative assistance, including staff, to the Commission and for reimbursements and expenses for the ~~Commission.~~Commission for the Education and Workforce Innovation Program and the Career and Technical Education Grade Expansion Program."

SECTION 7.23G.(c) Section 23.1(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 23.1.(a)** Of the funds appropriated for the Education and Workforce Innovation Program, established under G.S. 115C-64.16, up to ~~five percent (5%) each fiscal year may be used by the Office of the Governor to provide technical assistance and administrative assistance, including staff, to the Commission and reimbursement expenses for the Commission, and~~ five percent (5%) each fiscal year shall be allocated to North Carolina New Schools Project. North Carolina New Schools Project shall use the funds to establish a peer learning network for all grantees to ensure high-quality implementation of grant programs that lead to strong results for students. The peer learning network shall (i) share effective practices and lessons learned among grantees; (ii) bring together grantee teachers and leaders for intensive development that sustains focus on instruction, academic rigor, and skills development; and (iii) benchmark grantee data against State and national standards. North Carolina New Schools Project shall also advise grantees in fund-raising."

FUTURE READY STUDENTS

SECTION 7.23H.(a) G.S. 115C-47 reads as rewritten:

"**§ 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:

…

(30) To Appoint Advisory Councils. – Local boards of education are authorized to appoint advisory councils as provided in ~~G.S. 115C-55.~~G.S. 115C-55 and Article 10 of this Chapter.

…

(34a) To Establish Work-Based Opportunities and Encourage High School to Work Partnerships. – Each local board of education shall offer at least two work-based learning opportunities that are related to career and technical education instruction in the local school administrative unit as required by G.S. 115C-157. Local boards of education shall also encourage high schools and local businesses to partner, specifically to target students who may not seek higher education, and facilitate high school to work partnerships. Local

businesses shall be encouraged to work with local high schools to create opportunities for students to complete a job shadow, internship, or apprenticeship. Students may also be encouraged to tour the local business or clinic, meet with employees, and participate in career and technical student organizations. Waiver forms ~~may~~ shall be developed in collaboration with participating businesses for the protection of both the students and the businesses.

Each local board of education shall encourage high schools to designate the Career Development Coordinator or other designee of the local Career and Technical Education administrator to be the point person for local businesses to contact. If the person selected is a teacher, the teacher shall work with the principal and the local Career and Technical Education administrator to find time in the school day to contact businesses and develop opportunities for students. The high school shall include a variety of trades and skilled labor positions for students to interact with and shadow and shall encourage students who may be interested in a job-shadowing opportunity to pursue and set up the job shadow.

Each local board of education shall develop a policy with provisions for students who are absent from school while doing a job shadow to make up the work. Students shall not be counted as absent when participating in these work-based learning opportunities or in Career and Technical Education student organization activities. Local boards may determine maximum numbers of days to be used for job-shadowing activities.

…."

SECTION 7.23H.(b) G.S. 115C-55 reads as rewritten:

"**§ 115C-55. Advisory councils.**

A board of education may appoint an advisory council for any school or schools within the local school administrative unit. The purpose and function of an advisory council shall be to serve in an advisory capacity to the board on matters affecting the school or schools for which it is appointed. ~~The~~ Except as otherwise provided under Part 4 of Article 10 of this Chapter for business advisory councils, the organization, terms, composition and regulations for the operation of such advisory council shall be determined by the board."

SECTION 7.23H.(c) G.S. 115C-81(a1) reads as rewritten:

"(a1) The Basic Education Program shall describe the education program to be offered to every child in the public schools. It shall provide every student in the State equal access to a Basic Education Program. Instruction shall be offered in the areas of arts, communication skills, physical education and personal health and safety, mathematics, media and computer skills, science, second languages, social studies, and ~~vocational~~ career and technical education.

Instruction in ~~vocational~~ career and technical education under the Basic Education Program shall be based on factors including:

(1) The integration of academic and ~~vocational~~ career and technical ~~education;~~education.

(2) A sequential course of study leading to both academic and occupational ~~competencies;~~competencies.

(3) Increased student work skill attainment and job ~~placement;~~placement.

(4) Increased linkages, where geographically feasible, between public schools and community colleges, so the public schools can emphasize academic preparation and the community colleges can emphasize specific job ~~training; and~~training.

(5) Instruction and experience, to the extent practicable, in all aspects of the industry the students are prepared to enter."

SECTION 7.23H.(d) G.S. 115C-81.1 reads as rewritten:

"**§ 115C-81.1. Basic Education Program Funds not to supplant Local funds for schools.**

It is the intent of the General Assembly that budget funds appropriated by the General Assembly for ~~vocational~~ career and technical education programs and clerical personnel to implement the Basic Education Program be used to supplement and not supplant existing State and local funding for the public schools. Therefore, to the extent that local school administrative units receive additional State funds for ~~vocational~~ career and technical education programs and clerical personnel positions that were previously funded in whole or in part with nonstate funds, the local governments shall continue to spend for public school operating or capital purposes in the local school administrative units the amount of money they would have spent to provide the ~~vocational~~ career and technical education programs and the school clerical personnel previously funded with nonstate funds.

Priority shall be given to funding capital needs, particularly those resulting from implementation of the Basic Education Program."

SECTION 7.23H.(e) Article 10 of Chapter 115C of the General Statutes reads as rewritten:

"Article 10.

"~~Vocational~~ Career and Technical Education.

"Part 1. ~~Vocational~~ Career and Technical Education Programs.

"**§ 115C-151. Statement of purpose.**

It is the intent of the General Assembly that ~~vocational~~ career and technical education be an integral part of the educational process. The State Board of Education shall administer through local boards of education a comprehensive program of ~~vocational~~ career and technical education that shall be available to all students, with priority given to students in grades eight through 12, who desire it in the public secondary schools and middle schools of this State. The purposes of ~~vocational~~ career and technical education in North Carolina public secondary schools shall ~~be:~~be as follows:

(1) Occupational Skill Development. – To prepare individuals for paid or unpaid employment in recognized occupations, new occupations, and emerging occupations.

(2) Preparation for Advanced Education. – To prepare individuals for participation in advanced or highly skilled ~~vocational~~ career and technical education.

(3) Career Development; Introductory. – To assist individuals in the making of informed and meaningful occupational choices.

It is also legislative intent to authorize the State Board of Education to support appropriate ~~vocational~~ career and technical education instruction and related services for individuals who have special ~~vocational~~ career and technical education needs which can be fulfilled through a comprehensive ~~vocational~~ career and technical education program as designated by State Board of Education policy or federal ~~vocational~~ career and technical education legislation.

"**§ 115C-152. Definitions.**

The State Board of Education shall provide appropriate definitions to ~~vocational~~ career and technical education programs, services, and activities in grades ~~6-12~~ five through 12 not otherwise included in this Part. As used in this Part, the following definitions apply, unless the context requires otherwise:

(1) "Career development; ~~introductory"~~ introductory; or career awareness program" means an instructional program, service, or activity designed to familiarize individuals with the broad range of occupations for which special skills are required and the requisites for careers in such occupations. A career awareness program offered to elementary school students shall

encourage students to explore career pathways and prepare students for the transition to middle school career planning.

(2) "Comprehensive ~~vocational~~ career and technical education" means instructional programs, services, or activities directly related to preparation for and placement in employment, for advanced technical preparation, or for the making of informed and meaningful educational and occupational choices.

(3) "Occupational skill development" means a program, service, or activity designed to prepare individuals for paid or unpaid employment as semiskilled or skilled workers, technicians, or professional-support personnel in recognized occupations and in new and emerging occupations including occupations or a trade, technical, business, health, office, homemaking, homemaking-related, agricultural, marketing, and other nature. Instruction is designed to fit individuals for initial employment in a specific occupation or a cluster of closely related occupations in an occupational field. This instruction includes education in technology, manipulative skills, theory, auxiliary information, application of academic skills, and other associated ~~knowledges.~~abilities.

(4) "Preparation for advanced education" means a program, service, or activity designed to prepare individuals for participation in advanced or highly skilled post-secondary and technical education programs leading to employment in specific occupations or a cluster of closely related occupations and for participation in ~~vocational~~ career and technical education teacher education programs.

"**§ 115C-153. Administration of ~~vocational~~ career and technical education.**

The State Board of Education shall be the sole State agency for the State administration of ~~vocational~~ career and technical education at all levels, shall be designated as the State Board of ~~Vocational~~ Career and Technical Education, and shall have all necessary authority to cooperate with any and all federal agencies in the administration of national acts assisting ~~vocational~~ career and technical education, to administer any legislation pursuant thereto enacted by the General Assembly of North Carolina, and to cooperate with local boards of education in providing ~~vocational~~ career and technical education programs, services, and activities for youth and adults residing in the areas under their jurisdiction.

"**§ 115C-154. Duties of the State Board of Education.**

In carrying out its duties, the State Board of Education shall develop and implement any policies, rules, regulations, and procedures as necessary to ensure ~~vocational~~ career and technical education programs of high quality. The State Board of Education shall prepare a Master Plan for ~~Vocational~~ Career and Technical Education. The plan, to be updated periodically, shall ensure ~~minimally that:~~that, at a minimum, the following activities are accomplished:

(1) Articulation shall occur with institutions, agencies, councils, and other organizations having responsibilities for work force preparedness.

(2) Business, industrial, agricultural, and lay ~~representatives, including parents of students enrolled in Vocational and Technical Education courses,~~ representatives organized as business advisory ~~committees~~ councils under Part 4 of this Article have been utilized in the development of decisions affecting ~~vocational~~ career and technical education programs and services.

(3) Public hearings are conducted annually to afford the public an opportunity to express their views concerning the State Board's plan and to suggest changes in the plan.

(4) The plan describes the State's policy for ~~vocational~~ career and technical education and the system utilized for the delivery of ~~vocational~~ career and technical education programs, services, and activities. The policy shall include priorities of curriculum, integration of ~~vocational~~ career and academic education, technical preparation, and youth apprenticeships.

(5) A professionally and occupationally qualified staff is employed and organized in a manner to assure efficient and effective State leadership for ~~vocational~~ career and technical education. Provisions shall be made for such functions as: planning, administration, supervision, personnel development, curriculum development, ~~vocational~~ career and technical education student organization and coordination research and evaluation, and such others as the State Board may direct.

(6) An appropriate supply of qualified personnel is trained for program expansion and replacements through cooperative arrangements with institutions of higher education and other institutions or agencies, including where necessary financial support of programs and curriculums designed for the preparation of ~~vocational~~ career and technical education administrators, supervisors, coordinators, instructors, and support personnel.

(7) Minimum standards shall be prescribed for personnel employed at the State and local levels.

(8) Local boards of education submit to the State Board of Education a local plan for ~~vocational~~ career and technical education that has been prepared in accordance with the procedures set forth in the Master Plan for ~~Vocational~~ Career and Technical Education.

(9) Appropriate minimum standards for ~~vocational~~ career and technical education programs, services, and activities shall be established, promulgated, supervised, monitored, and maintained. These standards shall specify characteristics such as program objectives, competencies, course sequence, program duration, class size, supervised on-the-job experiences, ~~vocational~~ career and technical education student organization, school-to-work transition programs, qualifications of instructors, and all other standards necessary to ensure that all programs conducted by local school administrative units shall be of high quality, relevant to student needs, and coordinated with employment opportunities.

(10) A system of continuing qualitative and quantitative evaluation of all ~~vocational~~ career and technical education programs, services, and activities supported under the provisions of this Part shall be established, maintained, and utilized periodically. One component of the system shall be follow-up studies of employees and former students of ~~vocational~~ career and technical education programs who have been out of school for one year, and for five years to ascertain the effectiveness of instruction, services, and activities.

"**§ 115C-154.1. Approval of local ~~vocational~~ career and technical education plans or applications.**

The State Board of Education shall not approve any local ~~vocational~~ board of education career and technical education plans or applications ~~unless:~~unless the plan or application meets all of the following conditions:

(1) The programs are in accordance with the purposes of ~~G.S. 115C-151;~~G.S. 115C-151.

(2) The ~~vocational~~ career and technical education programs and courses are not duplicated within a local school administrative unit, unless the unit has data

to justify the duplication or the unit has a plan to redirect the duplicative programs within three ~~years;~~years.

(3) For all current job skill programs, there is a documented need, based on labor market data or follow-up data, or there is a plan to redirect the program within two ~~years;~~years.

(4) New ~~vocational~~ career and technical education programs show documented need based on student demand, or for new job skill programs, based on student and labor market ~~demand; and~~demand.

(5) All programs are responsive to technological advances, changing characteristics of the work force, and the academic, technical, and attitudinal development of students.

(6) The local board of education establishes a business advisory council in accordance with Part 4 of this Article. The local board of education shall submit information regarding ongoing consultation with the advisory council as part of the career and technical education local planning system maintained by the State Board of Education and the Department of Public Instruction.

Local programs using the cooperative ~~vocational~~ career and technical education method shall be approved subject to students enrolled being placed in employment commensurate with the respective program criteria.

"**§ 115C-154.2. ~~Vocational~~ Career and technical education equipment standards.**

The State Board of Education shall develop equipment standards for each ~~vocational~~ career and technical education program level and shall assist local school administrative units in determining the adequacy of equipment for each ~~vocational~~ career and technical education program available in each local school administrative unit.

The State Board shall also develop a plan to assure that minimum equipment standards for each program are met to the extent that State, local, and federal funds are available for that purpose. The State Board shall consider all reasonable and prudent means to meet these minimum equipment standards and to ensure a balanced ~~vocational~~ career and technical education program for students in the public schools.

"**§ 115C-155. Acceptance of benefits of federal ~~vocational~~ career and technical education acts.**

The State of North Carolina, through the State Board of Education, may accept all the provisions and benefits of acts passed by the Congress of the United States providing federal funds for ~~vocational~~ career and technical education programs: Provided, however, that the State Board of Education shall not accept those funds upon any condition that the public schools of this State shall be operated contrary to any provision of the Constitution or statutes of this State.

"**§ 115C-156. State funds for ~~vocational~~ career and technical education.**

It is the intent of the General Assembly of North Carolina to appropriate funds for each fiscal year to support the purposes of ~~vocational~~ career and technical education as set forth in G.S. 115C-151. From funds appropriated, the State Board of Education shall establish a sum of money for State administration of ~~vocational~~ career and technical education and shall allocate the remaining sum on an equitable basis to local school administrative units, except that a contingency fund is established to correct excess deviations that may occur during the regular school year. In the administration of State funds, the State Board of Education shall adopt such policies and procedures as necessary to ensure that the funds appropriated are used for the purpose stated in this Part and consistent with the policy set forth in the Master Plan for ~~Vocational~~ Career and Technical Education.

…

"**§ 115C-156.2. Industry certifications and credentials 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 State Board of Education approved industry certifications and ~~credentials:~~credentials as follows:

(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) 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.

(3) Local school administrative units shall consult with their local industries, employers, business advisory councils, 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,~~2017, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by ~~September~~ November 15 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.

"**§ 115C-157. Responsibility of local boards of education.**

(a) Each local school administrative unit, shall provide free appropriate ~~vocational~~ career and technical education instruction, activities, and services in accordance with the provisions of this Part for all youth, with priority given to youth in grades eight through 12, who elect the instruction and shall have responsibility for administering the instruction, activities, and services in accordance with federal and State law and State Board of Education policies.

(b) Each local school administrative unit shall offer as part of its career and technical education program at least two work-based learning opportunities that are related to career and technical education instruction. A work-based learning opportunity shall consist of on-the-job training through an internship, cooperative education, or an apprenticeship program meeting the requirements of Chapter 115D of the General Statutes.

(c) Each local board of education is encouraged to implement a career awareness program for students in grade five to educate students on the career and technical education programs offered in the local school administrative unit. A local board of education that adopts a career awareness program for fifth grade students shall report on program activities and student outcomes from the prior school year to the State Board of Education by October 1 of each year. By November 15 of each year, the State Board shall submit a consolidated report to the Joint Legislative Education Oversight Committee on program outcomes and any legislative recommendations based on local board of education reports.

"**§ 115C-157.5. Extended year agriculture education program; evaluation of career and technical education agriculture teacher personnel.**

Local boards of education shall provide career and technical education agriculture teacher personnel with adequate resources to provide a career and technical education agriculture education program for 12 calendar months, which includes work-based learning services and instructional and leadership development. A local board of education shall require that career and technical education agriculture teacher personnel who are employed for 12 calendar

months, pursuant to G.S. 115C-302.1, are evaluated in the same manner as teachers evaluated in accordance with G.S. 115C-333 or G.S. 115C-333.1, as applicable.

"**§ 115C-158. Federal funds division.**

The division between secondary and post-secondary educational systems and institutions of federal funds for which the State Board of ~~Vocational~~ Career and Technical Education has responsibility shall, within discretionary limits established by law, require the concurrence of the State Board of Education and the State Board of Community Colleges on and after January 1, 1981. The portion of the approved State Plan for post-secondary ~~vocational~~ career and technical education required by G.S. 115C-154 shall be as approved by the State Board of Community Colleges.

"Part 2. ~~Vocational~~ Career and Technical Education Production Work Activities.

"**§ 115C-159. Statement of purpose.**

It is the intent of the General Assembly that practical work experiences within the school and outside the school, which are valuable to students and which are under the supervision of a teacher, should be encouraged as a part of ~~vocational~~ career and technical education instruction in the public secondary schools and middle schools when those experiences are organized and maintained to the best advantage of the ~~vocational~~ career and technical education programs. Those activities are a part of the instructional activities in the ~~vocational~~ career and technical education programs and are not to be construed as engaging in business. Those services, products, and properties generated through these instructional activities are exempt from the requirements of ~~G.S. 115C-518; the local board~~ G.S. 115C-518. Local boards of education shall adopt rules for the disposition of these services, products, and properties. Local boards of education may use available financial resources to support that instruction.

"**§ 115C-160. Definitions.**

The State Board of Education shall provide appropriate definitions necessary to this part of ~~vocational~~ career and technical education instruction not otherwise included in this Part. As used in this Part, the following definitions apply, unless the context requires otherwise:

(1) The term "building trades training" means the development of ~~vocational~~ career skills through the construction of dwellings or other buildings and related activities by students in ~~vocational~~ career and technical education programs.

(2) The term "production work" means production activities and services performed by ~~vocational~~ students in career and technical education classes under contract with a second party for remuneration.

"**§ 115C-161. Duties of the State Board of Education.**

The State Board of Education is authorized and directed to establish, maintain, and implement such policies, rules, regulations, and procedures not in conflict with State law or other State Board policies as necessary to assist local boards of education in the conduct of production work experiences performed in connection with approved State Board of Education ~~vocational~~ career and technical education programs.

"**§ 115C-162. Use of proceeds derived from production work.**

Unless elsewhere authorized in these statutes, local boards of education shall deposit to the appropriate school account, no later than the end of the next business day after receipt of funds, all proceeds derived from the sale of products or services from production work experiences. These proceeds shall be established as a revolving fund to be used solely in operating and improving ~~vocational~~ career and technical education programs.

"**§ 115C-163. Acquisition of land for agricultural education instructional programs.**

Local boards of education may acquire by gift, purchase, or lease for not less than the useful life of any project to be conducted upon the premises, a parcel of land suitable for a land laboratory to provide students with practical instruction in soil science, plant science,

horticulture, forestry, animal husbandry, and other subjects related to the agriculture curriculum.

Each deed, lease, or other agreement for land shall be made to the respective local board of education in which the school offering instruction in agriculture is located; and title to such land shall be examined and approved by the ~~school~~ local board of education's attorney.

Any land laboratory thus acquired shall be assigned to the agricultural education program of the school, to be managed with the advice of an agricultural education advisory ~~committee.~~committee or a specialized subcommittee of a business advisory council as provided under Part 4 of this Article.

The products of the land laboratory not needed for public school purposes may be sold to the public: Provided, however, that all proceeds from the sale of products shall be deposited in the appropriate school account no later than the end of the next business day after receipt of funds. The proceeds shall be established as a revolving fund to be used solely in operating and improving ~~vocational~~career and technical education programs.

"**§ 115C-164. Building trades training.**

In the establishment and implementation of production work experience policies, the State Board of Education shall be guided as follows:

(1) Local boards of education may use supplementary tax funds or other local funds available for the support of ~~vocational~~ career and technical education to purchase and develop suitable building sites on which dwellings or other buildings are to be constructed by ~~vocational~~ career and technical education trade classes of each public school operated by local boards of education. Local boards of education may use these funds for each school to pay the fees necessary in securing and recording deeds to these properties for each public school operated by local boards of education and to purchase all materials needed to complete the construction of buildings by ~~vocational~~ career and technical education trade classes and for development of site and property by other ~~vocational~~ career and technical education classes. Local boards of education may use these funds to acquire skilled services, including electrical, plumbing, heating, sewer, water, transportation, grading, and landscaping needed in the construction and completion of buildings, that cannot be supplied by the students in ~~vocational~~ career and technical education trade classes.

(2) Local boards of education may, in conjunction with or in lieu of subdivision (1) of this section, contract with recognized building trades educational foundations or associations in the purchase of land for the construction and development of buildings: Provided however, that all contracts shall be in accordance with the requirements set forth by the State Board of Education.

"**§ 115C-165. Advisory committee on production work activities.**

The local board of education of each local school administrative unit in which the proposed production work activities are to be undertaken shall appoint appropriate workforce production advisory committees of no less than three persons residing within that administrative unit for each program (or in the case of Trade and Industrial Education, for each specialty) for the purpose of reviewing and making recommendations on such production work activities. Workforce production advisory committees, including agricultural education advisory committees under G.S. 115C-163, may be established as specialized subcommittees of the business advisory councils as provided under Part 4 of this Article. Respective advisory committee members shall be lay persons who are actively involved in the appropriate business or trade. No production work activity shall be undertaken without the involvement of the appropriate advisory committee.

"Part 3. Eye Safety Devices Required.

"**§ 115C-166. Eye protection devices required in certain courses.**

The governing board or authority of any public or private school or educational institution within the State, wherein shops or laboratories are conducted providing instructional or experimental ~~programs involving:~~programs, shall provide for and require that every student and teacher wear industrial-quality eye protective devices at all times while participating in a program that involves any of the following:

(1) Hot solids, liquids or molten ~~metals;~~metals.
(2) Milling, sawing, turning, shaping, cutting, or stamping of any solid ~~materials;~~materials.
(3) Heat treatment, tempering, or kiln firing of any metal or other ~~materials;~~materials.
(4) Gas or electric arc ~~welding;~~welding.
(5) Repair or servicing of any ~~vehicle; or~~vehicle.
(6) Caustic or explosive chemicals or ~~materials,~~materials.

~~shall provide for and require that every student and teacher wear industrial-quality eye protective devices at all times while participating in any such program.~~ These industrial-quality eye protective devices shall be furnished free of charge to the student and teacher.

"**§ 115C-167. Visitors to wear eye safety devices.**

Visitors to ~~such~~ shops and laboratories subject to the requirements of G.S. 115C-166 shall be furnished with and required to wear ~~such~~ industrial-quality eye ~~safety~~ protective devices while ~~such~~ instructional or experimental programs are in progress.

…

"Part 4. Business Advisory Councils.

"**§ 115C-170. Business advisory councils established; members; selection; duties.**

(a) Purpose. – Each local board of education shall be assisted by a business advisory council in the performance of its duties to provide career and technical education instruction, activities, and services in accordance with this Article. The business advisory council shall serve local boards of education by identifying economic and workforce development trends related to the training and educational needs of the local community and advocating for strong, local career and technical education programs, including career pathway development that provides work-based learning opportunities for students and prepares students for post-secondary educational certifications and credentialing for high-demand careers. A business advisory council established under this Part may serve more than one local board of education in a region of the State upon the agreement of the members of the council and all of the local boards of education to be served by that council.

(b) Workforce Production Subcommittees. – A business advisory council may form a subcommittee of the council for the purposes of advising a local board of education on workforce production activities under Part 2 of this Article.

(c) Membership. – Each business advisory council shall have at least nine members. The council shall be composed of members who reasonably reflect the education, business, and community makeup of the local school administrative unit that it serves. A majority of the membership of the council shall be composed of business, industry, and community members appointed in accordance with subdivision (2) of this subsection, and the remaining members shall consist of education representatives as follows:

(1) Education representatives. – The following members shall serve ex officio on the council to represent each local school administrative unit that the council serves:
a. The superintendent of the local school administrative unit or his or her designee.
b. The career and technical education program director of the local school administrative unit as a nonvoting member.

c. The president of the community college that serves the area in which the local school administrative unit is located, in whole or in part, or his or her designee.

d. A principal of a school located within the local school administrative unit, as assigned by the superintendent.

(2) Business, industry, and community representatives. – At least five other members shall serve on the council to represent business and industry located within each local school administrative unit that the council serves and the community. Members shall be business, industry, and workforce and economic development stakeholders in the community, and community members, including any of the following:

a. Local business and industry owners.

b. Representatives from local manufacturing centers and factories.

c. Human resource directors employed at businesses and industries in the community.

d. Representatives from community-based organizations.

e. Representatives from economic and workforce development organizations.

f. Parents of students enrolled in career and technical education courses.

g. Representative or manager of the local apprenticeship coalition.

(d) Initial Terms and Appointments. – Each local board of education shall make the initial appointment of members of the business advisory council under subdivision (2) of subsection (c) of this section for terms beginning January 1, 2018. The local board of education shall divide the initial appointments into three groups if there are only three appointments, and into four groups as equal in size as practicable if there are more than three appointments, and shall designate appointments in group one to serve four-year terms, in group two to serve three-year terms, in group three to serve two-year terms, and in group four to serve one-year terms.

(e) Subsequent Terms and Appointments. – As terms expire for members appointed as provided in subsection (d) of this section, the business advisory council shall appoint subsequent members of the business advisory council under subdivision (2) of subsection (c) of this section for four-year terms. The local board of education shall establish a policy on the appointment of subsequent members to the council, including procedures for increasing the number of members serving on the council. Any vacancies in seats appointed to the council shall be filled by the remaining members of the council.

(f) Council Secretary. – The career and technical education program director shall serve as secretary to the council. If the council serves more than one local board of education, the program director of each local school administrative unit shall serve as secretary for a period of time as determined by the members of the council.

(g) Bylaws. – Each business advisory council shall adopt bylaws establishing procedures for conducting the business of the council, which shall include at least the following:

(1) A chair of the business advisory council shall be elected annually by the members of the council from among the business and industry representative members of the council.

(2) A majority of the members shall constitute a quorum.

(3) The business advisory council shall meet at least biannually.

(4) The chair or three of the members may call a special meeting of the council.

(5) Procedures for appointing members to the council that are consistent with the policy adopted by the local board of education under subsection (e) of this section.

(h) Public Records. – A business advisory council is subject to the Public Records Act, Chapter 132 of the General Statutes, and the Open Meetings Law, Article 33C of Chapter 143 of the General Statutes.

(i) Expenses. – The local board of education shall provide for meeting space and assignment of necessary administrative staff to the business advisory council."

SECTION 7.23H.(f) G.S. 115C-174.25 reads as rewritten:

"**§ 115C-174.25. WorkKeys.**

To the extent funds are made available for this purpose, the State Board shall plan for and require local school administrative units to make available the appropriate WorkKeys tests for all students who complete ~~the second level of vocational/career~~ a concentration in career and technical education courses."

SECTION 7.23H.(g) G.S. 115C-302.1 reads as rewritten:

"**§ 115C-302.1. Salary.**

…

(b) Salary Payments. – State-allotted teachers shall be paid for a term of 10 months. Except for career and technical education agriculture teacher personnel positions as provided for in this subsection, State-allotted months of employment for ~~vocational~~career and technical education to local boards shall be used for the employment of teachers of ~~vocational~~career and technical education for a term of employment to be determined by the local boards of education. ~~However, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 1982-83 school year for any school year thereafter. In addition, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 2003-2004 school year for any school year thereafter.~~Beginning with the 2018-2019 school year, career and technical education agriculture teacher personnel positions serving students in grades nine through 12 shall be for a term of employment for 12 calendar months. A local board of education may fund these positions using any combination of State funds, local funds, or any other funds available to the local board.

Each local board of education shall establish a set date on which monthly salary payments to State-allotted teachers shall be made. This set pay date may differ from the end of the month of service. The daily rate of pay for teachers shall equal midway between one twenty-first and one twenty-second of the monthly rate of pay. Except for teachers employed in a year-round school or paid in accordance with a year-round calendar, or both, the initial pay date for teachers shall be no later than August 31 and shall include a full monthly payment. Subsequent pay dates shall be spaced no more than one month apart and shall include a full monthly payment.

Teachers may be prepaid on the monthly pay date for days not yet worked. A teacher who fails to attend scheduled workdays or who has not worked the number of days for which the teacher has been paid and who resigns, is dismissed, or whose contract is not renewed shall repay to the local board any salary payments received for days not yet worked. A teacher who has been prepaid and continues to be employed by a local board but fails to attend scheduled workdays may be subject to dismissal under G.S. 115C-325 or other appropriate discipline.

Any individual teacher who is not employed in a year-round school may be paid in 12 monthly installments if the teacher so requests on or before the first day of the school year. The request shall be filed in the local school administrative unit which employs the teacher. The payment of the annual salary in 12 installments instead of 10 shall not increase or decrease the teacher's annual salary nor in any other way alter the contract made between the teacher and the

local school administrative unit. Teachers employed for a period of less than 10 months shall not receive their salaries in 12 installments.

Notwithstanding this subsection, the term "daily rate of pay" for the purpose of G.S. 115C-12(8) or for any other law or policy governing pay or benefits based on the teacher salary schedule shall not exceed one twenty-second of a teacher's monthly rate of pay.

…

(b2) Waiver of 12 Months of Employment for Career and Technical Education Agriculture Teacher Personnel. – Notwithstanding subsection (b) of this section, a local board of education may apply on an annual basis to the Department of Public Instruction and the North Carolina State University, Agricultural and Extension Education, for a waiver of the months of employment requirement for any upcoming school year when it is impracticable for the local board to provide adequate funds to support 12 months of employment for career and technical agriculture teachers.

(c) Vacation. – Included within the 10-month term shall be annual vacation leave at the same rate provided for State employees, computed at one-twelfth of the annual rate for State employees for each month of employment. Local boards shall provide at least 10 days of annual vacation leave at a time when students are not scheduled to be in regular attendance. However, instructional personnel who do not require a substitute may use annual vacation leave on days that students are in attendance. ~~Vocational~~ Career and technical education teachers who are employed for 11 or 12 months may, with prior approval of the principal, work on annual vacation leave days designated in the school calendar and may use those annual vacation leave days during the eleventh or twelfth month of employment. Local boards of education may adopt policies permitting instructional personnel employed for 11 or 12 months in year-round schools to, with the approval of the principal, take vacation leave at a time when students are in attendance; local funds shall be used to cover the cost of substitute teachers.

On a day that pupils are not required to attend school due to inclement weather, but employees are required to report for a workday, a teacher may elect not to report due to hazardous travel conditions and to take an annual vacation day or to make up the day at a time agreed upon by the teacher and the teacher's immediate supervisor or principal. On a day that school is closed to employees and pupils due to inclement weather, a teacher shall work on the scheduled makeup day.

All vacation leave taken by the teacher will be upon the authorization of the teacher's immediate supervisor and under policies established by the local board of education. Annual vacation leave shall not be used to extend the term of employment.

Notwithstanding any provisions of this subsection to the contrary, no person shall be entitled to pay for any vacation day not earned by that person.

…."

SECTION 7.23H.(h) G.S. 115C-426(f)(2) reads as rewritten:

"(2) The acquisition, construction, reconstruction, enlargement, renovation, or replacement of buildings and other structures, including but not limited to buildings for classrooms and laboratories, physical and ~~vocational~~ career and technical educational purposes, libraries, auditoriums, gymnasiums, administrative offices, storage, and vehicle maintenance."

SECTION 7.23H.(i) Local school administrative units are encouraged to complete the application process for the NCWorks Work Ready Certified Communities initiative in cooperation with local workforce development boards, local economic development boards, chambers of commerce, business and industry employers, and local community college leaders. The NCWorks Certified Work Ready Communities initiative encourages local participation to assist with the following:

(1) Informing business and industry employers on the foundational skills necessary for a productive workforce and providing a method for employers to communicate their needs.
(2) Providing individuals with an understanding on the skills required by employers and how to prepare for success.
(3) Providing reliable data for the evaluation of the skills gap in a timely manner at the national, State, and local levels.
(4) Informing educators on how to close the skills gap using tools integrated into career pathways with stackable industry-recognized credentials.
(5) Providing economic developers an on-demand reporting tool to market the quality of their workforce.

SECTION 7.23H.(j) Of the funds appropriated by this act to the Department of Public Instruction for the 2017-2019 fiscal biennium, the Department shall establish two new full-time equivalent positions within the Division of Career and Technical Education dedicated to assisting local school administrative units in developing business advisory councils in accordance with Part 4 of Article 10 of Chapter 115C of the General Statutes, as enacted by subsection (e) of this section, local career pathways, work-based learning opportunities, and elementary school career awareness curriculum.

SECTION 7.23H.(k) Subsections (a) through (h) of this section apply beginning with the 2017-2018 school year.

ESTABLISH B-3 INTERAGENCY COUNCIL

SECTION 7.23I.(a) Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 6D.

"B-3 Interagency Council.

"**§ 115C-64.25. Establishment and membership of B-3 Interagency Council.**

(a) There is established the B-3 Interagency Council. The Council is a joint council between the Department of Health and Human Services and the Department of Public Instruction and shall consist of 12 voting members and four nonvoting advisory members as follows:

(1) The Superintendent of Public Instruction or the Superintendent's designee shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
(2) The Associate Superintendent of Early Education at the Department of Public Instruction shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
(3) The Secretary of Health and Human Services or the Secretary's designee shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
(4) The Deputy Secretary of Human Services at the Department of Health and Human Services shall serve ex officio, with the same rights and privileges, including voting rights, as other members.
(5) Four public members appointed by the Speaker of House of Representatives who represent organizations that focus on early childhood education and development such as Smart Start and First School.
(6) Four public members appointed by the President Pro Tempore of the Senate who represent organizations that focus on early childhood education and development such as Smart Start and First School.
(7) Two members of the House of Representatives appointed by the Speaker of the House of Representatives to serve as nonvoting advisory members.

(8) Two members of the Senate appointed by the President Pro Tempore of the Senate to serve as nonvoting advisory members.

The Deputy Secretary of Human Services and the Associate Superintendent of Early Education shall serve as cochairs of the Council. Members of the Council shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

(b) Terms for all public members and advisory members except for the initial appointments shall be for four years. Two of the public members appointed by the Speaker of the House of Representatives pursuant to subdivision (5) of subsection (a) of this section and one of the advisory members appointed by the Speaker of the House of Representatives pursuant to subdivision (7) of subsection (a) of this section shall be appointed for an initial term of two years. Two of the public members appointed by the President Pro Tempore of the Senate pursuant to subdivision (6) of subsection (a) of this section and one of the advisory members appointed by the President Pro Tempore of the Senate pursuant to subdivision (8) of subsection (a) of this section shall be appointed for an initial term of two years. Terms for members shall begin on November 1. Members shall serve until their successors are appointed. Any vacancy in the membership of the Council shall be filled in the same manner as the original appointment.

(c) The Council shall have as its charge establishing a vision and accountability for a birth through grade three system of early education that addresses all of the following:

(1) Standards and assessment.
(2) Data-driven improvement and outcomes, including shared accountability measures such as the NC Pathways to Grade-Level Reading.
(3) Teacher and administrator preparation and effectiveness.
(4) Instruction and environment.
(5) Transitions and continuity.
(6) Family engagement.
(7) Governance and funding.

"**§ 115C-64.26. Powers and duties of B-3 Interagency Council.**

The B-3 Interagency Council shall have the following powers and duties:

(1) Facilitating the development and implementation of an interagency plan for a coordinated system of early care, education, and child development services with a focus on program outcomes in satisfying the developmental and educational needs of all children from birth to eight years of age that includes at least the following:
  a. Any recommendations to the Secretary of Health and Human Services and the Superintendent of Public Instruction on necessary organizational changes needed within the Departments of Health and Human Services and Public Instruction to be more responsive to and supportive of the birth to grade three continuum of early learning and development in an effort to optimize learning gains realized in the prekindergarten years.
  b. An early childhood information system that facilitates and encourages the sharing of data between and among early childhood service providers and State agencies.
  c. An early childhood accountability plan that includes identification of appropriate population indicators and program and system performance measures of early success of children such as the NC Pathways to Grade-Level Reading.
(2) Implementing a statewide longitudinal evaluation of the educational progress of children from prekindergarten programs through at least grade three.

(3) Collaborating with the Department of Public Instruction, the Department of Health and Human Services, the North Carolina Partnership for Children, and other relevant early childhood stakeholders, including members of the North Carolina Early Childhood Advisory Council, to achieve the goal of a coordinated system of early care, education, and child development services for children from birth to eight years of age.

"**§ 115C-64.27. Reporting requirement.**

The Deputy Secretary of Human Services and the Associate Superintendent of Early Education shall report on a quarterly basis to the Secretary of Health and Human Services and the Superintendent of Public Instruction on the progress and implementation of any of the duties and responsibilities of the Council as set forth in this Article.

"**§ 115C-64.28. Establish position of Associate Superintendent of Early Education to serve as chief academic officer of early education.**

(a) There is established within the Department of Public Instruction the position of Associate Superintendent of Early Education who shall serve as the chief academic officer of early education. The Associate Superintendent shall have professional, administrative, technical, and clerical personnel as may be necessary to assist in carrying out his or her duties. The Associate Superintendent shall co-lead the work of the B-3 Interagency Council and oversee the Department of Public Instruction's prekindergarten through third grade initiatives.

(b) The Associate Superintendent shall be appointed by the Superintendent of Public Instruction at a salary established by the Superintendent of Public Instruction within the funds appropriated for that purpose. The Associate Superintendent may be removed from the position by the Superintendent of Public Instruction in the event of the Associate Superintendent's incapacity to serve. The Associate Superintendent shall be exempt from the provisions of Chapter 126 of the General Statutes, except for Articles 6 and 7 of Chapter 126 of the General Statutes.

All other staff shall be appointed, supervised, and directed by the Associate Superintendent and shall be subject to the provisions of Chapter 126 of the General Statutes. Except for the Associate Superintendent, salaries and compensation of all staff personnel shall be fixed in the manner provided by law for fixing and regulating salaries and compensation by other State agencies."

SECTION 7.23I.(b) G.S. 126-5(c1) is amended by adding a new subdivision to read:

"(35) The Associate Superintendent of Early Education who serves as chief academic officer of early education."

SECTION 7.23I.(c) The B-3 Interagency Council, established under G.S. 115C-64.25, as enacted by this section, shall undertake a rigorous review of the recommendations developed by the Departments of Health and Human Services and Public Instruction, pursuant to Section 12B.5 of S.L. 2016-94, on (i) the development and implementation of a statewide vision for early childhood education and (ii) the development and implementation of a program for transitioning children from preschool to kindergarten. In its review, the B-3 Interagency Council shall report to the General Assembly and the Governor suggested modifications, if any, to those recommendations. The B-3 Interagency Council shall also, if deemed necessary, make suggestions on alternative organizational structures to achieve greater efficiency and effective delivery of early childhood services, including a consolidation and restructuring of State agency divisions and offices located within the Department of Public Instruction and the Department of Health and Human Services into a centralized agency or office. The Council shall consider at least the following in conducting the review and study:

(1) The delivery of educational services to young children and their families to ensure optimal learning for each young child.

(2) The collaboration and sharing of data elements necessary to perform quality assessments and longitudinal analysis across early childhood education and development services.

(3) The coordination of a comprehensive statewide system of professional development for providers and staff of early care and education and child development programs and services.

(4) Areas of duplication in regulating and monitoring of early care and education and child development programs and services.

(5) The coordination and support of public and private partnerships to aid early childhood initiatives.

SECTION 7.23I.(d) By April 15, 2018, the B-3 Interagency Council shall submit a report to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Commission on Governmental Operations on the initial results of the review and study required under subsection (c) of this section. By February 15, 2019, the B-3 Interagency Council shall submit a report to the Joint Legislative Education Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Joint Legislative Commission on Governmental Operations on (i) the final results of the review and study, including its recommendations and any proposed legislation, and (ii) progress on the development and implementation of a plan for a coordinated system of early care, education, and child development services and any other activities prescribed under G.S. 115C-64.26, as enacted by this section.

SECTION 7.23I.(e) Notwithstanding G.S. 115C-64.28, as enacted by this section, the Superintendent of Public Instruction shall appoint an Associate Superintendent of Early Education within 60 days of the date this section becomes law.

SECTION 7.23I.(f) Notwithstanding G.S. 115C-64.27, as enacted by this section, the B-3 Interagency Council shall submit its initial quarterly report to the Superintendent of Public Instruction and the Secretary of the Department of Health and Human Services by May 15, 2018.

ALLOTMENT TRANSFER REPORT

SECTION 7.23J. 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.

…

(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:

…

(3) A description of each allotment transfer that increased or decreased the initial allotment amount by more than five percent ~~(5%) and the~~ (5%), including all of the following information:

a. The amount of the transfer.

b. The allotment category into which the funds were transferred.

c. The object code for the funds following the transfer.

d. A description of any teacher positions fully or partially funded as a result of the transfer, including all subject areas taught by the teacher in the position.

e. The educational priorities that necessitated the transfer.

…

(d) No later than December 1 of each year, the Department of Public Instruction shall collect the information reported by local school administrative units pursuant to subdivision (3) of subsection (c) of this section and report the aggregated information to the Joint Legislative Education Oversight Committee and the Fiscal Research Division."

DIGITAL LEARNING PLAN/PROGRAMS/FUNDS

SECTION 7.23K.(a) As part of continuing the implementation of the Digital Learning Plan in North Carolina in accordance with Section 8.23 of S.L. 2016-94, the State Board of Education, the Department of Public Instruction, the Friday Institute for Educational Innovation at North Carolina State University (Friday Institute), and The University of North Carolina educator preparation programs shall collaborate with an experienced provider to develop and implement a comprehensive professional development strategy and solution for teachers and for students in UNC educator preparation programs for the use of technology and digital resources as teaching tools for K-12 students. Selection of an experienced provider shall be determined through a competitive process. The professional development strategy and solution may include the following:

(1) Measurement of the technological and pedagogical skills of each teacher or teacher candidate, including a detailed individual teacher skills proficiency report that identifies strengths and gaps according to the International Society for Technology in Education (ISTE) standards for teachers.

(2) Utilization of the individual teacher skills proficiency reports to create a personalized professional development plan that will promote understanding, leverage varied instructional strategies, and hone teacher technical and pedagogical skills.

(3) Delivery of professional development that is flexible and allows teachers to engage in an "anytime, anyplace" professional development experience utilizing various modalities, including face-to-face, Web-based, and prerecorded on-demand videos and content to ensure the greatest possible coverage and convenience for teachers and teacher candidates. Each professional development session should provide the teacher with a workshop, classroom takeaway or reflection on best practices, and a self-assessment.

SECTION 7.23K.(b) The State Board of Education, the Department of Public Instruction, the Friday Institute, UNC educator preparation programs, and local boards of education of local school administrative units located within counties determined to be the most economically distressed by the Department of Commerce shall collaborate with an experienced provider to implement student digital literacy instruction in kindergarten through eighth grade. Selection of an experienced provider shall be determined through a competitive process. The curriculum shall be aligned with the ISTE and North Carolina digital literacy standards and shall meet all of the following conditions:

(1) Provide opportunity for students to learn essential digital literacy skills, including computer fundamentals, computational thinking, keyboarding, digital citizenship and online safety, Web browsing, e-mail and online communication, visual mapping, word processing, spreadsheets, databases, and presentations.

(2) Provide teachers with the ability to measure student digital literacy growth.

(3) Be accessible entirely online, require no special software to be installed on an electronic device, and operate on multiple operating systems and hardware platforms, including desktops, laptops, and tablets.

(4) Support multiple implementation strategies, including self-paced and teacher-facilitated approaches.
(5) Be age appropriate and include automatically scored lessons, quizzes, and games and provide teachers with a complete scope and sequence along with grade-level pacing calendars.
(6) Facilitate Project-Based Learning (PBL), including preassembled projects for K-8 students so that educators can integrate instruction of digital literacy into core subjects, such as mathematics, English language arts, science, and social studies.
(7) Be specifically designed with the scope and sequence to prepare students for next generation, online assessments that include preassessment and the ability to auto-prescribe content to each individual student.
(8) Enable teachers to assign sequences of instruction to classes, groups of students, or individual students.
(9) Be capable of implementation in a wide variety of instructional settings, including computer or media labs, or in a classroom setting using various educational technology deployment strategies, such as laptop carts, Bring Your Own Device (BYOD), or 1:1 technology initiatives.
(10) Provide teachers with instructional support and supplemental and extension options.
(11) Accommodate English language learners with Spanish language instruction.

SECTION 7.23K.(c) Of the six million two hundred twenty thousand dollars ($6,220,000) in recurring funds appropriated to the Department of Public Instruction to accelerate implementation of the State's Digital Learning Plan, as set out in S.L. 2016-94, beginning with the 2017-2018 fiscal year, the Department shall use up to one million eight hundred thousand dollars ($1,800,000) to implement the requirements of this section.

AUDIT OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.23L. The Superintendent of Public Instruction shall select an independent research organization for the 2017-2018 fiscal year to conduct an organizational, functional, and business-process audit of the Department of Public Instruction. No later than May 1, 2018, the Department shall submit a report to the General Assembly, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division with the results of the audit including, at a minimum, all of the following information:
(1) Identification of cost saving measures that could be implemented within the Department.
(2) A statement regarding the minimum funding necessary to ensure that federal grant funds do not constitute more than fifty percent (50%) of the budget of the Department.
(3) All maintenance of effort requirements related to federal grants administered by the Department and the financial impact of failing to meet those requirements.
(4) Any recommendations for legislative action.

SCHOOL PERFORMANCE GRADES/ESSA COMPLIANCE

SECTION 7.26.(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~~The annual "report card" for each local school administrative ~~unit,~~ unit shall include the following:

1. For all schools, the State Board shall award, in accordance with G.S. 115C-83.15, ~~an overall~~ numerical school ~~achievement, growth, and performance score~~ achievement and school growth scores on a scale of zero to 100 and ~~a~~ separate corresponding ~~performance~~ letter ~~grade~~grades of A, B, C, D, or F for both the school achievement and school growth earned by each school within the local school administrative unit. The school ~~performance score and grade~~scores and grades shall reflect student performance on annual subject-specific assessments, college and workplace readiness measures, ~~and~~ graduation ~~rates.~~rates, promotion rates, course offerings, and student progress in achieving English language proficiency. In addition, the State Board shall award separate scores and grades for the following:
   I. Subgroup achievement and subgroup growth calculated pursuant to G.S. 115C-83.15.
   II. 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~~ achievement and growth in reading and mathematics respectively. ~~The annual "report card" for~~
2. For schools serving students in third ~~grade also shall include~~ grade, 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). ~~The annual "report card" for~~
3. For high ~~schools shall also include~~ schools, measures of Advanced Placement course ~~participation and~~ participation, Cambridge Advanced International Certificate of Education (AICE) Program participation, and International Baccalaureate Diploma Programme participation and Advanced ~~Placement~~ Placement, Cambridge AICE, and International Baccalaureate examination participation and performance."

SECTION 7.26.(b) 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 scores~~scores and ~~grade~~grades earned by each school in the local

school administrative unit for the current and previous four school years ~~is~~ are prominently displayed on the Web site of the local school administrative unit. If any school in the local school administrative unit is awarded a school achievement or school growth 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 7.26.(c) G.S. 115C-83.15 reads as rewritten:

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

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

(b) Calculation of the School Achievement Score. – In calculating the ~~overall~~ school achievement score earned by schools, the State Board of Education shall total the sum of points earned by a school ~~on~~ as follows:

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

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

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

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

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

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

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

g. Points assigned for a school that offers certain subject-area courses as follows:

1. For schools serving kindergarten through grade five:

I. 25 points if a school offers at least one course in arts disciplines, including dance, music, theater, and the visual arts.

II. 50 points if a school offers at least one course in physical education and health.

III. 25 points if a school offers at least one course in world languages.

2. For schools serving grades six through eight:

I. 20 points if a school offers at least one course in arts disciplines, including dance, music, theater, and the visual arts.

II. 40 points if a school offers at least one course in physical education and health.
III. 20 points if a school offers at least one course in world languages.
IV. 20 points if a school offers at least one course in career and technical education.

(2) For schools serving any students in ninth through twelfth grade, the State Board shall assign points on all of the following achievement elements for that school:

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

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

~~(6)~~c. One point for each percent of students who score at or above proficient on the Biology end-of-course test.

~~(7)~~d. One point for each percent of students who complete Algebra II or Integrated Math III with a passing grade.

~~(8)~~e. One point for each percent of students who achieve the minimum score required for admission into a constituent institution of The University of North Carolina on a nationally normed test of college readiness.

~~(9)~~f. One point for each percent of students enrolled in Career and Technical Education courses who meet the standard when scoring at Silver, Gold, or Platinum levels on a nationally normed test of workplace readiness.

~~(10)~~g. One point for each percent of students who graduate within four years of entering high school.

h. One point for each percent of students who progress in achieving English language proficiency.

i. Points assigned for a school that offers certain subject-area courses as follows:

1. 20 points if a school offers at least one course in arts disciplines, including dance, music, theater, and the visual arts.
2. 40 points if a school offers at least one course in physical education and health.
3. 20 points if a school offers at least one course in world languages.
4. 20 points if a school offers at least one course in career and technical education.

In calculating the ~~overall~~ school achievement score earned by schools, the State Board of Education shall (i) use a composite approach to weigh the achievement elements based on the number of students measured by any given achievement element and (ii) proportionally adjust the scale to account for the absence of a school achievement ~~element~~element, except for subject-area course offerings under sub-subdivision g. of subdivision (1) of this subsection and sub-subdivision i. of subdivision (2) of this subsection, for award of scores to a school that does not have a measure of one of the school achievement elements annually assessed for the grades taught at that school. The ~~overall~~ school achievement score shall be translated to a 100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and 116-239.8.

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

(d) ~~Calculation of the~~ School ~~Performance~~ Scores and ~~Grades. – The State Board of Education shall use EVAAS to calculate the school performance score by adding the school achievement score, as provided in subsection (b) of this section, and the school growth score, as provided in subsection (c) of this section, earned by a school. The school achievement score shall account for eighty percent (80%), and the school growth score shall account for twenty percent (20%) of the total sum. If a school has met expected growth and inclusion of the school's growth score reduces the school's performance score and grade, a school may choose to use the school achievement score solely to calculate the performance score and grade.~~ Grades for School Achievement and School Growth. – For all schools, the ~~total school performance score~~ school achievement score, as provided in subsection (b) of this section, and the school growth score, as provided in subsection (c) of this section, shall each be converted by the State Board of Education to a 100-point scale and used to determine ~~a school performance grade~~ two separate grades, one for school achievement and one for school growth, based on the following scale:

(1) A ~~school performance~~ score of at least ~~90~~ 85 is equivalent to ~~an overall school performance~~ an achievement or growth grade of A.

(2) A ~~school performance~~ score of at least ~~80~~ 70 is equivalent to ~~an overall school performance~~ an achievement or growth grade of B.

(3) A ~~school performance~~ score of at least ~~70~~ 55 is equivalent to ~~an overall school performance~~ an achievement or growth grade of C.

(4) A ~~school performance~~ score of at least ~~60~~ 40 is equivalent to ~~an overall school performance~~ an achievement or growth grade of D.

(5) A ~~school performance~~ score of less than ~~60 points~~ 40 is equivalent to ~~an overall school performance~~ an achievement or growth grade of F.

(d1) Calculation of Subgroup Scores and Grades. – In addition to the school achievement and growth scores and grades awarded under this section, for each school that serves a minimum number of students in a subgroup of students listed in this subsection, the State Board of Education shall use EVAAS to calculate subgroup achievement and growth scores and shall determine corresponding subgroup achievement and growth grades for each subgroup using the same method as set forth in subsection (d) of this section. Subgroup achievement and growth scores shall not be included in the calculation of the school scores and grades under subsection (d) of this section.

The State Board shall establish the minimum number of students in a subgroup served by a school that is necessary to disaggregate information on student performance and to determine subgroup achievement and growth grades for that subgroup. The subgroup achievement and growth scores and grades shall be reported separately on the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and 116-239.8 for the following subgroups of students as required by the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act:

(1) Economically disadvantaged students.

(2) Students from major racial and ethnic groups.

(3) Children with disabilities.

(4) English learners.

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

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

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

(1) A summary for each local school administrative unit and for each individual school of the school achievement and growth grades, whether the school has met, exceeded, or has not met expected growth, and any other information required to be provided as part of the annual report card.

(2) The percentage of schools receiving a school achievement or growth grade of A, B, C, D, or F earned by each school located within a local school administrative unit and statewide.

(3) The number of schools that have met, exceeded, or have not met expected growth by each school located within a local school administrative unit and statewide.

(4) A Web page for each individual school that prominently displays the school's achievement and growth grades, whether the school has met, exceeded, or has not met expected growth, and the school's achievement and growth scores in a way that is easy for the user to read.

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

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

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

The State Board of Education shall use the school achievement score calculated pursuant to G.S. 115C-83.15 to satisfy the federal requirement under the Elementary and Secondary Education Act of 1965, as amended by the Every Student Succeeds Act, P.L. 114-95, to meaningfully differentiate the performance of schools on an annual basis.

"**§ 115C-83.17. Definitions.**

The following definitions apply in this Part:

(1) Achievement grade. – A letter grade of A, B, C, D, or F assigned to a school or a subgroup of students by the State Board of Education based on the achievement score.

(2) Achievement score. – A numerical score on a scale of zero to 100 that is based on the sum of points earned by a school or by a subgroup of students pursuant to G.S. 115C-83.15.

(3) Growth grade. – A letter grade of A, B, C, D, or F assigned to a school or a subgroup of students based on the growth score.

(4) Growth score. – A numerical score measuring student growth calculated for a school or for a subgroup of students pursuant to G.S. 115C-83.15."

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

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

a. The school received a school ~~performance~~ achievement score in the lowest five percent (5%) of all schools in the prior school year that meet all of the following requirements:

1. The school includes all or part of grades kindergarten through fifth.

2. The school did not exceed growth in at least one of the prior three school years and did not meet growth in at least one of the prior three school years.

3. One of the models established in G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year.

…."

SECTION 7.26.(f) G.S. 115C-105.37 reads as rewritten:

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

(a) Identification of Low-Performing Schools. – The State Board of Education shall identify low-performing schools on an annual basis. Low-performing schools are those that receive a school ~~performance~~ achievement grade of D or F and a school growth score ~~of "met expected growth" or~~ that indicates whether a school has "not met expected growth" as defined by G.S. 115C-83.15.

(a1) Plan for Improvement of Low-Performing Schools. – If a school has been identified as low-performing as provided in this section and the school is not located in a local school administrative unit identified as low-performing under G.S. 115C-105.39A, the following actions shall be taken:

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

(2) Within 30 days of the initial identification of a school as low-performing by the State Board, the superintendent shall submit to the local board of education a preliminary plan for improving both the school ~~performance~~ achievement grade and school growth score, including how the superintendent and other central office administrators will work with the school and monitor the school's progress.

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

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

(5) The local board of education shall provide access to the final plan on the local school administrative unit's Web site. The State Board of Education

shall also provide access to each low-performing school plan on the Department of Public Instruction's Web site.

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

(1) A statement that the State Board of Education has found that the school has "received a school ~~performance~~ achievement grade of D or F and a school growth score ~~of "met expected growth" or~~ that indicates whether a school has "not met expected growth" and has been identified as a low-performing school as defined by G.S. 115C-105.37." The statement shall include an explanation of the school ~~performance~~ achievement grades and growth scores.

(2) The school ~~performance~~ achievement grade and growth score received.

(3) Information about the preliminary plan developed under subsection (a1) of this section and the availability of the final plan on the local school administrative unit's Web site.

(4) The meeting date for when the preliminary plan will be considered by the local board of education.

(5) A description of any additional steps the school is taking to improve student performance."

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

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

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

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

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

(2) Within 30 days of the identification of a local school administrative unit as low-performing by the State Board, the superintendent shall submit to the local board of education a preliminary plan for improving both the school ~~performance~~ achievement grade and school growth score of each low-performing school in the unit, including how the superintendent and other central office administrators will work with each low-performing school and monitor the low-performing school's progress and how current local school administrative unit policy should be changed to improve student achievement throughout the local school administrative unit.

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

(4) The local board shall submit a final plan to the State Board within five days of the local board's approval of the plan. The State Board shall review the plan expeditiously and, if appropriate, may offer recommendations to

modify the plan. The local board shall consider any recommendations made by the State Board and, if necessary, amend the plan and vote on approval of any changes to the final plan.

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

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

(1) A statement that the State Board of Education has found that a majority of the schools in the local school administrative unit have "received a school ~~performance~~ achievement grade of D or F and a school growth score ~~of "met expected growth" or~~ that indicates whether a school has "not met expected growth" and have been identified as low-performing schools as defined by G.S. 115C-105.37." The statement shall also include an explanation of the school ~~performance~~ achievement grades and school growth scores.

(2) The percentage of schools identified as low-performing.

(3) Information about the preliminary plan developed under subsection (b) of this section and the availability of the final plan on the local school administrative unit's Web site.

(4) The meeting date for when the preliminary plan will be considered by the local board of education.

(5) A description of any additional steps the local school administrative unit and schools are taking to improve student performance.

(6) For notifications sent to parents and guardians of students attending a school that is identified as low-performing under G.S. 115C-105.37, a statement that the State Board of Education has found that the school has "received a school ~~performance~~ achievement grade of D or F and a school growth score ~~of "met expected growth" or~~ that indicates whether a school has "not met expected growth" and has been identified as a low-performing school as defined by G.S. 115C-105.37." This notification also shall include the school ~~performance~~ achievement grade and school growth score the school received and an explanation of the school performance grades and school growth scores."

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

"**§ 115C-218.65. 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~~scores and ~~grade~~ grades 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 school achievement or school growth 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 7.26.(i) G.S. 115C-218.94(a) reads as rewritten:

"(a) Identification of Low-Performing Charter Schools. – The State Board of Education shall identify low-performing charter schools on an annual basis. Low-performing charter schools are those that receive a school ~~performance~~ achievement grade of D or F and a school

growth score ~~of "met expected growth" or~~ that indicates whether a school has "not met expected growth" as defined by G.S. 115C-83.15."

SECTION 7.26.(j) 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~~ scores and ~~grade~~ grades 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 school achievement or school growth 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 7.26.(k) G.S. 116-239.8(14) reads as rewritten:

"(14) North Carolina school report cards. – A lab 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 lab school shall ensure that the ~~overall~~ school ~~performance score~~ scores and ~~grade~~ grades earned by the lab school for the current and previous four school years is prominently displayed on the school Web site. If a lab school is awarded a school achievement or school growth grade of D or F, the lab school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 7.26.(*l*) Section 8.19 of S.L. 2016-94 is repealed.

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

CLARIFY STUDENT CONSENT TO RECEIVE COLLEGE, UNIVERSITY, AND SCHOLARSHIP INFORMATION

SECTION 7.26A. G.S. 115C-401.2(e) reads as rewritten:

"(e) Permissible Operator Actions. – This section does not prohibit an operator from doing any of the following:

…

(6) Using a student's information, including covered information, solely to identify or display information on nonprofit institutions of higher education or scholarship providers to the student if the provider secures the express written consent of the parent or student who is at least 13 years of age given in response to clear and conspicuous notice."

CAREER AND COLLEGE READY LITERACY SKILLS/READING IMPROVEMENT COMMISSION

SECTION 7.26B.(a) High School Diploma Endorsements. – G.S. 115C-12(40) reads as rewritten:

"(40) To Establish High School Diploma Endorsements. – The State Board of Education shall establish, implement, and determine the impact of adding (i) college, (ii) career, and (iii) college and career endorsements to high school diplomas to encourage students to obtain requisite job skills necessary for students to be successful in a wide range of high-quality careers and to reduce the need for remedial education in institutions of higher education. These endorsements shall reflect courses completed, overall grade point average, reading achievement, and other criteria as developed by the State Board of Education. A student shall only receive a high school diploma

endorsement if that student receives on a nationally norm-referenced college admissions test for reading, either administered under G.S. 115C-174.11(c)(4) or as an alternative nationally norm-referenced college admissions test approved by the State Board, at least the benchmark score established by the testing organization that represents the level of achievement required for students to have approximately a fifty percent (50%) chance of obtaining a grade B or higher or a seventy-five percent (75%) chance of obtaining a grade C or higher in a corresponding credit-bearing, first-year college course. A student may retake a nationally norm-referenced test as many times as necessary to achieve the required benchmark score for reading in order to receive a high school diploma endorsement prior to the student's graduation. The State Board of Education shall report annually to the Joint Legislative Education Oversight Committee on (i) the impact of awarding these endorsements on high school graduation, college acceptance and remediation, and post-high school employment ~~rates.~~rates; (ii) the number of students who had to retake a nationally norm-referenced college admissions test to meet the reading benchmark score required by this subdivision to receive a high school diploma endorsement; and (iii) the number of students who were not awarded a high school diploma endorsement solely because of the inability to meet the benchmark score for reading as required by this subdivision."

SECTION 7.26B.(b) Reading Improvement Commission. – The Superintendent of Public Instruction shall establish a Reading Improvement Commission (Commission) within the Department of Public Instruction to study and make recommendations on best practices for public schools in the State to improve reading comprehension, understanding, and application for students in grades four through 12 to ensure that students complete high school with literacy skills necessary for career and college readiness. The Commission shall develop recommendations on appropriate methods to monitor student progress and provide appropriate and timely remediation to students to ensure success on nationally norm-referenced college admissions tests. The Superintendent of Public Instruction may appoint superintendents, principals, reading instructors, representatives from research institutions, and other individuals as determined by the Superintendent to the Commission. Of the funds appropriated to the Department of Public Instruction for the 2017-2018 fiscal year, the Superintendent of Public Instruction may use up to two hundred thousand dollars ($200,000) in nonrecurring funds for the 2017-2018 fiscal year for the work of the Reading Improvement Commission. The Superintendent may also use these funds to contract with an independent research organization to assist in the study. The Superintendent of Public Instruction shall report to the Joint Legislative Education Oversight Committee, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the State Board of Education on the study, including any findings and recommendations, no later than January 15, 2019. The State Board of Education may use the findings and recommendations to inform the State Board's policies and may submit additional comments on the report to the Joint Legislative Education Oversight Committee, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives no later than February 15, 2019.

SECTION 7.26B.(c) Subsection (a) of this section applies beginning with high school diploma endorsements awarded in the 2019-2020 school year.

NATIONALLY NORM REFERENCED COLLEGE ADMISSIONS TESTS

SECTION 7.26C.(a) G.S. 115C-174.11(c)(4) reads as rewritten:

"(4) To the extent funds are made available, the State Board of Education shall ~~plan for and require the administration of the ACT test for~~ use a competitive

bid process to adopt two or more nationally norm-referenced college admission tests to make available to local school administrative units to administer to all students in the eleventh grade as follows unless the student has already taken a comparable test and scored at or above a level set by the State ~~Board.~~Board:

a. From the nationally norm-referenced college admission tests adopted by the State Board, each local board of education shall select one test to be used in the local school administrative unit. Upon request by one or more local boards of education, the State Board shall enter into a contract for a statewide service or contracts for regional services to offer the nationally norm-referenced college admission tests in multiple local school administrative units. These contracts shall be let in accordance with the provisions of Article 3 of Chapter 143 of the General Statutes.

b. The State Board of Education shall require the administration of an alternate to the ~~ACT~~ selected nationally norm-referenced college admissions test or an alternate ~~to the PLAN~~ precursor test ~~to the ACT~~ to a student who (i) exhibits severe and pervasive delays in all areas of conceptual, linguistic, and academic development and in adaptive behaviors, including communication, daily living skills, and self-care, (ii) is following the extended content standards of the Standard Course of Study as provided in G.S. 115C-81, or is following a course of study that, upon completing high school, may not lead to admission into a college-level course of study resulting in a college degree, and (iii) has a written parental request for an alternate assessment.

c. The State Board of Education shall ensure that parents of students enrolled in all public schools, including charter and regional schools, have the necessary information to make informed decisions regarding participation in the ~~ACT and the PLAN precursor test to the ACT.~~nationally norm-referenced college admissions tests and precursor tests.

d. ~~Alternate assessment and ACT assessment results~~ Nationally norm-referenced college admissions test and alternate assessment results of students with disabilities shall be included in school accountability reports, including charter and regional schools, provided by the State Board of Education."

SECTION 7.26C.(b) G.S. 115C-174.22 reads as rewritten:

"**§ 115C-174.22. Tools for student learning.**

To the extent funds are made available for this purpose, and except as otherwise provided in G.S. 115C-174.11(c)(4), the State Board shall plan for and require the administration of diagnostic tests in the eighth and tenth grades that align to the ~~ACT test in order~~ nationally norm-referenced college admissions tests that are adopted through the competitive bid process and selected by local boards of education under G.S. 115C-174.11(c)(4). The results of the tests will be used to help diagnose student learning and provide for students an indication of whether they are on track to be remediation-free at a community college or university."

SECTION 7.26C.(c) The State Board of Education shall solicit bids through a competitive bid process to adopt two or more nationally norm-referenced college admission test and precursor test, as required by G.S. 115C-174.11(c)(4), as amended by this section, and G.S. 115C-174.22, as amended by this section. The State Board of Education shall report on the

results of the competitive bid process to the Joint Legislative Education Oversight Committee and the Fiscal Research Division no later than November 15, 2017.

YOUTH SUICIDE AWARENESS AND PREVENTION

SECTION 7.26D.(a) G.S. 115C-5 is amended by adding a new subdivision to read:

"(11) The term "public school unit" means a local school administrative unit, charter school, or regional school."

SECTION 7.26D.(b) Article 25A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-375.10. Youth suicide awareness and prevention training and risk referral protocol for school personnel.**

(a) State Board Training Program and Protocol. – The State Board of Education, in consultation with the Department of Health and Human Services, Division of Public Health, shall develop a youth suicide awareness and prevention training program and a model risk referral protocol for public school units to provide to school personnel who work directly with students in grades six through 12, including teachers, teacher assistants, bus drivers, cafeteria workers, janitorial staff, media coordinators, athletic coaches, administrators, administrative assistants, school safety resource officers, school nurses, social workers, psychologists, and counselors. The training program shall consist of at least two hours of evidence-informed instruction to increase awareness of suicide, identification of risk factors and signs, and information for student referral for suicide prevention resources and support. The model risk referral protocol shall provide guidelines to public school units on identification of at-risk students, suicide prevention procedures, and referral sources. The training program and model risk referral protocol shall be periodically reviewed and updated as necessary. Any mental health training requirements established by the State Board of Education shall be fulfilled in part by the youth suicide awareness and prevention training program.

(b) Training and Protocol Requirements. – Each public school unit shall provide the training program and model risk referral protocol developed by the State Board of Education under subsection (a) of this section, or a locally developed plan that meets the requirements of subsection (c) of this section, to school personnel who work directly with students in grades six through 12 at no cost to the employee. A school employee who works directly with students in grades six through 12 shall receive training within 12 months of employment with a board of a public school unit and every two years thereafter while employed with that board. The training may be offered in various formats, including electronically, through videoconferencing, or through an individual program of study of designated materials consisting of at least two hours of instruction.

(c) Locally Developed Training and Risk Referral Protocols. – A board of a public school unit may comply with the training and protocol requirements of this section by developing a local plan that includes, at a minimum, (i) conveying information on State and national data on suicide deaths and attempts, suicide methods, and at-risk populations, (ii) myths and attitudes about suicide, (iii) warning signs and symptoms for suicide, (iv) identification of at-risk students and steps for referring students to support services, (v) protective factors for prevention of suicide, and (vi) safe messaging to children. In addition, a local plan shall include protocols for implementation and mandatory training that include at least the following:

(1) A plan to include specialized training for student support personnel, including administrators, school nurses, counselors, social workers, and psychologists.

(2) A safety plan for the school in the event of (i) identification of a student as being at-risk of suicide, including a student help plan and immediate

assistance and (ii) a suicide death or suicide attempt by a student enrolled in the school, including a care plan for peers and school personnel.

(3) Designation of a school employee as the school suicide prevention responder.

(4) A plan for communication with a parent or legal guardian of a student identified as at-risk, including safe transfer of the student to the parent or legal guardian.

(5) A plan for post-intervention for a student who has been identified as at-risk or has attempted suicide, including reentry into the classroom.

(d) Audits. – The Department of Public Instruction shall periodically randomly audit public school units to ensure compliance with the mandatory training requirements and prevention activities required by this section. The Department may also audit a public school unit if the Department has reason to believe the public school unit is not in compliance. The Department of Public Instruction shall report on the results of the audits by December 15 annually to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee.

(e) Limitations. – Notwithstanding the requirements in subsection (a) of this section, nothing in this section shall be construed to impose any obligation or responsibility on public school units to provide referral, treatment, follow-up, or other services related to identification of students at-risk of suicide and suicide prevention procedures beyond what may be required by other State law or federal law.

(f) Liability. – No board of a public school unit, nor its members, employees, designees, agents, or volunteers, shall be liable in civil damages to any party for any loss or damage caused by any act or omission relating to the provision of, participation in, or implementation of any component of the plan, referral protocol, or training program required by this section, unless that act or omission amounts to gross negligence, wanton conduct, or intentional wrongdoing. Nothing in this section shall be construed to impose any specific duty of care or standard of care."

SECTION 7.26D.(c) G.S. 115C-218.75 is amended by adding a new subsection to read:

"(g) Youth Suicide Awareness and Prevention Training and Risk Referral Protocol. – A charter school is subject to and shall comply with all requirements of G.S. 115C-375.10."

SECTION 7.26D.(d) G.S. 115C-238.66 is amended by adding a new subdivision to read:

"(14) Youth Suicide Awareness and Prevention Training and Risk Referral Protocol. – A regional school is subject to and shall comply with all requirements of G.S. 115C-375.10."

SECTION 7.26D.(e) G.S. 116-239.8 is amended by adding a new subdivision to read:

"(17) Youth Suicide Awareness and Prevention Training and Risk Referral Protocol. – A lab school is subject to and shall comply with all requirements of G.S. 115C-375.10. For purposes of G.S. 115C-375.10, a lab school shall be a public school unit."

SECTION 7.26D.(f) This section becomes effective the date this act becomes law and applies beginning with the 2018-2019 school year.

NORTH CAROLINA INNOVATIVE SCHOOL DISTRICT

SECTION 7.26E.(a) Article 7A of Chapter 115C of the General Statutes reads as rewritten:

"Article 7A.

"~~Achievement~~ North Carolina Innovative School District and Innovation Zones.

"**§ 115C-75.5. Definitions.**

The following definitions apply in this Article:

(1) ~~Achievement~~ Innovative school. – A qualifying school selected by the State Board of Education under the supervision of the ~~Achievement~~ NC Innovative School District.

(2) ~~Achievement~~ NC Innovative School District or ~~ASD.~~ISD. – The statewide school unit established pursuant to this Article.

(3) ~~Achievement~~ Innovative school operator or ~~AS~~ IS operator. – An entity selected by the State Board of Education upon the recommendation of the ~~ASD~~ ISD Superintendent to operate an ~~achievement~~ innovative school. The Department of Public Instruction may not be selected as an ~~AS~~ IS operator.

(4) ~~ASD~~ ISD Superintendent. – The superintendent of the ~~ASD~~ ISD appointed by the State Board of Education in accordance with G.S. 115C-75.6(b).

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

a. The school received a school performance score in the lowest five percent (5%) of all schools in the prior school year that meet all of the following requirements:

1. The school includes all or part of grades kindergarten through fifth.

2. The school did not exceed growth in at least one of the prior three school years and did not meet growth in at least one of the prior three school years.

3. One of the models established in G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year.

b. The school received a school performance score in the lowest ten percent (10%) of all schools that include all or part of grades kindergarten through fifth in the prior school year and has been designated by the local board of education for consideration by the State Board of Education as an ~~achievement~~ innovative school.

"**§ 115C-75.6. ~~Achievement~~ NC Innovative School District.**

(a) There is established the ~~Achievement~~ NC Innovative School District ~~(ASD)~~ (ISD) under the administration of the State Board of Education. The ~~ASD~~ ISD shall assume the supervision, management, and operation of elementary and secondary schools ~~that have been selected~~ as ~~achievement~~ innovative schools ~~pursuant to~~ as provided in this Article.

(b) An ~~ASD~~ ISD Superintendent Selection Advisory Committee shall be established to make a recommendation to the State Board of Education on appointment of a superintendent to serve as the executive officer of the ~~ASD.~~ ISD. The Committee shall ensure that the individual recommended has qualifications consistent with G.S. 115C-271(a). The Lieutenant Governor shall serve as chair of the Committee and shall appoint the following additional members:

(1) Three members of the State Board of Education.

(2) One teacher or retired teacher.

(3) One principal or retired principal.

(4) One superintendent or retired superintendent.

(5) One parent of a student currently enrolled in a low-performing school, as defined in G.S. 115C-105.37.

(c) The State Board of Education shall consider the recommendation of the ~~ASD~~ ISD Superintendent Selection Advisory Committee and shall appoint a superintendent to serve as the executive officer of the ~~ASD.~~ISD. The ~~ASD~~ ISD Superintendent shall serve at the pleasure of the State Board of Education at a salary established by the State Board of Education within

the funds appropriated for this purpose. The ~~ASD~~ ISD Superintendent shall have qualifications consistent with G.S. 115C-271(a) and report directly to the State Board of Education.

(d) By January 15 annually, the State Board of Education and the ~~ASD~~ ISD Superintendent shall report to the Joint Legislative Education Oversight Committee on all aspects of operation of ~~ASD,~~ISD, including the selection of ~~achievement~~ innovative schools and their progress.

"**§ 115C-75.7. Selection of ~~achievement~~ innovative schools.**

(a) State Board Selection. – The State Board of Education is authorized to select, upon the recommendation of the ~~ASD~~ ISD Superintendent, no more than five qualifying elementary schools to transfer to the ~~ASD~~ ISD as ~~achievement~~ innovative schools. The five qualifying schools selected for inclusion in the ~~ASD~~ ISD should represent geographic diversity, including urban and rural schools. The State Board of Education shall select no more than one qualifying school per local school administrative unit, unless the local board of education consents.

(b) Selection Process. – The selection of qualifying schools shall be based on an analysis of performance over the most recent three-year period. Prior to recommendation of selection of a qualifying school, the ~~ASD~~ ISD Superintendent shall conduct an evaluation of the school to determine the factors contributing to the school's performance and shall confer with the school principal, local board of education members, the local school superintendent, and the local board of county commissioners to share the findings of the evaluation. The school selection process shall also include a public hearing to allow for parent and community input. The ~~ASD~~ ISD Superintendent shall evaluate and identify the qualifying schools to recommend for selection as prospective ~~achievement~~ innovative schools no later than November 15 prior to the initial school year in which the school may operate as an ~~achievement~~ innovative school and shall notify the local boards of education where prospective ~~achievement~~ innovative schools are located by that date. The State Board of Education shall select the prospective ~~achievement~~ innovative schools no later than January 15.

(c) Local Board Response. – Upon notification by the ~~ASD~~ ISD Superintendent of selection by the State Board of Education of the qualifying school as a prospective ~~achievement~~ innovative school, the local board of education shall determine whether to (i) close the selected qualifying school or (ii) transfer the school into the ~~ASD.~~ ISD. The local board shall not be required to undertake the study required by G.S. 115C-72 before closing the school. Before the adoption of a resolution, the local board of education shall provide for a public hearing in regard to the proposed transfer or closure, at which hearing the public shall be afforded an opportunity to express their views. No later than March 1, the local board of education shall adopt a resolution either (i) consenting to transfer of the selected qualifying school to the ~~ASD~~ ISD as an ~~achievement~~ innovative school or (ii) closing that school at the conclusion of that school year. The State Board of Education may delay the transfer of a selected school to the ~~ASD~~ ISD for one year only upon the recommendation of the ~~ASD~~ ISD Superintendent.

(d) Public Notification. – The list of qualifying schools and selected ~~achievement~~ innovative schools shall be made publically available on a Web site maintained by the ~~ASD.~~ISD.

(e) Waivers for ~~Achievement~~ Innovative Schools. – The ~~ASD~~ ISD Superintendent may waive State Board of Education rules, regulations, policies, and procedures, or the provisions of this Chapter for ~~achievement~~ innovative schools; however, ~~achievement~~ innovative schools shall be required to comply with, at a minimum, the statutory requirements for charter schools as provided in Article 14A of this Chapter. The goal for each waiver shall be improvement of student performance. All schools shall comply with all ~~achievement~~ innovative applicable constitutional and statutory nondiscrimination requirements.

"**§ 115C-75.8. Selection of ~~AS~~ IS operators.**

(a) The State Board of Education may select an ~~AS~~ IS operator for a prospective ~~achievement~~ innovative school by January 15 and shall select an ~~AS~~ IS operator for a prospective school no later than February 15.

(b) Upon the recommendation of the ~~ASD~~ ISD Superintendent, the State Board of Education shall only select an entity to contract as an ~~AS~~ IS operator if that entity demonstrates one of the following:

(1) The entity has a record of results in improving performance of persistently low-performing schools or improving performance of a substantial number of persistently low-performing students within a school or schools operated by the entity in this State or other states.

(2) The entity has a credible and specific plan for dramatically improving student achievement in a low-performing school and provides evidence that the entity, or a contractual affiliate of such an entity, is either currently operating a school or schools in this State that provide students a sound, basic education or demonstrating consistent and substantial growth toward providing students a sound, basic education in the prior three school years.

(c) The selected ~~AS~~ IS operator is encouraged to hold public informational sessions and other outreach to the community, prospective ~~achievement~~ innovative school, and local board of education of a prospective ~~achievement~~ innovative school prior to a local board's adoption of the resolution required by G.S. 115C-75.7(c).

(d) The contract between the State Board of Education and ~~AS~~ IS operator shall require, as a minimum, that the ~~AS~~ IS operator meet the same requirements as established for charter schools in the following statutes:

(1) G.S. 115C-218.20 (Civil liability and insurance requirements).

(2) G.S. 115C-218.25 (Open meetings and public records).

(3) G.S. 115C-218.30 (Accountability; reporting requirements to State Board of Education).

(4) G.S. 115C-218.50 (Charter school nonsectarian).

(5) G.S. 115C-218.55 (Nondiscrimination in charter schools).

(6) G.S. 115C-218.60 (Student discipline).

(7) G.S. 115C-218.65 (North Carolina School Report Cards).

(8) G.S. 115C-218.75 (General operating requirements).

(9) G.S. 115C-218.85 (Course of study requirements).

"**§ 115C-75.9. Management of ~~achievement~~ innovative schools.**

(a) Direct Management by ~~AS~~ IS Operator. – An ~~achievement~~ innovative school shall be subject to direct management by an ~~AS~~ IS operator selected by the State Board of Education, upon the recommendation of the ~~ASD~~ ISD Superintendent, for a five-year contract.

(b) Role of ~~AS~~ IS Operator. – The ~~AS~~ IS operator shall be authorized to have a direct role in making decisions about school finance, human capital, and curriculum and instruction for the ~~achievement~~ innovative school while developing the leadership capacity in such schools.

(c) Assignment to ~~Achievement~~ Innovative Schools. – All ~~achievement~~ innovative schools shall remain open to enrollment in the same manner with the same attendance zone as prior to becoming an ~~achievement~~ innovative school. If a local board of education's reassignment of students within the local school administrative unit due to student population changes or openings or closures of other schools impacts the ~~achievement~~ innovative school, the ~~AS~~ IS operator may appeal to the ~~ASD~~ ISD Superintendent and request a hearing before the State Board of Education regarding the reassignment. Notwithstanding G.S. 115C-366, the State Board of Education shall, after hearing from both the local board of education and ~~AS~~ IS operator, determine whether the reassignment of students impacting the ~~achievement~~ innovative school may proceed.

(d) Facility and Capital Expenditures. – Facility and capital expenditures shall be provided as follows:

(1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local board of education shall be responsible for facility and capital expenditures at the qualifying school.

(2) All ~~AS-~~IS operators and local boards of education shall enter into an occupancy agreement establishing the terms of occupancy for the ~~AS-~~IS operator not otherwise addressed in statute. If the parties are unable to reach agreement, either party may petition the State Board of Education to resolve any issues in dispute.

(3) The ~~AS-~~IS operator shall have first priority in use of the facility for any purpose related to the operation of the ~~achievement-~~innovative school. The local board of education may allow use of the facility by governmental, charitable, civic, or other organizations for activities within the community and may retain any funds received for such use for any time the ~~AS-~~IS operator has not provided written notice to the local board of its use of the facility during that time for a purpose related to the operation of the ~~achievement-~~innovative school.

For the purposes of this subsection, facility and capital expenditures include routine maintenance and repair, and capital expenditures include building repair and maintenance, furniture, furnishings, and equipment.

(e) Transportation. – The local board of education shall provide transportation of all students assigned to the ~~achievement-~~innovative school in the same manner as provided for other schools in the local school administrative unit in that school year.

(f) Memorandums of Understanding for Alternate Arrangements. – Notwithstanding this section, the ~~AS-~~IS operator, in consultation with the ~~ASD-~~ISD Superintendent, may elect to enter into a memorandum of understanding for alternate arrangements with the local board of education to address any of the following:

(1) Facility and capital expenditures.

(2) Transportation services.

(3) Services for Children with Disabilities.

If the ~~AS-~~IS operator elects to use a memorandum of understanding for alternate arrangements, the ~~AS-~~IS operator and local board of education shall finalize the memorandum of understanding within 30 days of the initial request by the ~~AS-~~IS operator. If the parties have not completed the memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(g) Student Records. – The local board of education shall make available in a timely fashion all student records to the ~~achievement-~~innovative school at no cost for all students of that school.

(h) ~~Achievement-~~Innovative School Employees. – The ~~AS-~~IS operator shall select and hire the school principal for an ~~achievement-~~innovative school. Within the limits of the school budget, the ~~AS-~~IS operator or its designee shall select staff members in accordance with guidance from the ~~ASD-~~ISD Superintendent. Before finalizing staffing recommendations, the ~~AS-~~IS operator and the ~~ASD-~~ISD Superintendent or the Superintendent's designee shall interview all existing staff members at the qualifying school and review student growth and performance data for those staff members for whom it is available. Notwithstanding Article 21A of this Chapter, the ~~AS-~~IS operator and the ~~ASD-~~ISD Superintendent shall be permitted to examine personnel files of existing staff members for the qualifying school. The ~~AS-~~IS operator shall have the authority to decide whether any administrator, teacher, or staff member previously assigned to a qualifying school selected to become an ~~achievement-~~innovative school shall continue as an employee of the ~~achievement-~~innovative school. Any such

employees retained shall become employees of the ~~ASD.~~ISD. An employee hired to work in an ~~achievement~~ innovative school shall be an employee of the ~~ASD,~~ISD, and the employees shall be under the exclusive control of the ~~ASD.~~ISD. All employees of the ~~ASD~~ISD shall be eligible for enrollment in the Teachers' and State Employees' Retirement System of North Carolina, the State Health Plan, and other benefits available to State employees. The ~~AS~~ IS operator shall provide funds to the ~~ASD~~ ISD in an amount sufficient to provide salary and benefits for employees of the ~~ASD~~ISD working in the ~~achievement~~ innovative school based on the terms of employment established by the ~~AS~~ IS operator.

(i) Criminal History Checks. – The State Board of Education shall require applicants for employment with the ~~ASD~~ ISD to be checked for criminal histories using the process provided in G.S. 115C-297.1. The State Board of Education shall provide the criminal history it receives to the ~~ASD~~ ISD Superintendent and ~~AS~~ IS operator.

(j) Employees of Local Board of Education. – The transfer of a qualifying school shall be deemed a reorganization of the local school administration unit resulting in a reduction in force. If an employee is not given the option to continue as an employee for the ~~achievement~~ innovative school, the local board of education may, in its discretion, do any of the following:

(1) Continue the employee's employment with the local board of education.

(2) Dismiss the employee due to a reduction in force as provided in Article 22 of this Chapter.

(3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

(k) Liability Insurance. – The ~~AS~~ IS operator shall maintain reasonable amounts and types of liability insurance as established by the State Board of Education. No civil liability shall attach to a local board of education or to any of its members or employees, individually or collectively, for any acts or omissions of the ~~AS~~ IS operator.

(l) School Nutrition Program. – The ~~achievement~~ innovative school shall participate in the National School Lunch Program, as provided in G.S. 115C-264.

(m) Cooperation with ~~ASD~~ ISD Superintendent. – The local board of education shall cooperate with the ~~ASD~~ ISD Superintendent in carrying out his or her powers and duties as necessary in accordance with this Chapter.

"**§ 115C-75.10. ~~Achievement~~ Innovative schools funds.**

(a) Funding Allocation Selection. – State and local funding for an ~~achievement~~ innovative school shall be allocated as provided in subsection (b) or subsection (c) of this section. The ~~AS~~ IS operator shall select one of the allocation methods as the method to be used for the ~~achievement~~ innovative school.

(b) Designated Funding. – Funding shall be allocated to the ~~ASD~~ ISD for the ~~achievement~~ innovative school by the State Board of Education and local board of education as follows:

(1) The State Board of Education shall allocate the following to the ~~ASD~~ ISD for each ~~achievement~~ innovative school:

a. An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the ~~achievement~~ innovative school was located for each child attending the ~~achievement~~ innovative school except for the allocations for (i) children with disabilities, (ii) children with limited English proficiency, and (iii) transportation. The State Board of Education shall provide the allocation for transportation to the local school administrative unit in which the ~~achievement~~ innovative school is located.

b. An additional amount for each child attending the ~~achievement~~ innovative school who is a child with disabilities.

c. An additional amount for children with limited English proficiency attending the ~~achievement~~ innovative school, based on a formula adopted by the State Board of Education.

(2) The local school administrative unit in which the ~~achievement~~ innovative school is located shall transfer to the ~~ASD~~ ISD for the ~~achievement~~ innovative school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the ~~ASD~~ ISD for the ~~achievement~~ innovative school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and ~~ASD~~ ISD may use the process for mediation of differences between the State Board of Education and a charter school provided in G.S. 115C-218.95(d) to resolve differences on calculation and transference of the per pupil share of the local current expense fund. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to an ~~achievement~~ innovative school located in the tax district for which these taxes are levied and in which the student resides. The local school administrative unit shall also provide the ~~ASD~~ ISD with all of the following information within the 30-day time period provided in this subsection:

a. The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).

b. The student membership numbers used to calculate the per pupil share of the local current expense fund.

c. How the per pupil share of the local current expense fund was calculated.

d. Any additional records requested by the ~~ASD~~ ISD from the local school administrative unit in order for the ~~ASD~~ ISD to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

(c) Funding Memorandum of Understanding. – The ~~AS~~ IS operator, in consultation with the ~~ASD~~ ISD Superintendent, may enter into a funding memorandum of understanding with the local board of education of the local school administrative unit where the ~~achievement~~ innovative school is located for all student support and operational services and instructional services to be provided by the local board of education in the same manner and degree as in the prior school year or funding in an amount equivalent to the amount the local board of education would have expended on those services if provided. For the purposes of this subsection, student support and operational services include cafeteria services, custodial services, broadband and utilities, and student information services, and instructional services include alternative education, special education services, test administration services, textbooks, technology, media resources, instructional equipment, and other resources. The ~~AS~~ IS operator and local board of education shall finalize the funding memorandum of understanding within 30 days of the initial request for the memorandum by the ~~AS~~ IS operator. If the parties have not completed the funding memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(d) The ~~ASD~~ ISD may seek, manage, and expend federal money and grants, State funding, and other funding with the same authority as a local school administrative unit, including decisions related to allocation of State funds among ~~achievement~~ innovative schools.

"**§ 115C-75.11. Accountability and governance for ~~achievement~~ innovative schools.**

(a) The ~~AS~~ IS operator shall set clear goals related to higher academic outcomes for students, safe and positive learning environments for children, parent and community

engagement, and the efficient and effective use of taxpayer dollars, empower and equip teachers and school leaders to meet the goals, and hold such teachers and school leaders accountable to meet the goals. The ~~AS~~ IS operator shall apply to the ~~ASD~~ ISD Superintendent for appropriate waivers for the ~~achievement~~ innovative school pursuant to G.S. 115C-75.7(e).

(b) The ~~AS~~ IS operator shall select, approve, or remove the school principal of an ~~achievement~~ innovative school that it is managing in accordance with this Article.

(c) The ~~AS~~ IS operator shall enter into an agreement with the school principal regarding specific goals for the ~~achievement~~ innovative school related to higher academic outcomes for students, safe and positive learning environments for children, parent and community engagement, and the efficient and effective use of taxpayer dollars. The agreement shall be made publicly available on the ~~ASD~~ ISD Web site.

(d) An ~~achievement~~ innovative school shall not be included in any State evaluation or performance models used for the local school administrative unit in which the school is located but shall be considered a part of the ~~ASD~~ ISD for all evaluation purposes.

"**§ 115C-75.12. Term of supervision for an ~~achievement~~ innovative school.**

(a) An ~~achievement~~ innovative school shall remain under the supervision of the ~~ASD~~ ISD for a minimum of five consecutive years through a contract with an ~~AS~~ IS operator. The following shall apply to the term of a contract with an ~~AS~~ IS operator of an ~~achievement~~ innovative school:

(1) Early termination of contract based on performance. – If, during the five-year contract, the ~~achievement~~ innovative school's annual percentage growth does not exceed the average annual percentage growth of other qualifying schools for three consecutive years, the State Board of Education, upon the recommendation of the ~~ASD~~ ISD Superintendent, may terminate the contract at the conclusion of the academic year and select another ~~AS~~ IS operator in accordance with G.S. 115C-75.8 to assume the remainder of the five-year contract and any occupancy agreements or memorandums of understanding with the local board of education at the beginning of the next academic year.

(2) Nonrenewal of contract based on performance. – If, by the end of the five-year contract, the ~~achievement~~ innovative school's average annual percentage growth during the term of the contract does not exceed the average annual percentage growth of other qualifying schools during the same term, the State Board of Education shall not renew the contract of the ~~AS~~ IS operator and develop a transition plan to return the school to the local school administrative unit.

(3) State Board of Education optional extension of contract for three years. – If, by the end of the five-year contract, the ~~achievement~~ innovative school remains a qualifying school but has exceeded the average annual percentage growth of other qualifying schools and has shown growth over the term of the contract, the State Board of Education, upon the recommendation of the ~~ASD~~ ISD Superintendent in his or her discretion, may continue the contract with the ~~AS~~ IS operator for an additional three-year term. The ~~ASD~~ ISD Superintendent and ~~AS~~ IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ~~ASD~~ ISD at the conclusion of the three-year extension of the contract. If the State Board of Education does not elect to continue the contract, the State Board of Education may do any of the following:

a. Select another ~~AS~~ IS operator for a three-year contract.

b. Close the school as provided in subdivision (2) of this subsection.

c. Develop a transition plan to return the school to the local school administrative unit for the next school year.

(4) ~~AS~~ IS operator option to extend contract for three years. – If, by the end of the five-year contract, the ~~achievement~~ innovative school receives a grade of C or higher under G.S. 115C-12(9)c1., the ~~AS~~ IS operator shall have the option to extend the contract for another three-year term. The ~~ASD~~ ISD Superintendent and ~~AS~~ IS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ~~ASD~~ ISD at the conclusion of the three-year extension of the contract. Options at the conclusion of the contract shall include the following:

a. Conversion to charter. – If, in the development of the transition plan, a local board of education indicates by resolution to the State Board of Education that the local board of education elects to not receive the transfer of the ~~achievement~~ innovative school back to the local school administrative unit, the ~~AS~~ IS operator may apply to convert the school to a charter school under Article 14A of this Chapter. If a charter is awarded, the charter board of directors may request to use the facility as provided in G.S. 115C-218.35. If the ~~AS~~ IS operator does not seek conversion to a charter school or fails to receive a charter, the State Board of Education may close the school as provided in subdivision (2) of this subsection.

b. Alternate as operator or return to local school administrative unit. – If the ~~AS~~ IS operator does not elect to continue the contract, the State Board of Education may select another ~~AS~~ IS operator for a three-year contract or may develop a transition plan to return the school to the local school administrative unit for the next school year.

(5) Termination of contract on other grounds. – The State Board of Education, upon the recommendation of the ~~ASD~~ ISD Superintendent, may terminate a contract with an ~~AS~~ IS operator at any time during the contract for financial mismanagement, noncompliance with federal or State laws, failure to comply with the terms of the contract, or evidence of criminal activity. The State Board of Education shall develop a transition plan to return the school to the local school administrative unit.

(b) An ~~achievement~~ innovative school shall remain under the supervision of the ~~ASD~~ ISD for no more than eight years.

(c) The State Board of Education shall make all decisions related to contracts for ~~AS~~ IS operators no later than May 1, except as provided in subdivision (5) of subsection (a) of this section.

"**§ 115C-75.13. Innovation zones.**

(a) If a local board of education transfers a qualifying school to the ~~ASD,~~ISD, the local board of education may ask the State Board of Education to be allowed to create an innovation zone (i) for up to three continually low-performing schools within its local school administrative ~~unit.~~or (ii) if the local school administrative unit has more than thirty-five percent (35%) of the schools identified in the unit as low performing, for all of the low-performing schools located in the unit.

The State Board of Education shall grant such requests for the creation of an innovation zone. The State Board of Education shall also authorize the local board of education the flexibility to operate the schools within the innovation zone with the same exemptions from statutes and rules as a charter school authorized under Article 14A of this Chapter and with exemptions from local board of education policies as needed to ensure autonomy under the

guidance of the innovation zone office for financial, programmatic, staffing, and time allocation decisions.

(b) The innovation zone created by a local board of education must include all of the following:

(1) Development of a clear and specific plan for improving schools within the innovation zone.

(2) Establishment of an innovation zone office with a leader appointed by the local board of education and approved by the State Board of Education to govern and lead the schools in the innovation zone.

(3) Attraction of high-quality staff at schools in the innovation zone through the use of incentives, favorable working conditions, and development of partnerships to develop human capital.

(4) Accountability for those schools based on established benchmarks and goals for student achievement and for support services provided by the local school administrative unit based on metrics established by the innovation zone office for effective and efficient delivery.

(5) Support for those schools by the innovation zone office to ensure priority in services from the local school administrative unit, pursuit of outside funding, and technical support, including support from external partners.

(c) ~~A~~ Except as otherwise provided in subsection (d) of this section, a local board of education may maintain an innovation zone created as provided in subsection (a) for up to five consecutive years. The State Board of Education may terminate the innovation zone as follows:

(1) Early termination of innovation zone based on performance. – If, during the five-year period, the average of the annual percentage growth of the schools within the innovation zone does not exceed the average annual percentage growth of other continually low-performing schools for three consecutive years, the State Board of Education, upon the recommendation of the ~~ASD~~ ISD Superintendent, may terminate the innovation zone at the conclusion of the academic year.

(2) Nonrenewal of innovation zone based on performance. – If, by the end of the five-year period, the average annual percentage growth of the schools within the innovation zone over the five-year period does not exceed the average annual percentage growth of other continually low-performing schools during the same term, the State Board of Education shall not permit the local board of education to continue the innovation zone.

(3) State Board of Education optional extension of innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone remain continually low-performing schools but have exceeded the average annual percentage growth of other continually low-performing schools, the State Board of Education, upon the recommendation of the ~~ASD~~ ISD Superintendent in his or her discretion, may allow continuation of the innovation zone for an additional three years.

(4) Local board of education option to extend innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of education shall have the option to extend the innovation zone for another three years.

(d) A low-performing school in an innovation zone created as provided in clause (ii) of subsection (a) of this section shall become an ISD school if that low-performing school does not exceed growth in the last two years of the five consecutive years in the innovation zone."

SECTION 7.26E.(b) G.S. 115C-105.37A(d) reads as rewritten:

"(d) The State Board of Education shall report annually to the Superintendent of the ~~Achievement~~ Innovative School District on any schools identified under this section as qualifying schools as defined in G.S. 115C-75.5 for consideration to be selected as ~~achievement~~ innovative schools in accordance with Article 7A of this Chapter."

SECTION 7.26E.(c) G.S. 115C-321(a)(5) reads as rewritten:

"(5) An ~~achievement~~ innovative school operator and the Superintendent of the ~~Achievement~~ Innovative School District if the school where the individual is employed has been selected as an ~~achievement~~ innovative school as provided in Article 7A of this Chapter."

SECTION 7.26E.(d) Section 4 of S.L. 2016-110 reads as rewritten:

"**SECTION 4.** Evaluation of the ~~Achievement~~ Innovative School District and Other Innovation Models. – The State Board of Education shall contract during the 2016-2017 school year with an independent research organization to evaluate the implementation and effectiveness of the following:

(1) The ~~Achievement~~ Innovative School District in turning around low-performing schools beginning with the 2017-2018 school year through the 2021-2022 school year, including the innovation zone established in Section 4.5 of this act. The State Board of Education shall require ~~AS~~ IS operators to provide the independent research organization with requested data to conduct the evaluation. The independent research organization shall include an analysis on the impact of public versus private funding in the effectiveness of the ~~Achievement~~ Innovative School District.

(2) Innovation zones in turning around low-performing schools beginning with the 2016-2017 school year through the 2021-2022 school year. The State Board of Education shall require local boards of education granted innovation zones to provide the independent research organization with requested data to conduct the evaluation.

The independent research organization shall report its interim findings to the State Board of Education annually no later than February 15, beginning in 2017, and shall submit a final report no later than February 15, 2023. The State Board of Education shall provide the report of the independent research commission, along with any recommended legislative changes, to the Joint Legislative Education Oversight Committee annually no later than March 1, beginning in 2017 until submission of the final report in 2023."

SECTION 7.26E.(e) Section 6 of S.L. 2016-110 reads as rewritten:

"**SECTION 6.** It is the intent of the General Assembly to appropriate to the Department of Public Instruction four hundred fifty thousand dollars ($450,000) for the 2017-2018 fiscal year and annually thereafter for innovation zone model grants. Upon appropriation of funds, the State Board of Education shall award innovation zone model grants of up to one hundred fifty thousand dollars ($150,000) per fiscal year for five years to local boards of education who (i) have been authorized to adopt the innovation zone model by the State Board of Education for up to three schools or for a local school administrative unit with more than thirty-five percent (35%) of schools within the unit identified as low-performing and (ii) provide a dollar-for-dollar match with non-State funding for the requested grant amount. Innovation zone model grants shall be directed by local boards of educations to the innovation zone office to address specific issues in innovation zone schools."

SECTION 7.26E.(f) Section 8 of S.L. 2016-110 reads as rewritten:

"**SECTION 8.** This act is effective when it becomes law and supervision of ~~achievement~~ innovative schools by the ~~Achievement~~ Innovative School District shall begin with the 2017-2018 school year. In the discretion of the State Board of Education (i) the ~~ASD~~ ISD Superintendent may not be required during the 2016-2017 school year to recommend qualifying schools for inclusion in the ~~ASD~~ ISD for the 2017-2018 school year and (ii) the time

line for selection of ~~achievement~~ innovative schools for the 2017-2018 school year provided in G.S. 115C-75.7 may be varied, but in no event may the local board of education's decision occur later than April 1, 2017. The State Board of Education may select up to five qualifying schools to transfer to the ~~ASD~~ ISD beginning with the 2017-2018 school year but shall select at least two qualifying schools to transfer to the ~~ASD~~ ISD no later than the 2018-2019 school year and shall have selected five qualifying schools for transfer to the ~~ASD~~ ISD no later than the 2019-2020 school year."

READ TO ACHIEVE DIAGNOSTIC CHANGES

SECTION 7.27.(a) G.S. 115C-174.11 reads as rewritten:

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

(a) Assessment Instruments for Kindergarten, First, Second, and Third Grades. – The State Board of Education shall develop, adopt, and provide to the local school administrative units developmentally appropriate individualized assessment instruments consistent with the Basic Education Program and Part 1A of Article 8 of this Chapter for the kindergarten, first, second, and third grades. The State Board shall approve three valid, reliable, formative, and diagnostic reading assessment instruments for selection by local school administrative units in accordance with the following:

(1) Each approved assessment instrument shall provide initial assessments, interim formative assessments, and progress monitoring capabilities.

(2) In determining which instruments to approve for use by local school administrative units, the State Board shall also consider at least the following factors:

a. The time required to conduct formative and diagnostic assessments with the intention of minimizing the impact on instructional time.

b. The level of integration of assessment results with instructional support for teachers and students.

c. The timeliness in reporting assessment results to teachers and administrators.

d. The ability to provide timely assessment results to parents and guardians.

(3) In no case shall an assessment instrument be approved for use by local school administrative units if the cost of the assessment instrument, including related instructional content, materials, and resources for teachers and students, exceeds the funds appropriated for this purpose divided by projected enrollment of students in kindergarten, first, second, and third grades.

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

…."

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

REIMBURSE INITIAL TEACHER LICENSURE FEE FOR CERTAIN NC TEACHING GRADUATES

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

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

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

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

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

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

TESTING TRANSPARENCY

SECTION 7.28A.(a) The State Superintendent of Public Instruction shall study and make recommendations regarding the extent to which the SAT and ACT tests align with the English language arts and mathematics portions of the Standard Course of Study. By February 1, 2018, the Superintendent shall report findings and recommendations to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Education Oversight Committee.

SECTION 7.28A.(b) G.S. 115C-174.12 reads as rewritten:

"**§ 115C-174.12. Responsibilities of agencies.**

…

(d) By ~~September 1~~October 1 of each year, each local board of education shall notify the State Board of Education of any local testing to be administered to students by the local school administrative unit in its schools and the calendar for administering those tests. The local board of education shall include ~~information on the~~ the following information:

(1) The source of funds supporting the local testing program.

(2) The time allotted to administer each test.

(3) Whether the test is a computer-based test or a paper-based test.

(4) The grade level or subject area associated with the test.

(5) The date the test results are expected to be available to teachers and parents.

(6) The type of test, the purpose of the test, and the use of the test results.

(7) Estimates of average time for administering tests required by the local board of education and the State, by grade level.

The local board of education shall meet the requirements of this subsection by inputting the information into the uniform calendar published by the Department of Public Instruction pursuant to subsection (e1) of this section.

(e) By ~~October 15~~November 1 of each year, the State Board of Education shall submit a report to the Joint Legislative Education Oversight Committee containing information regarding the statewide administration of the testing program, including the number and type of tests and the testing schedule, and a summary of any local testing programs reported by local boards of education to the State Board of Education in accordance with subsection (d) of this section.

(e1) By September 1 of each year, the Superintendent of Public Instruction shall publish on the Web site of the Department of Public Instruction a uniform calendar that includes schedules for testing and reporting results of tests in each local school administrative unit for at least the next two school years. The uniform calendar shall be provided to local boards of education in an electronic format that allows each local board of education to populate the calendar with, at a minimum, the information required by subsection (d) of this section. The uniform calendar shall be searchable by local school administrative unit and denote whether a test on the calendar is required by the State or required by a local board of education."

SECTION 7.28A.(c) Part 2 of Article 10A of Chapter 115C of the General Statutes is amended by adding two new sections to read:

"**§ 115C-174.15. Report student performance on local tests.**

(a) A local board of education shall provide a student's results on tests required by the local board, as reported pursuant to G.S. 115C-174.12(d), to the following persons and according to the following time lines:

(1) To the student's teachers no later than one week after the test is administered.

(2) To the student's parents no later than 30 days after the test is administered.

(b) If the superintendent of the local school administrative unit determines in writing that extenuating circumstances exist and reports those circumstances to the local board of education, the local board may extend the above time lines in the discretion of the local board of education.

"**§ 115C-174.16. Report student performance on statewide, standardized tests.**

A local board of education shall report a student's results on all statewide, standardized tests to the student's applicable teacher in a timely manner and in an easy-to-read and understandable format. Before the beginning of the upcoming school year, the local board of education shall report these results to the applicable teacher assigned to the student in the upcoming school year. These reports shall include all of the following information:

(1) A clear explanation of the student's performance on the applicable statewide, standardized tests.

(2) Information identifying the student's areas of strength and areas in need of improvement.

(3) Specific actions that may be taken, and the available resources that may be used, by the student's parent or legal guardian to assist the student based on the student's areas of strength and areas in need of improvement.

(4) Longitudinal information, if available, on the student's progress in each subject area based on previous statewide, standardized test data.

(5) Information showing the student's score compared to other students in the local school administrative unit, in the State, or, if available, in other states.

(6) Predictive information, if available, showing the linkage between the scores attained by the student on the statewide, standardized tests and the scores he or she may potentially attain on nationally recognized college entrance examinations."

SECTION 7.28A.(d) G.S. 115C-81(b) reads as rewritten:

"(b) The Basic Education Program shall include course requirements and descriptions similar in format to materials previously contained in the standard course of ~~study~~ study, and it shall ~~provide:~~provide all of the following:

(1) A core curriculum for all students that takes into account the special needs of ~~children;~~children.

(2) A set of competencies, by grade level, for each curriculum ~~area;~~area.

(3) A list of textbooks for use in providing the ~~curriculum;~~curriculum.

(4) Standards for student performance and promotion based on the mastery of competencies, including standards for graduation, that take into account children with disabilities and, in particular, include appropriate ~~modifications;~~modifications.

(4a) Standards for early promotion based on the mastery of competencies. These standards shall apply when early grade or course promotion based on the mastery of competencies is permitted in a school and shall include requirements for early promotion based on mastery of competencies, at a minimum, in the following subject areas and grade levels:

a. For English language arts, at least grades three through 12.

b. For mathematics, at least grades three through 12.

(5) A program of remedial ~~education;~~education.

(6) Required support ~~programs;~~programs.

(7) A definition of the instructional ~~day;~~day.

(8) Class size recommendations and ~~requirements;~~requirements.

(9) Prescribed staffing allotment ~~ratios;~~ratios.

(10) Material and equipment allotment ~~ratios;~~ratios.

(11) Facilities guidelines that reflect educational program appropriateness, long-term cost efficiency, and safety ~~considerations; and~~considerations.

(12) Any other information the Board considers appropriate and necessary.

The State Board shall not adopt or enforce any rule that requires Algebra I as a graduation standard or as a requirement for a high school diploma for any student whose individualized education program (i) identifies the student as learning disabled in the area of mathematics and (ii) states that this learning disability will prevent the student from mastering Algebra I.

The State Board shall not require any student to prepare a high school graduation project as a condition of graduation from high school; local boards of education may, however, require their students to complete a high school graduation project."

SECTION 7.28A.(e) This section applies beginning with the 2018-2019 school year.

PRIVATE ALTERNATIVE TEACHER PREPARATION

SECTION 7.28B.(a) G.S. 115C-296.12 reads as rewritten:

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

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

(1) The identification and education of children with disabilities.

(2) Positive management of student behavior.

(3) Effective communication for defusing and deescalating disruptive or dangerous behavior.

(4) Safe and appropriate use of seclusion and restraint.

(a1) The State Board of Education shall approve at least one, but no more than four, alternative, private, for-profit, or nonprofit lateral entry educator preparation programs if the programs meet standards set by the State Board of Education. The standards shall include all of the following requirements:

(1) The competency-based standards necessary to earn a teaching license pursuant to subdivisions (1) through (4) of subsection (b) of this section.

(2) At least 80 instructional hours of classroom readiness training, including the preservice training required pursuant to subsection (a) of this section, prior to entering the classroom.

(3) A minimum of three educator coaching visits in the first year of teaching.

(4) All required pedagogy and subject-area content completed by the end of the first year of teaching.

Alternative educator preparation program providers approved pursuant to this subsection shall administer the training needed to meet the standards set by the State Board of Education.

(b) The State Board of Education, in consultation with the State Board of Community Colleges and North Carolina Independent Colleges and Universities, Inc., may provide a

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

(1) Provide adequate coursework in the teaching of reading and mathematics for lateral entry teachers seeking certification in elementary education.

(2) Assess lateral entry teachers prior to licensure to determine that they possess the requisite knowledge in scientifically based reading and mathematics instruction that is aligned with the State Board's expectations.

(3) Prepare all lateral entry teachers to apply formative and summative assessments within the school and classroom setting through technology-based assessment systems available in North Carolina schools that measure and predict expected student improvement.

(4) Require that lateral entry teachers demonstrate competencies in using digital and other instructional technologies to provide high-quality, integrated digital teaching and learning to all students.

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

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

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

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

(g) By December 15, 2019, and continuing each year thereafter, the State Board of Education shall report to the Joint Legislative Education Oversight Committee on the performance of teachers who attain a North Carolina teaching license through an alternative, private, for-profit, or nonprofit lateral entry educator preparation program. The State Board shall collect information on the performance of an individual teacher for each year, up to five years, after that teacher attains a North Carolina teaching license. The report shall include information on rates of retention of teachers who attain a teaching license pursuant to subsection (a1) of this section and the performance of students learning under teachers who attain a teaching license pursuant to subsection (a1) of this section."

SECTION 7.28B.(b) The Superintendent of Public Instruction shall request participation applications from alternative, private, for-profit, or nonprofit lateral entry educator preparation programs no later than August 1, 2017, and shall present those applications to the State Board of Education no later than September 15, 2017. By November 15, 2017, the State Board of Education shall approve a minimum of one program, but no more than a total of four programs, if those programs meet the requirements of G.S. 115C-296.12(a1) and have at least five years of experience providing educator preparation services. Approved programs may begin operating as early as the 2018 spring academic term.

SCHOOL CALENDAR FLEXIBILITY PILOT PROGRAM

SECTION 7.28C.(a) Purpose. – The State Board of Education (State Board) shall establish a School Calendar Flexibility Pilot Program (program). The purpose of the program is to determine the impact of school calendar flexibility for opening and closing dates on student achievement and summer internships and to identify and quantify the communities that can support local school calendar control and those that cannot.

SECTION 7.28C.(b) Participation. – All local school administrative units in the following counties, which collectively represent the geographic, economic, and social diversity of the State, are authorized to participate in the program: Anson County, Bladen County, Cabarrus County, Caldwell County, Cherokee County, Cleveland County, Davidson County, Duplin County, Graham County, Greene County, Guilford County, Martin County, McDowell County, Mitchell County, Northampton County, Robeson County, Rowan County, Warren County, Washington County, and Wilson County.

Any local board of education of a local school administrative unit authorized to participate in the program may elect not to participate. For each local school administrative unit that elects not to participate in the program, the State Board may authorize one replacement local school administrative unit to participate in the program. Together, the local school administrative units participating in the program shall represent the geographic, economic, and social diversity of the State.

SECTION 7.28C.(c) Implementation. – Each local school administrative unit participating in the program shall do so for three school years, beginning in either the 2018-2019 school year or the 2019-2020 school year. The State Board shall provide the Department of Commerce with a list of the participating local school administrative units no later than February 1, 2018.

Notwithstanding G.S. 115C-84.2(d), local boards of education of participating local school administrative units shall determine, for the duration of the program, the dates of opening and closing the public schools under G.S. 115C-84.2(a)(1). Except for year-round schools, the opening date for students shall be no earlier than the Monday closest to August 10 and the closing date for students shall be no later than the Friday closest to June 11. A local board may revise the scheduled closing date if necessary in order to comply with the minimum requirements for instructional days or instructional time.

The required opening and closing dates under this section shall not apply to any school that a local board designated as having a modified calendar for the 2003-2004 school year or to any school that was part of a planned program in the 2003-2004 school year for a system of modified calendar schools, so long as the school operates under a modified calendar.

SECTION 7.28C.(d) Data Collection by Department of Public Instruction. – For the duration of the program, the Department of Public Instruction shall contact each participating local school administrative unit annually to determine (i) the actual dates for opening and closing the public schools, (ii) the impact of the program on student achievement and summer internships, and (iii) any other information the Department deems necessary for purposes of the study. The Department of Public Instruction shall provide the Department of

Commerce with the actual dates for opening and closing the public schools in each participating local school administrative unit.

SECTION 7.28C.(e) Department of Commerce Evaluation. – The Department of Commerce shall study the effect of the program on the travel and tourism industry for all 100 counties of the State.

SECTION 7.28C.(f) Reports. – By November 15 of each year following the operation of the program, the State Board and the Department of Commerce shall separately report to the School of Government at the University of North Carolina at Chapel Hill on the effects of the program. The State Board shall report on (i) implementation and administration of the program; (ii) any impact of the program on student achievement; (iii) any effect of the program on summer internships; and (iv) any recommendations on the modification, continuation, and potential expansion of the program statewide. The State Board shall also recommend any local school administrative units that should be assigned calendar flexibility on an ongoing basis. The Department of Commerce shall report on any economic impact of the program on the tourism industry in the State. The School of Government shall evaluate this information and provide an aggregated report to the Joint Legislative Education Oversight Committee by December 15 of the same year.

WAIVE FEE FOR CAMBRIDGE AICE PROGRAM COURSE

SECTION 7.28D.(a) G.S. 115C-174.26(a) reads as rewritten:

"(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~~ course, an International Baccalaureate Diploma Programme ~~course.~~course, or a Cambridge Advanced International Certificate of Education (AICE) course, including an AS-Level or A-Level course. To attain this goal, to the extent funds are made available for this purpose, 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."

SECTION 7.28D.(b) Section 8.27(d) of S.L. 2013-360, as amended by Section 8.17 of S.L. 2014-100, reads as rewritten:

"**SECTION 8.27.(d)** Of the funds appropriated to the Department of Public Instruction to implement the requirements of this section, ten million eight hundred thirty-one thousand one hundred eighty-four dollars ($10,831,184) for the 2014-2015 fiscal year shall be used to fund fees for testing in advanced courses and one million five hundred thousand dollars ($1,500,000) for each fiscal year shall be used by the North Carolina Advanced Placement Partnership to carry out its responsibilities as set forth in this section. Funding appropriated for professional development may be used by the State Board of Education to contract with an independent evaluator to assess the implementation and impact of advanced course programs in North Carolina. For the purposes of this section, until June 30, 2017, the term "advanced courses" means an Advanced Placement or International Baccalaureate Diploma Programme course. Beginning with the 2017-2018 fiscal year, the term "advanced courses" means an Advanced Placement course, an International Baccalaureate Diploma Programme course, or a Cambridge Advanced International Certificate of Education (AICE) course, including an AS-Level or A-Level course.

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

PART VIII. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

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

2017-2018 Monthly Teacher Salary Schedule

Years of Experience	"A" Teachers
0	$3,530
1-2	$3,630
3-4	$3,730
5-6	$3,830
7-8	$3,930
9-10	$4,055
11-12	$4,205
13-14	$4,355
15	$4,555
16	$4,630
17-18	$4,730
19-20	$4,830
21-22	$4,930
23-24	$5,030
25+	$5,130.

SECTION 8.1.(b) Salary Supplements for Teachers Paid on This Salary Schedule. –

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

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

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

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

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

SECTION 8.1.(c) The first step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, (iii) school audiologists who are licensed as audiologists at the master's degree level or higher, and (iv) school counselors shall be equivalent to the sixth step of the "A" salary schedule. These employees shall receive a salary supplement each month of ten percent (10%) of their monthly salary and are eligible to receive salary supplements equivalent to those of teachers for academic preparation at the six-year degree level or the doctoral degree level.

SECTION 8.1.(d) The twenty-sixth step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, (iii) school audiologists who are licensed as audiologists at the master's degree level or higher, and (iv) school counselors shall be seven and one-half percent

(7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

SECTION 8.1.(e) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 8.1.(f) A teacher compensated in accordance with this salary schedule for the 2017-2018 fiscal year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable fiscal year.

(2) For teachers who were eligible for longevity for the 2013-2014 fiscal year, the sum of the following:

a. The teacher's salary provided in Section 35.11 of S.L. 2013-360.

b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 fiscal year provided in Section 35.11 of S.L. 2013-360 based on the teacher's current years of service.

c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.

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

SECTION 8.1.(g) A school counselor compensated in accordance with this salary schedule for the 2017-2018 fiscal year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable fiscal year.

(2) The applicable amount the school counselor is entitled to receive pursuant to subsection (f) of this section.

(3) The salary the school counselor received in the 2016-2017 fiscal year pursuant to Section 9.1 of S.L. 2016-94.

SECTION 8.1.(h) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 8.1.(i) Section 9.1(i) of S.L. 2016-94 is repealed.

PRINCIPAL SALARIES

SECTION 8.3.(a) The following annual principal salary schedule is composed of two elements, the base schedule and the complementary schedule, and shall apply for the 2017-2018 fiscal year, beginning July 1, 2017. The base schedule is calculated using a monthly rate of pay equivalent to the monthly rate of pay for teachers with 15 years of experience who are classified as "A" teachers, plus twelve percent (12%).

2017-2018 Annual Principal Salary Schedule

Base Schedule

Years of Experience	**Base**
0	$61,219
1	$62,227
2-3	$63,571
4-5	$64,915
6-7	$66,259
8-9	$67,603
10+	$68,947

Complementary Schedule

	ADM			
Free or Reduced Lunch	**0-149**	**150-700**	**701-1400**	**1401+**
Up to 20%	Base	Base + 1.5%	Base + 3%	Base + 4.5%

Up to 50%	Base + 1.5%	Base + 3%	Base + 4.5%	Base + 6%
Up to 70%	Base + 3%	Base + 4.5%	Base + 6%	Base + 7.5%
Up to 95%	Base + 4.5%	Base + 6%	Base + 7.5%	Base + 9%
Up to 100%	Base + 6%	Base + 7.5%	Base + 9%	Base + 10.5.%.

SECTION 8.3.(b) A principal's placement within the complementary schedule shall be determined according to the percentage of students in the school supervised by the principal who individually qualify for the federal free or reduced-price lunch program and the average daily membership (ADM) of the school supervised by the principal in the current school year. A principal shall be paid at the highest amount for which the principal qualifies.

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

(1) The applicable amount determined pursuant to subsections (a) and (b) of this section.

(2) For principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:

a. The salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.2 of S.L. 2016-94.

b. The longevity that the principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-2017 fiscal year based on the principal's current years of service.

(3) The salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.2 of S.L. 2016-94.

SECTION 8.3.(d) G.S. 115C-105.25(b)(5c) reads as rewritten:

"(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.~~the base schedule element of the Principal 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.~~"A" Teachers Salary Schedule at the salary level for assistant principals. Certified position allotments shall not be transferred to dollars to hire the same type of position."

ASSISTANT PRINCIPAL SALARIES

SECTION 8.5.(a) For the 2017-2018 fiscal year, commencing July 1, 2017, assistant principals shall receive a monthly salary based on the salary schedule for teachers who are classified as "A" teachers, plus twenty-two percent (22%). Years of experience for an assistant principal on the salary schedule shall be measured by the total number of years the assistant principal has spent as a teacher, an assistant principal, or both. For purposes of this section, an administrator with a one-year provisional assistant principal's certificate shall be considered equivalent to an assistant principal.

SECTION 8.5.(b) Longevity pay for assistant principals shall be as provided for State employees under the North Carolina Human Resources Act.

SECTION 8.5.(c) 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 8.5.(d) Participants in an approved full-time master's in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the master's program. The stipend shall not

exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time master's in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

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

(1) The applicable amount determined pursuant to subsections (a) through (d) of this section.

(2) The salary the assistant principal received in the 2016-2017 fiscal year pursuant to Section 9.2 of S.L. 2016-94.

CENTRAL OFFICE SALARIES

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

2017-2018 Fiscal Year

	Minimum		Maximum
School Administrator I	$3,525	to	$6,501
School Administrator II	$3,729	to	$6,888
School Administrator III	$3,951	to	$7,300
School Administrator IV	$4,104	to	$7,585
School Administrator V	$4,265	to	$7,887
School Administrator VI	$4,517	to	$8,356
School Administrator VII	$4,693	to	$8,688

2018-2019 Fiscal Year

	Minimum		Maximum
School Administrator I	$3,609	to	$6,585
School Administrator II	$3,813	to	$6,972
School Administrator III	$4,035	to	$7,384
School Administrator IV	$4,188	to	$7,669
School Administrator V	$4,349	to	$7,971
School Administrator VI	$4,601	to	$8,440
School Administrator VII	$4,777	to	$8,772.

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

2017-2018 Fiscal Year

	Minimum		Maximum
Superintendent I	$4,974	to	$9,209
Superintendent II	$5,273	to	$9,758
Superintendent III	$5,586	to	$10,344
Superintendent IV	$5,921	to	$10,965
Superintendent V	$6,277	to	$11,626

2018-2019 Fiscal Year

	Minimum		Maximum
Superintendent I	$5,058	to	$9,293
Superintendent II	$5,357	to	$9,842
Superintendent III	$5,670	to	$10,428
Superintendent IV	$6,005	to	$11,049
Superintendent V	$6,361	to	$11,710.

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

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

NONCERTIFIED PERSONNEL SALARIES

SECTION 8.7.(a) For the 2017-2018 fiscal year, the annual salary for permanent, full-time noncertified public school employees whose salaries are supported from State funds shall be increased by one thousand dollars ($1,000).

SECTION 8.7.(b) For the 2018-2019 fiscal year, the annual salary for permanent, full-time noncertified public school employees whose salaries are supported from State funds shall be increased, in addition to any increase received pursuant to subsection (a) of this section, by one thousand dollars ($1,000).

SECTION 8.7.(c) For the 2017-2019 fiscal biennium, part-time, noncertified public school employees whose salaries are supported from State funds shall receive the increases authorized by subsections (a) and (b) of this section in the applicable fiscal year on a prorated and equitable basis.

SECTION 8.7.(d) Notwithstanding subsection (c) of this section, of the funds appropriated in this act for salary increases for noncertified personnel in the 2017-2019 fiscal biennium, the sum of sixteen million eight hundred fifty-five thousand eighty-one dollars ($16,855,081) and the sum of thirty-three million seven hundred ten thousand one hundred sixty-two dollars ($33,710,162), in the 2017-2018 and 2018-2019 fiscal years, respectively, shall be allocated to local boards of education to increase the average rates of pay for all school bus drivers in the local school administrative unit on an equitable basis.

VETERAN TEACHER RETENTION BONUS PROGRAM

SECTION 8.8A.(a) Bonus Program. – The State Board of Education shall establish the Veteran Teacher Retention Bonus Program (program) to reward eligible veteran teachers who continue teaching in a local school administrative unit located in North Carolina

according to agreements entered into under subsection (b) of this section. As used in this section, the following definitions apply:

(1) Bonus agreement. – A standard contract developed by the Department of Public Instruction that contains all the terms and conditions required by this section. The form shall be made available on the Department's Web site in a form that can be downloaded.

(2) Eligible veteran teacher. – A teacher who, as of the applicable notification date, is paid on a step of the State salary schedule for teachers corresponding to at least 27 years of teaching experience.

(3) Qualifying veteran teacher. – An eligible veteran teacher who enters into a bonus agreement pursuant to subdivisions (1) or (2) of subsection (b) of this section.

(4) Notification date. – One of the following as applicable:

a. September 30, 2017, for an eligible teacher entering into a bonus agreement pursuant to subdivision (1) of subsection (b) of this section.

b. April 30, 2018, for an eligible teacher entering into a bonus agreement pursuant to subdivision (2) of subsection (b) of this section.

(5) Employing local school administrative unit. – The local school administrative unit where a qualifying veteran teacher is employed.

SECTION 8.8A.(b) The Bonus Agreement. – An eligible veteran teacher qualifies to receive a bonus of up to five thousand dollars ($5,000) pursuant to this section if the teacher does one of the following:

(1) Agrees in writing by the applicable notification date to continue teaching in a local school administrative unit located in North Carolina for the remainder of the 2017-2018 school year and all of the 2018-2019 school year. The local school administrative unit shall pay the bonus to the teacher in two installments of two thousand five hundred dollars ($2,500) each. The first installment shall be paid by October 31, 2017, and the second installment shall be paid by October 31, 2018.

(2) Agrees in writing by the applicable notification date to continue teaching in a local school administrative unit located in North Carolina for the remainder of the 2017-2018 school year, all of the 2018-2019 school year, and all of the 2019-2020 school year. The local school administrative unit shall pay the bonus to the teacher in two installments of two thousand five hundred dollars ($2,500) each. The first installment shall be paid by October 31, 2018, and the second installment shall be paid by October 31, 2019.

SECTION 8.8A.(c) Additional Terms and Conditions. – The following additional terms and conditions apply and shall be set out in the bonus agreement:

(1) An eligible veteran teacher seeking to qualify for a bonus must submit a signed and notarized bonus agreement to the employing local school administrative unit and one copy to the Department of Public Instruction. The executed bonus agreement must be sent via registered or certified mail, return receipt requested, and postmarked no later than the applicable notification date.

(2) The employing local school administrative unit shall keep and maintain a list of qualifying veteran teachers employed in the unit who are participating in the program. The Department of Public Instruction shall keep and maintain a list of qualifying veteran teachers employed in the State who are participating in the program.

(3) If a veteran teacher participating in the program accepts full-time employment outside the employing local school administrative unit, with the intention of beginning that employment before the expiration of time specified in the bonus agreement, the veteran teacher shall notify the employing local school administrative unit within five days. The local school administrative unit shall notify the Department of Public Instruction within 30 days of receiving notification from the veteran teacher.

(4) If a qualifying veteran teacher participating in the program accepts a full-time teaching position in a different local school administrative unit located in North Carolina, the qualifying veteran teacher shall notify the different local school administrative unit that the qualifying veteran teacher is a participant in the program.

(5) If a veteran teacher fails to continue teaching in a local school administrative unit located in North Carolina for the period of time specified in the bonus agreement, the employing local school administrative unit shall withhold the full bonus amount that has been paid, up to five thousand dollars ($5,000), from any wages due to the veteran teacher. The veteran teacher shall also forfeit any additional bonus installment the teacher might otherwise receive.

(6) If the local school administrative unit is unable to recover the unearned bonus amount pursuant to subdivision (5) of this subsection, the Department of Public Instruction shall have the authority to do any of the following:

a. Direct the State Treasurer to garnish the unearned bonus amount from payments made to the veteran teacher pursuant to the Teachers' and State Employees' Retirement System of North Carolina. G.S. 135-9 shall not apply to actions taken by the Department of Public Instruction under this subdivision.

b. Act as a claimant agency under Chapter 105A of the General Statutes for purposes of setoff debt collection as to the unearned bonus amount.

c. Bring a civil action in the General Court of Justice to collect the unearned bonus amount.

(7) A qualifying veteran teacher who fails to continue teaching in a local school administrative unit located in North Carolina for the period of time specified in the bonus agreement is exempted from repaying the unearned bonus amount if the qualifying veteran teacher is no longer able to continue teaching because of death, illness, or disability.

SECTION 8.8A.(d) Maximum Bonus Amount. – No qualifying veteran teacher shall receive more than five thousand dollars ($5,000) in bonus funds under this section. The bonus or bonuses awarded to a qualifying veteran teacher under this section shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

SECTION 8.8A.(e) Bonus Not for Retirement. – Notwithstanding G.S. 135-1(7a), the compensation bonus awarded pursuant to this section is not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 8.8A.(f) 2019-2020 Funds. – For the 2019-2020 fiscal year only, the Director of the Budget shall also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of nonrecurring funds needed to support the program.

REVISE TEACHER BONUS PROGRAMS

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

"**ADVANCED PLACEMENT/INTERNATIONAL ~~BACCALAUREATE~~ BACCALAUREATE/CAMBRIDGE AICE TEACHER BONUS ~~PILOT~~ PROGRAM**

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

(1) 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:

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

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

c. For the Cambridge Advanced International Certificate of Education (AICE) program, a score of "E" or higher on the Cambridge AICE program examinations.

(2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds ~~two thousand dollars ($2,000)~~three thousand five hundred dollars ($3,500) in any given school year. The bonus awarded to a teacher pursuant to this subsection shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

(3) ~~For advanced course scores collected from the 2015-2016 school year and the 2016-2017 school year, bonuses~~ Bonuses awarded pursuant to this subsection are payable in ~~January 2017 and January 2018, respectively,~~January, based on data from the previous school year, to qualifying ~~advanced course~~ teachers who remain employed teaching ~~advanced courses~~ in the same local school administrative unit at least from the school year the data is collected until the corresponding school year that the bonus is paid.

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

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

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

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

~~(2)~~ ~~The State Board shall study the effect of the pilot program on advanced course teacher performance and retention. The State Board shall report the~~

~~results of its findings to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee by March 15, 2018.~~

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

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

SECTION 8.8B.(b) Section 8.9 of S.L. 2016-94 reads as rewritten:

"**INDUSTRY CERTIFICATIONS AND CREDENTIALS TEACHER BONUS ~~PILOT~~ PROGRAM**

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

(1) For teachers who provide direct instruction to students, bonuses shall be provided in the following amounts:
   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 or credential with a twenty-five-dollar ($25.00) value ranking as determined under subdivision (3) of this subsection.
   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 or credential with a fifty-dollar ($50.00) value ranking as determined under subdivision (3) of this subsection.

(2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds ~~two thousand dollars ($2,000)~~three thousand five hundred dollars ($3,500) in any given school year. The bonus awarded to a teacher pursuant to this subsection shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

(3) The Department of Commerce, in consultation with the State Board, shall assign a value ranking for each industry certification and credential based on academic rigor and employment value in accordance with this subdivision. 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 extra weight 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.

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

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

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

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

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

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

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

SECTION 8.8B.(c) Section 9.7 of S.L. 2016-94 reads as rewritten:

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

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

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

(2) Of the funds appropriated for ~~this~~ the program, five million dollars ($5,000,000) shall be allocated to pay bonuses to ~~licensed third grade~~ teachers who are in the top twenty-five percent (25%) of teachers in their respective local school administrative units according to the EVAAS student growth index score for third grade reading from the previous year. These

funds shall be split proportionally based on average daily membership for each local school administrative unit and then distributed equally among qualifying teachers in each local school administrative unit, subject to the following conditions:

a. Teachers employed in charter schools and regional schools are not eligible to receive a bonus under this subdivision.

b. Any teacher working in a local school administrative unit that employs three or fewer third grade teachers shall receive a bonus under this subdivision if that teacher has an EVAAS student growth index score for third grade reading from the previous school year that exceeds expected growth.

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

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

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

"**SECTION 9.7.(c)** The State Board of Education shall ~~report on and study the Third Grade Reading Teacher Performance Pilot Program (Program) as follows:~~study the effect of the program on teacher performance and retention. The State Board shall report the results of its findings,

~~(1)~~ ~~The State Board of Education shall report on~~ the distribution of statewide bonuses as among local school administrative ~~units~~ units, and the distribution of bonuses within local school administrative units as among individual schools to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division on March ~~1, 2017, and again on March 1, 2018.~~15 of each year bonuses are awarded.

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

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

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

SECTION 8.8B.(d) In addition to the bonuses payable in January 2018 pursuant to Sections 8.8(a), 8.9(a), 9.7(a)(1), and 9.7(a)(2) of S.L. 2016-94, as amended by this section, the Department of Public Instruction shall make payable no later than October 31, 2017, bonuses earned by qualifying teachers pursuant to data from the 2015-2016 school year, as follows:

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

THIRD GRADE READING TEACHER BONUS PROGRAM FOR 2018-2019

SECTION 8.8C.(a) It is the intent of the State to reward teacher performance and encourage student learning and improvement. To attain this goal, the Department of Public Instruction shall administer the Third Grade Reading Teacher Bonus Program (program) for the 2018-2019 fiscal year to qualifying teachers who have an Education Value-Added Assessment System (EVAAS) student growth index score for third grade reading from the previous school year, as follows:

(1) For purposes of this section, the following definitions shall apply:
a. Eligible Teacher. – A teacher who meets one or both of the following criteria:
1. Is in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for third grade reading from the previous school year.
2. Is in the top twenty-five percent (25%) of teachers in the teacher's respective local school administrative unit according to the EVAAS student growth index score for third grade reading from the previous school year.
b. Qualifying Teacher. – An eligible teacher who remains teaching in the same local school administrative unit at least from the school year the data for the EVAAS student growth index score for third grade reading is collected until the school year a bonus provided under this subsection is paid.
(2) Of the funds appropriated for this program, five million dollars ($5,000,000) shall be allocated for bonuses to eligible teachers under sub-sub-subdivision (1)a.1. of this subsection. Funds appropriated for this purpose shall be distributed equally among qualifying teachers.
(3) Of the funds appropriated for this program, five million dollars ($5,000,000) shall be allocated for bonuses to eligible teachers under sub-sub-subdivision (1)a.2. of this subsection. Funds allocated for this bonus shall be divided proportionally based on average daily membership in third grade for each local school administrative unit and then distributed equally among qualifying teachers in each local school administrative unit, subject to the following conditions:
a. Teachers employed in charter schools, regional schools, and University of North Carolina laboratory schools are not eligible to receive a bonus under this subdivision.
b. Any teacher working in a local school administrative unit that employs three or fewer third grade teachers shall receive a bonus under this subdivision if that teacher has an EVAAS student growth index score for third grade reading from the previous school year that exceeds expected growth.

(4) Bonuses awarded pursuant to subdivisions (2) and (3) of this subsection are payable in January to qualifying teachers based on EVAAS student growth index score data from the previous school year.

(5) A qualifying teacher may receive a bonus under both subdivisions (2) and (3) of this subsection.

(6) The bonus or bonuses awarded to a qualifying teacher pursuant to this section shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

(7) A bonus awarded pursuant to either subdivision (2) or subdivision (3) of this subsection shall not exceed three thousand five hundred dollars ($3,500) in any given school year. No teacher shall receive more than seven thousand dollars ($7,000) in total bonus compensation for any given school year.

SECTION 8.8C.(b) Notwithstanding G.S. 135-1(7a), the bonuses awarded by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 8.8C.(c) The State Board of Education shall study the effect of the bonuses awarded pursuant to this section on teacher performance and retention. The State Board shall report the results of its findings, the distribution of statewide bonuses as among local school administrative units, and the distribution of bonuses within local school administrative units as among individual schools to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division by March 15, 2019.

SCHOOL BUS DRIVER COMPENSATION AND EMPLOYMENT STUDY

SECTION 8.10. The Department of Public Instruction shall study the compensation of school bus drivers in the public schools and the challenges of recruiting and retaining school bus drivers. No later than April 1, 2018, the Department shall submit to the Joint Legislative Education Oversight Committee and the Fiscal Research Division a report containing, at a minimum, all of the following information:

(1) A detailed explanation of how school bus drivers are compensated and employed in the public schools, including, at a minimum, the following information:

a. Average driving experience of school bus drivers.

b. Rates of retention of school bus drivers in local school administrative units.

c. Average term of service for school bus drivers.

d. Average hours worked by school bus drivers, per week.

e. Career paths for school bus drivers within a local school administrative unit.

f. Percentage of school bus drivers who work in the local school administrative unit in another capacity.

(2) The challenges of recruiting and retaining school bus drivers faced by local school administrative units.

(3) Recommendations, including input from local school administrators, on improving the process of recruiting and retaining school bus drivers.

PART IX. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

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

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 9.2.(a) Of the funds appropriated to the Community Colleges System Office for the 2017-2019 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 and modernize the North Carolina Community College System's enterprise resource planning (ERP) system.

SECTION 9.2.(b) The President of the North Carolina Community Colleges System shall work with the Friday Institute for Educational Innovation at North Carolina State University, the Government Data Analytics Center, and other State agencies to improve communication between computer systems. The President shall ensure, to the extent practicable, that its updated computer systems are able to share data with computer systems at the Department of Public Instruction, other State agencies, and constituent institutions of The University of North Carolina.

COMMUNITY COLLEGE WORKFORCE STUDY

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

SECTION 9.3.(b) As a separate component of its study, the State Board of Community Colleges shall contract with an independent research organization to conduct an evaluation of the statewide Apprenticeship Program (Program), which, beginning with the 2017-2018 fiscal year, shall be transferred to and administered by the Community Colleges System Office pursuant to Section 15.13 of this act. The State Board shall not contract with an independent research organization that has contracted with the State Board or Community Colleges System Office within five years preceding commencement of the evaluation and shall not contract with the selected independent research organization within five years following completion of the evaluation. The State Board shall direct the independent organization to conduct a mixed method evaluation that examines the impact of the Program on at least the following:

(1) Development of student skill levels.
(2) Student employability.
(3) Participation by business sponsors.

The evaluation shall include in its results recommendations for best practices to enhance employer involvement in the Program and to increase student skill level and employment acquisition resulting from participation in the Program.

SECTION 9.3.(c) The State Board of Community Colleges shall analyze the results of its workforce training study and the independent research organization evaluation in order to make recommendations on how to most effectively coordinate the joint delivery of the Program and workforce training programs. By September 1, 2018, the State Board shall submit a report to the Joint Legislative Education Oversight Committee on the results of its analysis, including any recommendations on the alignment of tier funding with course costs and any recommended legislative changes.

START-UP FUNDS FOR HIGH-COST WORKFORCE COURSES

SECTION 9.5.(a) The State Board of Community Colleges shall establish the Community College High-Cost Workforce Program Grant to allocate funds to community colleges to establish new high-cost workforce Tier 1A and Tier 1B courses that require significant start-up funds. The State Board shall adopt an application process for community colleges to apply for the award of funds to establish new courses beginning with the 2017-2018 fiscal year. To be eligible to receive the funds, community colleges shall submit to the State Board a completed application, which shall include at least the following information:

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

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

(3) Documentation of student interest in the course.

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

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

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

a. Start-up costs to establish new courses.

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

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

a. Student enrollment numbers.

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

CC BOARD OF TRUSTEES TRAINING

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

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

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

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

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

SECTION 9.6.(c) The Community Colleges System Office shall make the orientation session required by G.S. 115D-18.5, as enacted by this section, available no later than January 1, 2018. Members of boards of trustees appointed between the date this act becomes law and January 1, 2018, shall have until June 30, 2018, to participate in an

orientation session. Members of boards of trustees who were appointed prior to the date this act becomes law shall participate in an initial education session pursuant to G.S. 115D-18.5 by December 31, 2018.

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

CLARIFY YOUTH APPRENTICESHIP PROGRAM

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

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

a. Meets one of the following:

1. Is a registered apprenticeship program recognized by the United States Department of Labor.

2. Is a pre-apprenticeship program recognized and approved by the State agency administering the statewide apprenticeship program.

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

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

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

CATAWBA VALLEY CC/MANUFACTURING CENTER

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

"Article 5B.

"Manufacturing Solutions Center at Catawba Valley Community College.

"**§ 115D-67.10. Purpose of the Center.**

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

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

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

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

Notwithstanding any other provision of law, all fees collected by the Manufacturing Solutions Center for services to industry, except for regular curriculum and continuing education tuition receipts, shall be retained by the Center and used for the operations of the Center. Purchases made by the Center using these funds are not subject to the provisions of Article 3 of Chapter 143 of the General Statutes. However, the Center shall (i) notify the Secretary of the Department of Administration or the Secretary's designee of the intent to enter into a contract for supplies, materials, printing, equipment, and contractual services that exceeds one million dollars ($1,000,000) as provided in G.S. 114-8.3 and (ii) include in all

agreements or contracts to be awarded by the Center under this section a standard clause which provides that the State Auditor and internal auditors of the Center may audit the records of the contractor during and after the term of the contract to verify accounts and data affecting fees and performance. The Center shall not award a cost plus percentage of cost agreement or contract for any purpose."

HS STUDENTS/NON-CREDIT COURSES LEADING TO INDUSTRY CREDENTIALS

SECTION 9.10.(a) G.S. 115D-5(b)(12) reads as rewritten:

"(12) All ~~curriculum~~ courses taken by high school students at community colleges, in accordance with G.S. 115D-20(4) and this section."

SECTION 9.10.(b) G.S. 115D-20(4)a.2. reads as rewritten:

"2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education ~~certificate or diploma~~ certificate, diploma, or State or industry-recognized credential and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in (i) industrial and engineering technologies, (ii) agriculture and natural resources, or (iii) transportation technology."

SECTION 9.10.(c) G.S. 115D-5 is amended by adding a new subsection to read:

"(b2) Beginning February 1, 2018, and annually thereafter, the State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on the number and type of waivers granted pursuant to subsection (b) of this section."

SECTION 9.10.(d) This section applies beginning with the 2017-2018 academic year.

ESTABLISH BOARD OF POSTSECONDARY EDUCATION CREDENTIALS

SECTION 9.11.(a) Chapter 115D of the General Statutes is amended by adding a new Article to read:

"Article 9.

"Postsecondary Education Credentials.

"**§ 115D-100. Board of Postsecondary Education Credentials.**

(a) Findings. – The General Assembly finds that, in today's economy, opportunities for North Carolina's citizens to reach the middle class with a high school level education or even less have significantly decreased. To be competitive and obtain better paying jobs that lead to a better quality of life in the State's current and future economy, most citizens will need some type of postsecondary education that qualifies them for employment. The General Assembly recognizes the importance of bringing together potential employers and providers of postsecondary education for the purpose of identifying workforce skills and training needs and developing courses of study and vocational training that meet the standards expected and required by industries, corporations, and other employers. The General Assembly further finds that the establishment of a permanent board with members who are knowledgeable about postsecondary education and workforce training needs will enable providers of postsecondary education to prepare and design training programs that are responsive to workforce needs and that will assist the State's citizens in securing the credentials required to obtain better paying jobs.

The General Assembly recognizes that postsecondary education opportunities should be easily available and accessible to all citizens. Therefore, the General Assembly encourages State educators, when designing the method and manner for delivering postsecondary educational programs, to take into account the varying income levels and economic

circumstances of the State's citizens, transportation needs, and other unique challenges in both urban and rural areas of the State that affect accessibility to postsecondary education opportunities and to make genuine efforts to accommodate and address those factors.

The General Assembly also finds that most employers consider postsecondary credentials such as academic degrees and high-quality, nondegree certifications awarded by institutions of higher education when determining whether a person has the expertise and skills required for a job. However, high-quality credentials may also be obtained through other alternative models such as open-source online programs, on-the-job training, and military experience. Therefore, it is essential that a system also be devised in which the meaning and validity of postsecondary credentials is clear and understandable to educators, employers, and students and that accurately conveys the knowledge, skills, and training obtained by an individual however and wherever it is obtained.

(b) Board Established. – There is established the Board of Postsecondary Education Credentials to be located administratively under the Community Colleges System Office; however, the Board shall exercise all its prescribed powers independently of the Community Colleges System Office. The Board shall consist of the following members:

(1) The Lieutenant Governor or the Lieutenant Governor's designee.
(2) The President of The University of North Carolina or the President's designee.
(3) The President of the State Board of Community Colleges or the President's designee.
(4) The Superintendent of Public Instruction or the Superintendent's designee.
(5) The Commissioner of Labor or the Commissioner's designee.
(6) The Secretary of Commerce or the Secretary's designee.
(7) The President of North Carolina Independent Colleges and Universities or the President's designee.
(8) The Executive Director of the Office of Proprietary Schools or the Executive Director's designee.
(9) The President of the North Carolina Hospital Association or the President's designee.

(c) Purpose. – The purpose of the Board is to review and make recommendations for the development of a statewide system of postsecondary education that links industry, corporations, and businesses in this State with educators, government, and community organizations to identify workforce skills and training needs and to ensure that appropriate courses of study and vocational training are available to North Carolinians, including those preparing to pursue postsecondary education, entering the workforce, or seeking to update skills and training for purposes of retaining employment and advancing in the workforce.

In addition, the Board shall identify alternative ways in which people gain valuable workforce skills and experience, such as on-the-job training, that are not represented by four-year or two-year degrees and the types of credentials used to signify competence of a certain level upon successful completion of the alternative training experience. The Board shall review and make recommendations on those criteria to be used to determine the value of a nondegree credential, the competencies that it represents, and how it should be compared and valued with regard to other types of postsecondary credentials.

(d) Duties. – The duties of the Board include the following:

(1) Recommend State goals and a framework for achieving those goals among educators to ensure that, by 2025, the appropriate percentage, as recommended by the Board, of the State's adult citizens will hold degrees, certificates, or other high-quality postsecondary credentials. The Board shall recommend a division of responsibility among The University of North Carolina System, the State's Community College System, and any other

providers of postsecondary education credentials for achieving the goals recommended by the Board. The Board shall periodically review the progress made toward the recommended goals, evaluate the strategies developed and used toward attaining those goals, and may make additional recommendations.

(2) Identify the credentials that are acceptable for meeting those recommended goals and recommend how the responsibility for providing the courses of study and training for those credentials should be assigned among the State's educators and others. In making these recommendations, consideration shall be given to the fact that the individuals who need these courses of study and training are of various economic levels and are also located in rural areas and metropolitan areas across the State. These factors shall be taken into account with regard to the location and delivery of the courses of study and training programs.

(3) Address the issue of postsecondary credentials, the various levels of skill and knowledge those credentials signify, and how to accurately convey that information to employers, students and trainees, and providers of postsecondary education. The Board shall consider procedures and methods for recognizing skills and training needed in the workforce that an individual may have obtained through military experience, through on-the-job and employee-proved training, or through other life experiences.

(e) Chair. – The Board shall elect from the members a chair and a vice-chair for terms of two years. A chair or vice-chair may serve no more than two consecutive terms in that role.

(f) Hire Staff and Consultants. – To the extent of funds available, the Chair of the Board may, with the approval of the Board, hire staff or consultants to assist the Board in carrying out its purpose and duties.

(g) Travel and Subsistence. – Members, staff, and consultants of the Board shall receive travel and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6, as appropriate.

(h) Meeting Space. – With the approval of the Legislative Services Commission, space in the Legislative Building and the Legislative Office Building may be made available to the Board.

(i) Frequency of Meetings and Quorum. – The Board shall meet upon the call of the Chair and shall have its first meeting no later than October 1, 2017. The Board shall meet at least quarterly. A majority of the members of the Board shall constitute a quorum for the transaction of business.

(j) Reporting Requirement. – The Board shall report initially no later than March 1, 2018, to the Joint Legislative Education Oversight Committee regarding the goals recommended by the Board pursuant to this section and the progress in meeting those goals and shall report annually thereafter. The report shall include any recommendations by the Board regarding legislation needed to implement this section."

SECTION 9.11.(b) Of the funds appropriated by this act for the 2017-2019 fiscal biennium to the Community Colleges System Office, the sum of three hundred fifty thousand dollars ($350,000) for the 2017-2018 fiscal year and the sum of three hundred fifty thousand dollars ($350,000) for the 2018-2019 fiscal year shall be allocated to the Board of Postsecondary Education Credentials to be used to cover operating expenses of the Board, including expenses for staff and consultants to assist the Board in carrying out its purpose and duties.

CC ENROLLMENT IMPACTED BY HURRICANE MATTHEW/HOLD HARMLESS

SECTION 9.12.(a) Of the funds appropriated by this act to the Community College System Office for the 2017-2018 fiscal year, the Community College System Office shall transfer the sum of two million seven hundred sixty-two thousand four hundred eighteen dollars ($2,762,418) into a budget stabilization reserve in Budget Code 16800 to be used to offset the decline in community college enrollment at certain campuses for the Fall 2016 and Spring 2017 semesters due to the impact of Hurricane Matthew.

SECTION 9.12.(b) Notwithstanding any other provision of law, when calculating the enrollment growth budget request for the Community College System to the Director of the Budget for the 2018-2019 fiscal year, the Community College System Office shall adjust full-time equivalent (FTE) enrollment to reflect the 526 FTE lost due to the impact of Hurricane Matthew.

HIGH ACHIEVING SCHOLARSHIPS FOR TOP-PERFORMING HIGH SCHOOL STUDENTS

SECTION 9.13.(a) Purpose of Program. – There is created the High Achieving Tuition Scholarship Program. The purposes of the High Achieving Tuition Scholarship Program include the following:

(1) Encourage higher-performing students at community colleges.
(2) Utilize the State's educational resources to the fullest.
(3) Create more educational and career options for students.
(4) Realize significant cost savings to the State.
(5) Develop a more competitive workforce.

SECTION 9.13.(b) Scholarship Eligibility. – A student shall be eligible to receive a High Achieving Tuition Scholarship if the student meets all of the following requirements:

(1) In the academic semester prior to enrolling in a community college, graduates with at least a 3.5 unweighted grade point average from either (i) a public high school located in this State or (ii) a nonpublic high school or home school, as defined in Article 39 of Chapter 115C of the General Statutes, located in this State.
(2) Presents evidence the student is either a United States citizen or eligible noncitizen.
(3) Qualifies as a resident of this State for tuition purposes, as provided in Article 14 of Chapter 116 of the General Statutes.
(4) Gains admission as a student at a North Carolina community college in a curriculum program.
(5) Complies with Selective Service registration requirements.
(6) Affirmatively states the student does not have a felony conviction for a controlled substance offense under Article 5 of Chapter 90 of the General Statutes.

SECTION 9.13.(c) Award of Scholarships. – The Community Colleges System Office shall annually award High Achieving Tuition Scholarships to all eligible students in an amount not to exceed the cost of 16 credit hours of tuition per fall or spring academic semester for a maximum of four academic semesters. The System Office shall contract with the State Education Assistance Authority (Authority) for administration of the scholarship program. The Authority shall require students to complete a Free Application for Federal Student Aid (FAFSA) to be eligible for a scholarship award and shall reduce the amount of the scholarship award for any student by the amount of grants or scholarships received by that student from other State or federal sources. The Authority shall award scholarships to eligible students in the order in which they are received. The Authority shall award scholarships beginning with the fall semester of the 2018-2019 academic year to students graduating from high school in the 2017-2018 school year.

SECTION 9.13.(d) Scholarship Renewal. – A scholarship awarded to an eligible student shall be annually renewed if the student demonstrates all of the following:

(1) A cumulative 3.0 grade point average.

(2) Completion of a minimum of 30 semester credit hours by the end of the academic year.

(3) An affirmative statement the student does not have a felony conviction for a controlled substance offense under Article 5 of Chapter 90 of the General Statutes.

SECTION 9.13.(e) Scholarship Revocation. – A scholarship awarded to an eligible student shall be revoked at the conclusion of the first semester of an academic year for any of the following:

(1) Failure to maintain a course load of at least 12 credit hours.

(2) Default or unpaid refund on a student financial aid program.

SECTION 9.13.(f) Scholarship Administration. – The State Board of Community Colleges and the Authority shall adopt rules for administration of the High Achieving Tuition Scholarship Program.

SECTION 9.13.(g) Course Counseling and Transfer. – Community colleges shall ensure that scholarship recipients are provided counseling and assistance in maintaining the necessary grade point averages and selecting coursework that reflects their educational and career goals. For students planning to enter a constituent institution of The University of North Carolina, the State Board of Community Colleges shall ensure that credits earned by those students participating in the program are transferable.

SECTION 9.13.(h) Of the funds appropriated by this act to the Community Colleges System Office for the 2017-2018 fiscal year, the System Office shall use the sum of fifty thousand dollars ($50,000) for the 2017-2018 fiscal year for administrative costs related to the implementation of the High Achieving Tuition Scholarship Program, including contracting with the Authority for this purpose. Of the funds appropriated by this act to the Community Colleges System Office for the 2018-2019 fiscal year, the System Office shall use the sum of two million dollars ($2,000,000) for the 2018-2019 fiscal year for administrative costs and award of scholarships, including contracting with the Authority for this purpose. Beginning with the 2018-2019 fiscal year, the System Office may use up to five percent (5%) of the appropriated funds for administrative costs associated with the Program. Any unexpended funds for the purposes set forth in this section shall not revert at the end of each fiscal year but shall remain available to award scholarships to eligible students.

SECTION 9.13.(i) The Board of Governors of The University of North Carolina shall adopt a policy to permit any student admitted to a constituent institution who receives a High Achieving Tuition Scholarship to defer admission to the constituent institution for two years, beginning with the 2018-2019 academic year. Deferred admission shall be contingent upon the successful completion of an associate's degree and remaining in good standing in the Scholarship Program while enrolled in the community college.

SECTION 9.13.(j) For the 2017-2018 school year, the State Board of Education shall direct local boards of education to survey high school students in their senior year who meet the eligibility requirements of the High Achieving Tuition Scholarship Program to determine interest in the program, including numbers of students who intend to apply for the scholarship, and reasons that eligible students may choose not to apply for the scholarship. The State Board of Education shall report to the Joint Legislative Education Oversight Committee no later than December 15, 2017, on the results of this survey.

SECTION 9.13.(k) The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall jointly identify and report to the Joint Legislative Education Oversight Committee by April 1, 2020, on potential issues related to the transition of High Achieving Tuition Scholarship recipients from community college to

university enrollment and other recommendations to improve and expand the High Achieving Tuition Scholarship Program.

SECTION 9.13.(*l*) The State Education Assistance Authority shall report annually on or before September 1, beginning in 2019, to the Joint Legislative Education Oversight Committee on the implementation of the High Achieving Tuition Scholarship Program. The report shall include at least the following information:

(1) Number of students applying for the scholarship, including information about student demographics and geographic location.
(2) Number of students awarded the scholarship, including information about student demographics and geographic location, and community college attended.
(3) Amount of funds expended for scholarships.
(4) Number of students whose scholarships were revoked and reasons for revocation.
(5) Other relevant information as determined by the Authority.

PART X. UNIVERSITIES

ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS REPORT

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

WESTERN SCHOOL OF ENGINEERING AND TECHNOLOGY FUNDS

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

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

ENHANCE UNC DATA SYSTEMS TO IMPROVE INSTITUTIONAL PERFORMANCE AND STUDENT SUCCESS

SECTION 10.6.(a) The Board of Governors of The University of North Carolina shall use funds appropriated by this act to modernize business processes, increase standardization, and maximize State resources. The investment will enable better financial management of The University of North Carolina and should yield, at a minimum, but not limited to, cost-per-unit analysis, predictive modeling, and more timely access to actionable information. Funds shall also be used to enhance data systems for the following purposes: integrating financial, human resource, and student account systems across The University of North Carolina System; developing new data collections systems that track faculty and staff retention rates and post-graduation student outcomes; expanding "Know Before You Go" data

reporting; and implementing a Web-based student advising tool as part of a pilot program to be known as "Finish in Four."

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

UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS

SECTION 10.7.(a) The funds appropriated by this act from the Escheat Fund for the 2017-2019 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

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

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 10.8.(a) The Board of Governors shall develop a new plan for implementing the management flexibility reduction for The University of North Carolina that is more inclusive of all of the constituent institutions, departments, services, and other entities of the University of North Carolina System. In allocating the management flexibility reduction, no constituent institution shall be disproportionately singled out. The constituent institutions and other entities listed in subsection (b) of this section shall be excluded from the management flexibility reduction.

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 10.8.(b) In allocating the management flexibility reduction, no reduction in State funds shall be allocated to any of the following:

(1) NC School of Science and Mathematics.
(2) University of North Carolina School of the Arts.
(3) Any entity receiving less than one and one-half percent (1.5%) of the annual net General Fund appropriation for The University of North Carolina.
(4) Any need-based financial aid.

SECTION 10.8.(c) The Board of Governors shall submit its management flexibility reduction plan revised pursuant to subsections (a) and (b) of this section for the 2017-2019 fiscal biennium to the 2017 General Assembly within 60 days of the date this section becomes effective.

IN-STATE TUITION FOR VETERANS/COMPLIANCE WITH FEDERAL LAW

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

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

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

(1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).
(2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).
(3) Veteran. – A person who served active duty for not less than 90 days in the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration and who was discharged or released from such service.

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

(1) The veteran applies for admission to the institution of higher education and enrolls within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.
(2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.
(3) The veteran's abode is North Carolina.
(4) The veteran provides the institution of higher education at which the veteran intends to enroll a letter of intent to establish residence in North Carolina.

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

(1) The person qualifies for admission to the institution of higher education as defined in G.S. 116-143.1(a)(3) ~~and~~ and, with the exception of individuals described in subsections (c1) and (c2) of this section, enrolls in the

institution of higher education within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.

(2) The person is the recipient of federal educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.

(3) The person's abode is North Carolina.

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

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

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

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

SENIOR CITIZENS MAY AUDIT COURSES AT UNC AND COMMUNITY COLLEGES

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

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

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

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

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

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

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

BOARD OF GOVERNORS STUDIES/ESTABLISH SCHOOL OF HEALTH SCIENCES AND HEALTH CARE AT UNC-PEMBROKE AND ESTABLISH PHYSICIAN ASSISTANT PROGRAM AT WSSU

SECTION 10.14.(a) The Board of Governors of The University of North Carolina shall study the feasibility of establishing a School of Health Sciences and Health Care at the University of North Carolina at Pembroke. In its study, the Board of Governors shall consider the health care needs of the region and what health science and health care programs would best serve the region and meet its health care needs. The Board of Governors shall also consider the costs and financial benefits of establishing a School of Health Sciences and Health Care.

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

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

SECTION 10.14.(c) The Board of Governors of The University of North Carolina shall study the feasibility of establishing a Physician Assistant Program at Winston-Salem State University. In its study, the Board of Governors shall also consider the costs and financial benefits of establishing a Physician Assistant Program at Winston-Salem State University.

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

UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS

SECTION 10.15. Of the funds appropriated by this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars ($29,000,000) for the 2017-2018 fiscal year and twenty-nine million dollars ($29,000,000) for the 2018-2019 fiscal year to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

CERTAIN EMPLOYMENT AUTHORITY

SECTION 10.17. G.S. 116-11 is amended by adding a new subdivision to read:

"**§ 116-11. Powers and duties generally.**

The powers and duties of the Board of Governors shall include the following:

…

(13b) The Board may authorize the hiring of private counsel to represent the Board, The University of North Carolina, and any constituent institution. G.S. 114-2.3 and G.S. 147-17 shall not apply to these actions.

…."

LIMIT NC PROMISE TUITION RATE TO NC RESIDENTS

SECTION 10.18.(a) G.S. 116-143.11(a) reads as rewritten:

"(a) The NC Promise Tuition Plan shall be established and implemented as provided by this section. Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The

University of North Carolina shall set the rate of undergraduate tuition for Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University as follows: beginning with the 2018 fall academic semester, the rate of tuition for students deemed to be North Carolina residents for purposes of tuition shall be five hundred dollars ($500.00) per academic ~~semester and the rate of tuition for nonresident students shall be two thousand five hundred dollars ($2,500) per academic semester.~~semester. The rate of tuition for nonresident students shall be fixed pursuant to G.S. 116-144."

SECTION 10.18.(b) G.S. 116-144 reads as rewritten:

"**§ 116-144. Higher tuition to be charged nonresidents.**

~~Unless provided otherwise by law, the~~ The Board of Governors shall fix the tuition and required fees charged nonresidents of North Carolina who attend the institutions enumerated in G.S. 116-4 at rates higher than the rates charged residents of North Carolina and comparable to the rates charged nonresident students by comparable public institutions nationwide, except that a person who serves as a graduate teaching assistant or graduate research assistant or in a similar instructional or research assignment and is at the same time enrolled as a graduate student in the same institution may, in the discretion of the Board of Governors, be charged a lower rate fixed by the Board, provided the rate is not lower than the North Carolina resident rate."

"FINISH IN FOUR" AND "STUDENT SUCCESS INITIATIVES" REPORTING REQUIREMENTS

SECTION 10.19.(a) The University of North Carolina General Administration shall report to the Joint Legislative Education Oversight Committee regarding "Finish in Four" which is a pilot program for the implementation of a particular type of software that functions as a digital advising tool and is designed to help a student select the right academic courses at the right time to ensure the timely completion of a degree. The initial report shall be submitted by December 1, 2017, and shall include the institutions selected to participate in the pilot program and the vendor selected for the software. A progress report shall be submitted no later than May 1, 2019, and shall include an evaluation of the utilization of the software and the success of the program.

SECTION 10.19.(b) The University of North Carolina General Administration shall report to the Joint Legislative Education Oversight Committee regarding the "Student Success Innovation Initiative" which is a competitive grant program that awards grants to institutions to implement or scale a strategy designed to do the following: enhance student advising and coaching, leverage technology to redesign courses with high withdrawal and failure rates, and provide peer-to-peer tutoring and academic support. The initial report shall be submitted by March 15, 2018, and shall include the institutions selected to receive grants and the vendor selected for the software. A final report shall be submitted by March 15, 2019, and shall include the strategies implemented, the amount of funds awarded to each recipient, and the progress made with regard to students' academic success.

UNC COMPUTER COMPATIBILITY

SECTION 10.20. The President of The University of North Carolina shall work with the Department of Information Technology to ensure, to the extent practicable, that The University of North Carolina computer systems are able to share data among computer systems at the constituent institutions, community colleges, Department of Public Instruction, and other State agencies.

UNC CYBERSECURITY

SECTION 10.21.(a) The President of The University of North Carolina, in collaboration with the Department of Information Technology or other cybersecurity consultant

selected by the President, shall review the existing security for the information technology systems and associated data of The University of North Carolina System to determine whether the cybersecurity and risk management services supporting the System's network are sufficient or whether expansion is needed. The review shall include an evaluation of all of the following: (i) continuous monitoring and risk assessment; (ii) security policy, implementation of security programs and effective security controls, and ongoing support for operating security governance; and (iii) security training and education services for faculty, staff, and administrators. The President shall take appropriate measures to address any potential problems or issues identified by the review.

SECTION 10.21.(b) Each constituent institution shall conduct a review of the existing security for the information technology systems and associated data of the constituent institution to determine whether the cybersecurity and risk management services supporting the System's network are sufficient or whether expansion is needed. The review shall include an evaluation of (i) continuous monitoring and risk assessment; (ii) security policy, implementation of security programs and effective security controls, and ongoing support for operating security governance; and (iii) security training and education services for faculty, staff, and administrators. The Chancellor of the constituent institution shall take appropriate measures to address any potential problems or issues identified by the review.

SUBPART X-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

SOFTWARE FOR ADMINISTRATION OF THE OPPORTUNITY SCHOLARSHIP AND SPECIAL EDUCATION SCHOLARSHIP PROGRAMS

SECTION 10A.1.(a) Notwithstanding G.S. 115C-562.8, of the funds appropriated by this act for the Opportunity Scholarship Grant Fund Reserve for the 2017-2018 fiscal year, the North Carolina State Education Assistance Authority (Authority) may use up to one million eight hundred thousand dollars ($1,800,000) in nonrecurring funds for the 2017-2018 fiscal year to purchase software necessary to support the administration of the Opportunity Scholarship Grant Program and the Special Education Scholarships for Children with Disabilities Program. These funds may also be used for customization of the software, development of interfaces with other internal systems, conversion of data, and training for staff on the new software system.

SECTION 10A.1.(a1) The Authority shall work with the Department of Information Technology to ensure, to the extent practicable, that the Authority's computer systems are able to share data among computer systems at The University of North Carolina and constituent institutions, the North Carolina Community College System, the Department of Public Instruction, and other State agencies.

SECTION 10A.1.(b) The Authority shall report by October 1 of each year, beginning October 1, 2017, and ending October 1, 2018, to the Fiscal Research Division and the Joint Legislative Education Oversight Committee on the acquisition of software for administration of the program and all aspects of implementation of the software system and the expenditure of funds.

ELIMINATE SCHOOL SITE SCHOLARSHIP ENDORSEMENT REQUIREMENT

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

"a. Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division

of Nonpublic Education, is deemed eligible by the Division, and is subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student ~~to the school~~ for deposit into the account of the ~~school.~~nonpublic school to the credit of the eligible student. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship ~~funds but shall endorse the scholarship funds in person at the site of the school.~~funds. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student."

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

"**§ 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.~~school to the credit of the eligible student. 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.~~funds. 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."

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

NORTH CAROLINA TEACHING FELLOWS

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

"Part 3. North Carolina Teaching Fellows Program.

"**§ 116-209.60. Definitions.**

The following definitions apply in this Part:

(1) Commission. – The North Carolina Teaching Fellows Commission.

(2) Director. – The Director of the North Carolina Teaching Fellows Program.

(3) Forgivable loan. – A forgivable loan made under the Program.

(4) Program. – The North Carolina Teaching Fellows Program.

(5) Public school. – An elementary or secondary school located in North Carolina that is governed by a local board of education, charter school board of directors, regional school board of directors, or University of North Carolina laboratory school board of trustees.

(6) STEM. – Science, technology, engineering, and mathematics.

(7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund.

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

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

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

(1) The Board of Governors of The University of North Carolina shall appoint seven members to the Commission as follows:

a. Two deans of approved schools of education at postsecondary constituent institutions of The University of North Carolina.

b. The president of a North Carolina community college.

c. A teacher who graduated from an approved educator preparation program located in the State within three years of appointment to serve on the Commission.

d. A principal who graduated from an approved educator preparation program located in the State.

e. A local board of education member.

f. A member to represent business and industry in North Carolina.

(2) The General Assembly shall appoint two members to the Commission in accordance with G.S. 120-121 as follows:

a. One dean of an approved school of education at a private postsecondary institution operating in the State upon the recommendation of the Speaker of the House of Representatives.

b. One dean of an approved school of education at a private postsecondary institution operating in the State upon the recommendation of the President Pro Tempore of the Senate.

(3) The following five members shall serve as ex officio members to the Commission:

a. The North Carolina Teacher of the Year.

b. The North Carolina Principal of the Year.

c. The North Carolina Superintendent of the Year.

d. The chair of the Board of the State Education Assistance Authority.

e. The Director of the North Carolina Teaching Fellows Program.

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

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

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

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

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

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

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

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

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

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

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

(1) Grade point averages.

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Students applying for transfer to a selected educator preparation program at an institution of higher education. – Forgivable loans of up to eight thousand two hundred fifty dollars ($8,250) per year for up to three years.

(3) Individuals currently holding a bachelor's degree seeking preparation for teacher licensure. – Forgivable loans of up to eight thousand two hundred fifty dollars ($8,250) per year for up to two years.

(4) Students matriculating at institutions of higher education who are changing to enrollment in a selected educator preparation program. – Forgivable loans of up to eight thousand two hundred fifty dollars ($8,250) per year for up to two years.

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

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

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

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

(1) Forgivable loans awarded from the Trust Fund, including the following:
a. Demographic information regarding recipients.
b. Number of recipients by institution of higher education and program.
c. Information on number of recipients by anticipated STEM and special education licensure area.

(2) Placement and repayment rates, including the following:
a. Number of graduates who have been employed in a STEM or special education licensure area within two years of program completion.
b. Number of graduates who accepted employment at a low-performing school identified under G.S. 115C-105.37 as part of their years of service.
c. Number of graduates who have elected to do loan repayment and their years of service, if any, prior to beginning loan repayment.
d. Number of graduates employed in a STEM or special education licensure area who have received an overall rating of at least accomplished and have met expected growth on applicable standards of the teacher evaluation instrument.
e. Aggregate information on student growth and proficiency in courses taught by graduates who have fulfilled service requirements through employment in a STEM or special education licensure area.

(3) Selected school outcomes by program, including the following:
a. Turnover rate for forgivable loan graduates.
b. Aggregate information on student growth and proficiency as provided annually by the State Board of Education to the Commission in courses taught by forgivable loan graduates.
c. Fulfillment rate of forgivable loan graduates.

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

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

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

(1) One year at a North Carolina public school identified as low-performing under G.S. 115C-105.37 at the time the teacher accepts employment at the school or, if the teacher changes employment during this period, at another school identified as low-performing.

(2) Two years at a North Carolina public school not identified as low-performing under G.S. 115C-105.37.

The Authority shall also forgive the loan if it finds that it is impossible for the recipient to work for up to eight years, within 10 years after completion of the program leading to teacher licensure, at a North Carolina public school because of the death or permanent disability of the recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be

repaid within 10 years after completion of the program leading to teacher licensure supported by the forgivable loan. If the recipient completes a program leading to teacher licensure, payment of principal and interest shall begin no later than the first day of September after the completion of the program. Should a recipient present extenuating circumstances, the Authority may extend the period to repay the loan in cash to no more than a total of 12 years."

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

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

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

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

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

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

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

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

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

AMEND TRANSFORMING PRINCIPAL PREPARATION

SECTION 10A.5. Section 11.9 of S.L. 2015-241, as amended by Section 11A.4 of S.L. 2016-94 and by Section 4.3 of S.L. 2016-123, reads as rewritten:

"**SECTION 11.9.(a)** Purpose. – The purpose of this section is to establish a competitive grant program for eligible entities to elevate educators in North Carolina public schools by transforming the preparation of principals across the State. The State Education Assistance Authority (Authority) shall administer this grant program through a cooperative agreement with a private, nonprofit corporation to provide funds for the preparation and support of highly effective future school principals in North Carolina.

"**SECTION 11.9.(b)** Definitions. – For the purposes of this section, the following definitions apply:

(1) Eligible entity. – A for-profit or nonprofit organization or an institution of higher education that has an evidence-based plan for preparing school leaders who implement school leadership practices linked to increased student achievement.

(2) High-need school. – A public school, including a charter school, that meets one or more of the following criteria:

a. Is a school identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.

b. Is a persistently low-achieving school, as identified by the Department of Public Instruction for purposes of federal accountability.

c. A middle school containing any of grades five through eight that feeds into a high school with less than a sixty percent (60%) four-year cohort graduation rate.

d. A high school with less than a sixty percent (60%) four-year cohort graduation rate.

(3) Principal. – The highest administrative official in a public school building with primary responsibility for the instructional leadership, talent management, and organizational development of the school.

(4) School leader. – An individual employed in a school leadership role, including principal or assistant principal roles.

(5) Student achievement. – At the whole school level, after three years of leading a school, consistent and methodologically sound measures of:

a. Student academic achievement.

b. Aggregated individual student academic growth.

c. Additional outcomes, such as high school graduation rates, the percentage of students taking advanced-level coursework, or the percentage of students who obtain a career-related credential through a national business certification exam.

"**SECTION 11.9.(c)** Program Authorized. – The Authority shall award grants to eligible entities to support programs that develop well-prepared school leaders in accordance with the provisions of this section. The Authority shall establish any necessary rules to administer the grant program.

"**SECTION 11.9.(d)** Contract With a Nonprofit for Administration. – By November 1, 2015, the Authority shall issue a Request for Proposal (RFP) for a private, nonprofit corporation to contract with the Authority for the administration of the program, including making recommendations to the Authority for the award of grants, as authorized by this section. The nonprofit corporation applying to the Authority shall meet at least the following requirements:

(1) The nonprofit corporation shall be a nonprofit corporation organized pursuant to Chapter 55A of the General Statutes and shall comply at all times with the provisions of section 501(c)(3) of the Internal Revenue Code.

(2) The nonprofit corporation shall employ sufficient staff who have demonstrated a capacity for the development and implementation of grant selection criteria and a selection process to promote innovative school leader education programs, including:

a. Focus on school leader talent.

b. Expertise supporting judgments about grant renewal based on achievement of or substantial school leader progress toward measurable results in student achievement.

c. Expectation of creating positive experiences working with the educational community in North Carolina to establish the foundation for successfully administering the programs set forth in this section.

(3) The nonprofit corporation shall comply with the limitations on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.

(4) No State officer or employee may serve on the board of the nonprofit corporation.

(5) The board of the nonprofit corporation shall meet at least quarterly at the call of its chair.

"**SECTION 11.9.(e)** Report on Selection of the Nonprofit. – The Authority shall select a nonprofit corporation to enter into a contract with to administer the program by January 15, 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on the selection of the nonprofit corporation by February 1, 2016.

"**SECTION 11.9.(f)** Application Requirements. – The nonprofit corporation entering into a contract with the Authority under subsection (d) of this section shall issue an initial RFP with guidelines and criteria for the grants no later than March 1, 2016. The nonprofit corporation may issue additional RFPs for grant applicants as it may deem necessary, subject to available funds. An eligible entity that seeks a grant under the program authorized by this section shall submit to the nonprofit corporation an application at such time, in such manner, and accompanied by such information as the nonprofit may require. An applicant shall include at least the following information in its response to the RFP for consideration by the nonprofit corporation:

(1) The extent to which the entity has a demonstrated record of preparing school leaders who implement school leadership practices linked to increased student achievement.

(2) The extent to which the entity has a rigorous school leader preparation program design that includes the following research-based programmatic elements:

a. A proactive, aggressive, and intentional recruitment strategy.

b. Rigorous selection criteria based on competencies that are predictive of success as a school leader, including, but not limited to, evidence of significant positive effect on student learning growth in the classroom, at the school-level, and the local school administrative unit-level, professional recommendations, evidence of problem solving and critical thinking skills, achievement drive, and leadership of adults.

c. Alignment to high-quality national standards for school leadership development.

d. Rigorous coursework that effectively links theory with practice through the use of field experiences and problem-based learning.

e. Full-time <u>paid</u> clinical practice of at least five months <u>and 750 hours</u> in duration in an authentic setting, including substantial leadership responsibilities where candidates are evaluated on leadership skills and effect on student outcomes as part of program completion.

f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.

g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.

h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.

i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.

j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs.

"**SECTION 11.9.(g)** Priorities. – The nonprofit corporation shall evaluate the applicants for grants by giving priority to an eligible entity with a record of preparing principals demonstrating the following:

(1) Improvement in student achievement.

(2) Placement as school leaders in eligible schools.

(3) A proposed focus on and, if applicable, a record of serving high-need schools, high-need local school administrative units, or both.

(4) A detailed plan and commitment to share lessons learned and to improve the capacity of other entities in reaching similar outcomes.

(5) A service area that is underserved by existing principal preparation programs or demonstrates unmet need despite current available programs.

"**SECTION 11.9.(h)** Uses of Funds. – By June 1, 2016, the nonprofit corporation shall recommend to the Authority the recipients of grants under the program. Each eligible entity that receives grant funds shall use those funds to carry out the following:

(1) Recruiting and selecting, based on a rigorous evaluation of the competencies of the school leader candidates participating in the program and their potential and desire to become effective school leaders.

(2) Operating a school leader preparation program that provides the opportunity for all candidates to earn a master's degree, if they do not already have one, and subsequent principal licensure by doing the following:

a. Utilizing a research-based content and curriculum, including embedded participant assessments to evaluate candidates before program completion, that prepares candidates to do the following:

1. Provide instructional leadership, such as developing teachers' instructional practices and analyzing classroom and school-wide data to support teachers.

2. Manage talent, such as developing a high-performing team.

3. Build a positive school culture, such as building a strong school culture focused on high academic achievement for all students, including gifted and talented students, students with disabilities, and English learners, maintaining active engagement with family and community members, and ensuring student safety.

4. Develop organizational practices, such as aligning staff, budget, and time to the instructional priorities of the school.

b. Providing opportunities for sustained and high-quality job-embedded practice in an authentic setting where candidates are responsible for moving the practice and performance of a subset of teachers or for school-wide performance as principal-in-planning or interim school leaders.

(3) Collecting data on program implementation and program completer outcomes for continuous program improvement.

"**SECTION 11.9.(i)** Duration of Grants. – The nonprofit corporation shall also recommend to the Authority the duration and renewal of grants to eligible entities according to the following:

(1) The duration of grants shall be as follows:
a. Grants shall be no more than five years in duration.
b. The nonprofit corporation may recommend renewal of a grant based on performance, including allowing the grantee to scale up or replicate the successful program as provided in subdivision (2) of this subsection.
c. The nonprofit shall develop a process with the Authority for early retrieval of grant funds from grant recipients due to noncompliance with grant terms, including participation in third-party evaluation activities. Grantees shall develop and enforce requirements for program graduates to serve a minimum of four years as school-based administrators in North Carolina. Requirements are subject to the approval of the nonprofit corporation.

(2) In evaluating performance for purposes of grant renewal and making recommendations to the Authority, the nonprofit corporation shall consider:
a. For all grantees, the primary consideration in renewing grants shall be the extent to which program participants improved student achievement in eligible schools.
b. Other criteria from data received in the annual report in subsection (j) of this section may include the following:
1. The percentage of program completers who are placed as school leaders in this State within three years of receiving a grant.
2. The percentage of program completers who are rated proficient or above on the North Carolina School Executive Evaluation Rubric.

"**SECTION 11.9.(j)** Reporting Requirements for Grant Recipients. – Recipients of grants under the program shall participate in all evaluation activities required by the nonprofit and submit an annual report to the nonprofit corporation contracting with the ~~Authority, beginning in the third year of the grant,~~ Authority with any information requested by the nonprofit corporation. The recipients shall comply with additional report requests made by the nonprofit. Whenever practicable and within a reasonable amount of time, grant recipients shall also make all materials developed as part of the program and with grant funds publically available to contribute to the broader sharing of promising practices. Materials shall not include personally identifiable information regarding individuals involved or associated with the program, including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff, without their prior written consent. The nonprofit corporation shall work with recipients and local school administrative units, as needed, to enable the collection, analysis, and evaluation of at least the following relevant data, within necessary privacy constraints:
(1) Student achievement in eligible schools.
(2) The percentage of program completers who are placed as school leaders within three years in the State.
(3) The percentage of program completers rated proficient or above on school leader evaluation and support systems.
(4) The percentage of program completers that are school leaders who have remained employed in a North Carolina public school for two or more years of initial placement.

"**SECTION 11.9.(k)** Licensure Process. – By June 1, 2016, the State Board of Education shall adopt a policy to provide for a specific licensure process applicable to school administrators who provide documentation to the State Board of successful completion of a

principal preparation program selected for a competitive grant in accordance with this section. Licensure shall include a requirement for candidates to hold a master's degree.

"**SECTION 11.9.(*l*)** Evaluation and Revision of Program. – The nonprofit corporation administering the program shall provide the State Board of Education and the Joint Legislative Education Oversight Committee with the data collected in accordance with subsection (j) of this section on an annual basis. By September 15, 2021, the State Board of Education, in coordination with the Board of Governors of The University of North Carolina, shall revise, as necessary, the licensure requirements for school administrators and the standards for approval of school administrator preparation programs after evaluating the data collected from the grant recipients, including the criteria used in selecting grant recipients and the outcomes of program completers. The State Board of Education shall report to the Joint Legislative Education Oversight Committee by November 15, 2021, on any changes made to the licensure requirements for school administrators and the standards for approval of school administrator preparation programs in accordance with this section.

"**SECTION 11.9.(m)** Of the funds appropriated by this act for the 2015-2016 fiscal year for this program, the sum of five hundred thousand dollars ($500,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program. The State Education Assistance Authority may use up to five percent (5%) of those funds for administrative costs.

Beginning with the 2017-2018 fiscal year, of the funds appropriated each fiscal year for this program, the sum of three hundred eighty thousand dollars ($380,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program. The State Education Assistance Authority may use up to fifteen thousand dollars ($15,000) of those funds for administrative costs.

"**SECTION 11.9.(n)** ~~Beginning with the 2016-2017 fiscal year and for each subsequent fiscal year, of~~ Of the funds appropriated for this ~~program,~~ program for the 2016-2017 fiscal year, the sum of three hundred thousand dollars ($300,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program, and the State Education Assistance Authority may use up to five percent (5%) of those funds for administrative costs. The remaining funds appropriated for ~~a~~ the fiscal year for this program shall be allocated to the State Education Assistance Authority to award grants to selected recipients.

"**SECTION 11.9.(o)** Beginning with the 2017-2018 fiscal year, of the funds appropriated for this program, the sum of four million two hundred thousand dollars ($4,200,000) shall be allocated each fiscal year to the State Education Assistance Authority to award grants to selected recipients. Any unexpended funds appropriated to award grants to selected recipients remaining at the end of each fiscal year shall revert to the General Fund, except that the Authority may carry forward for the next fiscal year an amount necessary to ensure that any outstanding allowable reimbursements can be disbursed in accordance with this section. Any funds carried forward for the purpose of meeting anticipated reimbursement obligations from the prior fiscal year that are not expended shall not be used to award additional grants to grant recipients but shall revert to the General Fund at the end of the fiscal year."

OPPORTUNITY SCHOLARSHIP STUDENT ASSESSMENTS/IOWA TEST OF BASIC SKILLS (ITBS)

SECTION 10A.6.(a) G.S. 115C-562.5(a)(4) reads as rewritten:

"(4) Administer, at least once in the fall semester and once in the spring semester of each school year, ~~a nationally standardized test or other nationally standardized equivalent measurement selected by the chief administrative~~

~~officer of the nonpublic school~~the Iowa Test of Basic Skills (ITBS) 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.~~ higher to enable comparison of student performance. After an eligible student is administered the test in the semester in which the student is first enrolled in the nonpublic school, the student shall only be required to take the test in the following semester and on an annual basis thereafter. 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."

SECTION 10A.6.(b) Notwithstanding G.S. 115C-562.5(a)(4), as amended by this section, all eligible students enrolled in grades three through 12 (i) whose tuition and fees are paid in whole or in part with a scholarship grant and (ii) who are enrolled in a nonpublic school for the 2017-2018 school year pursuant to Part 2A of Article 39 of the General Statutes shall be administered the Iowa Test of Basic Skills (ITBS) in the fall semester and in the spring semester of the 2017-2018 school year. Thereafter, those students shall be administered the Iowa Test of Basic Skills (ITBS) on an annual basis in the spring semester.

SECTION 10A.6.(c) Subsection (a) of this section applies only to students in grades three through 12 (i) whose tuition and fees are paid in whole or in part with a scholarship grant and (ii) who are enrolled for the first time in a nonpublic school pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes beginning with the 2018-2019 school year and subsequent school years thereafter.

PART XI. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XI-A. CENTRAL MANAGEMENT AND SUPPORT

HEALTH INFORMATION TECHNOLOGY

SECTION 11A.1. Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-139.4D. Department of Health and Human Services; coordination of health information technology.**

(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology policies and programs within the State of North Carolina. The goal of the Chief Information Officer of the Department of Health and Human Services in coordinating State health information technology policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities does so within the area of its greatest expertise and technical capability and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into health information technology infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physicians' offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(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.

(b) The Department, in cooperation with the Department of Information Technology, shall establish and direct a health information technology 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 health information technology management structure shall be responsible for all of the following:

(1) Developing a State Plan for implementing and ensuring compliance with national health information technology standards and for the most efficient, effective, and widespread adoption of health information technology.

(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 health information technology support.

(3) Identifying all health information technology stakeholders and soliciting feedback and participation from each stakeholder in the development of the State Plan.

(4) Ensuring that existing health information technology capabilities are considered and incorporated into the State Plan.

(5) Identifying and eliminating conflicting health information technology 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 health information technology policies and programs and the opportunity for improved health information technology.

(8) Monitoring health information technology 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 Health Information Technology 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 health information technology."

FUNDS FOR MEDICAID MANAGEMENT INFORMATION SYSTEM/ANALYTICS REPROCUREMENT

SECTION 11A.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 one hundred forty-two thousand seven hundred dollars ($142,700) in prior year earned revenues for the 2017-2018 fiscal year and the sum of two hundred forty-three thousand nine hundred sixty-seven dollars ($243,967) in prior year earned revenues for the 2018-2019 fiscal year shall be used to match federal funds to (i) determine enhancements necessary or plan the strategy to align the Medicaid Management Information System (MMIS) and Reporting and Analytics systems with federal Medicaid Information Technology Architecture standards and (ii) prepare for the procurement of a new MMIS contract and a new Reporting and Analytics contract, all as required by the federal Centers for Medicare and Medicaid Services. This project shall not proceed until the business case has been approved by the Office of State Budget and Management and the State Chief Information Officer in the Enterprise Project Management Office Touchdown System. Upon such approval, funds may be budgeted and the Department may create up to 10 full-time equivalent time-limited positions dedicated to the project for the 2018-2019 fiscal year.

SECTION 11A.2.(b) Departmental receipts appropriated in this act in the sum of one million two hundred eighty-four thousand three hundred dollars ($1,284,300) for the 2017-2018 fiscal year and in the sum of two million one hundred ninety-five thousand seven hundred three dollars ($2,195,703) for the 2018-2019 fiscal year shall be used for the purposes described in subsection (a) of this section.

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 11A.3.(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 eight million nine hundred thousand dollars ($8,900,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of eleven million one hundred nine thousand dollars ($11,109,000) in nonrecurring funds for the 2018-2019 fiscal year, along with prior year earned revenue in the amount of eleven million nine hundred thousand dollars ($11,900,000) for each year of the 2017-2019 fiscal biennium and the cash balance in Budget Code 24410 Fund 2411 shall be used to match federal funds to expedite the development and implementation of Child Services Case Management, additional Medicaid eligibility requirements, Enterprise Program Integrity, and Identity Proofing Feasibility components of the North Carolina Families Accessing Services through Technology (NC FAST) project. The Department shall report any changes in approved federal funding or federal match rates within 30 days after the change to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. Departmental receipts appropriated in this act in the sum of one hundred three million four hundred fifty thousand dollars ($103,450,000) for the 2017-2018 fiscal year and in the sum of seventy-five million five hundred ninety-one thousand dollars ($75,591,000) for the 2018-2019 fiscal year shall be used to implement the components of the NC FAST project described in this subsection.

SECTION 11A.3.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of one million nine hundred thousand dollars ($1,900,000) in recurring funds for the 2017-2018 fiscal year and seven million seven hundred thousand dollars ($7,700,000) in recurring funds for the 2018-2019 fiscal year shall be used to provide ongoing maintenance and operations for the NC FAST system, including the creation of 32 full-time equivalent positions for the 2017-2018 fiscal year and 54 full-time equivalent positions for the 2018-2019 fiscal year. Departmental receipts appropriated in this act in the sum of ten million five hundred thousand dollars ($10,500,000) for the 2017-2018 fiscal year and in the sum of fifteen million dollars

($15,000,000) for the 2018-2019 fiscal year shall be used for the purposes specified in this subsection.

HEALTH ANALYTICS PILOT PROGRAM

SECTION 11A.4. The Department of Health and Human Services shall continue to coordinate with the Government Data Analytics Center (GDAC) to further develop and fully operationalize the Health Analytics Pilot Program for Medicaid claims analytics and population health management authorized by Section 12A.17 of S.L. 2015-241, as amended by Section 12A.7 of S.L. 2016-94. The purpose of the Health Analytics Program is to apply analytics to Medicaid data available to GDAC through the Department in a manner that maximizes health care savings and efficiencies to the State, optimizes positive impacts on health outcomes, and assists in the transition to, and management of, the transformed North Carolina Medicaid and North Carolina Health Choice programs as described in S.L. 2015-245, as amended by Section 2 of S.L. 2016-121.

HEALTH INFORMATION EXCHANGE

SECTION 11A.5.(a) Section 12A.5(a)(1) of S.L. 2015-241 reads as rewritten:

"(1) Establish a successor HIE Network to which ~~(i) all Medicaid providers shall be connected by February 1, 2018, and (ii) all other entities that receive State funds for the provision of health services, including local management entities/managed care organizations, shall be connected by June 1, 2018.~~the following providers shall establish connectivity and commence submission of demographic and clinical data or encounter and claims data, as appropriate, in accordance with the following time line:

a. The following providers of Medicaid services that have an electronic health record system, by June 1, 2019:

1. Hospitals as defined in G.S. 131E-176(13).
2. Physicians licensed to practice under Article 1 of Chapter 90 of the General Statutes.
3. Physician assistants as defined in 21 NCAC 32S .0201.
4. Nurse practitioners as defined in 21 NCAC 36 .0801.

b. Prepaid Health Plans, as defined in S.L. 2015-245, by the commencement date of a capitated contract with the Division of Health Benefits for the delivery of Medicaid and NC Health Choice services as specified in S.L. 2015-245.

c. All other providers of Medicaid and State-funded services, including local management entities/managed care organizations, by June 1, 2020."

SECTION 11A.5.(b) G.S. 90-414.4 reads as rewritten:

"**§ 90-414.4. Required participation in HIE Network for some providers.**

(a) Findings. – The General Assembly makes the following findings:

(1) That controlling escalating health care costs of the Medicaid program and other State-funded health services is of significant importance to the State, its taxpayers, its Medicaid recipients, and other recipients of State-funded health services.

(2) That the State needs timely access to certain demographic and clinical information pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid or other State-funded health care funds in order to assess performance, improve health care outcomes, pinpoint medical expense trends, identify

beneficiary health risks, and evaluate how the State is spending money on Medicaid and other State-funded health services.

(3) That making demographic and clinical information available to the State by secure electronic means as set forth in subsection (b) of this section will, with respect to Medicaid and other State-funded health care programs, improve care coordination within and across health systems, increase care quality for such beneficiaries, enable more effective population health management, reduce duplication of medical services, augment syndromic surveillance, allow more accurate measurement of care services and outcomes, increase strategic knowledge about the health of the population, and facilitate health care cost containment.

(a1) Mandatory Connectivity to HIE Network. – Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2, the following providers shall establish connectivity to the HIE Network and commence submission of demographic and clinical data or encounter and claims data, as appropriate under subsections (b) and (c) of this section, by the following dates:

(1) The following providers of Medicaid services that have an electronic health record system, by June 1, 2019:

a. Hospitals as defined in G.S. 131E-176(13).

b. Physicians licensed to practice under Article 1 of Chapter 90 of the General Statutes.

c. Physician assistants as defined in 21 NCAC 32S .0201.

d. Nurse practitioners as defined in 21 NCAC 36 .0801.

(2) Prepaid Health Plans, as defined in S.L. 2015-245, by the commencement date of a capitated contract with the Division of Health Benefits for the delivery of Medicaid and NC Health Choice services as specified in S.L. 2015-245.

(3) All other providers of Medicaid and State-funded services, including local management entities/managed care organizations, by June 1, 2020.

(a2) Extensions of Time for Establishing Connectivity. – The Authority and the Department may establish a process to grant limited extensions of the time for providers to establish connectivity to the HIE Network and commence data submission as required under this section upon the request of a provider that demonstrates an ongoing good-faith effort to take necessary steps to establish such connectivity. The process for granting an extension of time must include a presentation by the provider to the Authority and the Department of the expected time line for establishing connectivity to the HIE Network and commencing data submission as required by this section. Neither the Authority nor the Department shall grant an extension of time (i) to any provider that fails to provide this information to the Authority and the Department or (ii) that would result in the provider establishing connectivity to the HIE Network and commencing data submission as required by this section later than June 1, 2021.

(b) Mandatory Submission of Demographic and Clinical Data. – Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in subsection (d) of this section, as a condition of receiving State funds, including Medicaid funds, the following entities shall submit at least twice daily, through the HIE network, demographic and clinical information pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid or other State-funded health care funds, solely for the purposes set forth in subsection (a) of this section:

(1) Each hospital, as defined in ~~G.S. 131E-76(3),~~ G.S. 131E-176(13), that has an electronic health record system.

(2) Each Medicaid provider.

(3) Each provider that receives State funds for the provision of health services.

(4) Each local management entity/managed care organization, as defined in G.S. 122C-3.

This subsection does not apply to the entities listed in subsection (c) of this section.

(c) Mandatory Submission of Encounter and Claims Data. – Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in subsection (d) of this section, beginning June 1, 2019, the following entities shall submit, through the HIE network, encounter and claims data pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid or other State-funded health care funds as a condition of receiving State funds:

(1) Providers of respiratory, developmental, rehabilitative, or restorative services, or a combination of these services.

(2) Facilities that provide respite care.

(3) Providers of speech, language, or hearing services, or a combination of these services.

(4) Providers of transportation services.

(5) Suppliers of durable medical equipment.

(d) Exemption for Certain Records. – Providers with patient records that are subject to the disclosure restrictions of 42 C.F.R. § 2 are exempt from the requirements of subsections (b) and (c) of this section but only with respect to the patient records subject to these disclosure restrictions. Providers shall comply with the requirements of subsections (b) and (c) of this section with respect to all other patient records.

(e) Method of Data Submissions. – The ~~daily~~ data submissions required under this ~~subsection~~ section shall be by connection to the HIE Network periodic asynchronous secure structured file transfer or any other secure electronic means commonly used in the industry and consistent with document exchange and data submission standards established by the Office of the National Coordinator for Information Technology within the U.S. Department of Health and Human Services."

SECTION 11A.5.(c) G.S. 90-414.10(e) is repealed.

SECTION 11A.5.(d) The Department of Health and Human Services shall include as one of the terms and conditions of any contract it enters into on or after the effective date of this section with a local management entity/managed care organization or Prepaid Health Plan (PHP), as defined in S.L. 2015-245, a requirement that the local management entity/managed care organization or PHP comply with the provisions of G.S. 90-414.4, as amended by this section.

SECTION 11A.5.(e) Funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the 2017-2018 fiscal year for the Health Information Exchange Network shall be used as follows:

(1) The sum of three million dollars ($3,000,000) in nonrecurring funds shall be transferred by November 1, 2017, to the Department of Information Technology, Government Data Analytics Center, and shall be used to support all activities related to upgrading the data exchange technical environment.

(2) The sum of one million dollars ($1,000,000) in recurring funds shall be used to provide ongoing maintenance and operations of the new data exchange technical environment.

SECTION 11A.5.(f) The Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Joint Legislative Oversight Committee on Information Technology shall conduct a joint study of the feasibility of Medicaid providers, other than those specified in subdivision (1) of subsection (a1) of G.S. 90-414.4, as amended by this act, connecting with and submitting demographic, clinical, encounter, and claims data through the HIE Network. As part of this study, the Committees shall examine at least all of the following:

(1) The availability of connection, exchange, and data submission standards established by the Office of the National Coordinator for Information Technology within the U.S. Department of Health and Human Services.
(2) The adoption of national standards for the connection, exchange, and data submission standards by provider type.
(3) Cost estimates by provider type to connect and submit data to the HIE and any availability of federal or State funds to meet connection or submission requirements.
(4) Data captured in the treatment of patients, segmented by provider type.
(5) Activity of other states and payor plans with respect to the establishment of an HIE Network.
(6) Alternatives to the connection and submission of demographic, clinical, encounter, and claims data through the HIE Network.

By April 1, 2018, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Joint Legislative Oversight Committee on Information Technology shall jointly submit a final report of their findings and recommendations to the 2018 Regular Session of the 2017 General Assembly.

CONTROLLED SUBSTANCES REPORTING SYSTEM IMPROVEMENTS

SECTION 11A.6.(a) It is the intent of the General Assembly to improve the security and functionality capabilities of the Controlled Substances Reporting System (CSRS) in order to provide additional value to practitioners and dispensers within their current clinical workflows. Toward that end, of the one million two hundred thousand dollars ($1,200,000) in recurring funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for each fiscal year of the 2017-2019 fiscal biennium for the CSRS, the Department shall allocate funds as follows:

(1) Four hundred sixty-four thousand dollars ($464,000) shall be used to create four permanent, full-time equivalent positions within the Division of Central Management and Support for the continued support, operation, and maintenance of the CSRS.
(2) One hundred seventy-five thousand dollars ($175,000) shall be used to create two permanent, full-time equivalent business analytics management level positions within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
(3) Five hundred sixty-one thousand dollars ($561,000) shall be used to pay for contractual hours to develop and implement software via existing public-private partnerships with the Government Data and Analytics Center (GDAC) for the performance of advanced analytics within the CSRS. These hours shall be used to achieve the purposes specified in G.S. 90-113.71 and, more specifically, to accomplish at least all of the following:
    a. To enhance and automate reports authorized under G.S. 90-113.74.
    b. To enhance the Department's ability to provide data to persons or entities authorized to receive information under G.S. 90-113.74. In improving the CSRS as specified in this subdivision, the Department shall utilize subject matter expertise and technology available through existing GDAC public-private partnerships. Upon development and implementation of the advanced analytics software for the CSRS, the Division of Central Management and Support shall coordinate with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the Division of Public Health, and any other appropriate division within the Department of Health and Human Services to ensure that advanced analytics are

developed and utilized in a manner that achieves the purposes specified in G.S. 90-113.71.

c. To aggregate relevant data sources, including those available through the GDAC.

d. To enhance the Department's ability to generate and deploy advanced analytics in order to improve opioid prescribing practices, identify unusual prescribing patterns, and detect behavior indicative of misuse, addiction, or criminal activity.

SECTION 11A.6.(b) By December 1, 2017, the Department of Health and Human Services shall execute any contractual agreements and interagency data sharing agreements necessary to complete the improvements to the CSRS described in subdivisions (1) through (4) of subsection (a) of this section.

SECTION 11A.6.(c) To the extent allowable under federal and State laws and regulations, the Department of Information Technology shall coordinate with the Division of Central Management and Support and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to develop an interface between the CSRS and the Health Information Exchange (HIE) Network and leverage the interfaces already developed between the HIE Network and health care entities as a method of providing CSRS data, reports, and analytic outputs to health care practitioners and dispensers.

SECTION 11A.6.(d) This section is effective when this act becomes law.

DATA ANALYTICS AND PERFORMANCE ENHANCEMENTS

SECTION 11A.7. Any enhancement of the State's data analytics capabilities utilizing funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for each year of the 2017-2019 fiscal biennium shall be subject to applicable State laws requiring that these analytics be developed and implemented in collaboration with the Government Data Analytics Center.

COMMUNITY HEALTH GRANT PROGRAM CHANGES

SECTION 11A.8.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health, for Community Health Grants, the sum of seven million five hundred thousand dollars ($7,500,000) in recurring funds for the 2017-2018 fiscal year and the sum of seven million five hundred thousand dollars ($7,500,000) in recurring funds for the 2018-2019 fiscal year shall be used as follows:

(1) Two hundred thousand dollars ($200,000) in recurring funds for each fiscal year of the 2017-2019 fiscal biennium shall be used to establish four permanent, full-time equivalent positions within the Office of Rural Health to support administration of the Community Health Grant Program.

(2) Seven million one hundred fifty thousand dollars ($7,150,000) in recurring funds for each fiscal year of the 2017-2019 fiscal biennium shall be used to award grants on a competitive basis to free and charitable clinics, federally qualified health centers, State-designated rural health centers, local health departments, school-based health centers, and other nonprofit organizations that (i) provide primary and preventative medical services to uninsured or medically indigent patients and (ii) serve as a medical home to these vulnerable populations, in order to accomplish any of the following purposes:

a. Increase access to primary care and preventative health services for these vulnerable populations in existing primary care locations.

b. Establish primary care and preventative health services in counties where no such services exist to serve these vulnerable populations.

c. Create new services, sustain existing service levels, or augment existing services provided to these vulnerable populations, including primary care and preventative health services and including dental, pharmacy, and behavioral health services when integrated into the medical home.

d. Increase primary care capacity to serve these vulnerable populations, including enhancing or replacing facilities, equipment, or technologies necessary to participate in the exchange of data and tools to monitor and improve the quality of care provided.

SECTION 11A.8.(b) The Office of Rural Health shall work with the North Carolina Community Health Center Association, the North Carolina Association of Local Health Directors, the North Carolina Association of Free and Charitable Clinics, the North Carolina School-Based Health Alliance, and other organizations representing eligible grant recipients to establish a Primary Care Advisory Committee to develop an objective and equitable process for grading applications for grants funded by this section and making recommendations to the Office of Rural Health for the award of grants funded by this section.

The Office of Rural Health shall make the final decision about awarding grants funded by this section, but no single grant award shall exceed one hundred fifty thousand dollars ($150,000) during the fiscal year. In awarding grants, the Office of Rural Health shall consider the availability of other funds for the applicant; the incidence of poverty in the area served by the applicant or the number of indigent clients served by the applicant; the availability of, or arrangements for, after-hours care; and collaboration between the applicant and a community hospital or other safety-net organizations.

SECTION 11A.8.(c) Grant recipients shall not use these funds to do any of the following:

(1) Enhance or increase compensation or other benefits of personnel, administrators, directors, consultants, or any other persons receiving funds for program administration; provided, however, funds may be used to hire or retain health care providers. The use of grant funds for this purpose does not obligate the Department of Health and Human Services to continue to fund compensation beyond the grant period.

(2) Supplant existing funds, including federal funds traditionally received by federally qualified community health centers. However, grant funds may be used to supplement existing programs that serve the purposes described in subsection (a) of this section.

(3) Finance or satisfy any existing debt.

SECTION 11A.8.(d) The Office of Rural Health shall develop a standardized method for grant recipients to report objective, measurable quality health outcomes and shall require grant recipients to report these quality health outcomes to the Department. Beginning recipients of grant funds shall annually provide to the Office of Rural Health a written report detailing the number of patients that are cared for, the types of services that were provided, quality measures and outcomes, and any other information requested by the Office of Rural Health as necessary for evaluating the success of the Community Health Grant Program.

SECTION 11A.8.(e) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, Office of Rural Health, for the Community Health Grant Program, the sum of up to one hundred fifty thousand dollars ($150,000) in recurring funds for each fiscal year of the 2017-2019 fiscal biennium shall be used to match federal funds to provide to safety net providers eligible to participate in the Community Health Grant Program, through the Rural Health Technology Team, ongoing

training and technical assistance with respect to health information technology, the adoption of electronic health records, and the establishment of connectivity to the State's health information exchange network known as NC HealthConnex.

RURAL HEALTH LOAN REPAYMENT PROGRAMS

SECTION 11A.9. Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-139.4C. Office of Rural Health; administration of loan repayment programs.**

(a) The Department of Health and Human Services, Office of Rural Health, shall use funds appropriated to the Department for loan repayment to medical, dental, and psychiatric providers practicing in State hospitals or in rural or medically underserved communities in this State to combine the following loan repayment programs in order to achieve efficient and effective management of these programs:

(1) The Physician Loan Repayment Program.

(2) The Psychiatric Loan Repayment Program.

(3) The Loan Repayment Initiative at State Facilities.

(b) These funds may be used for the following additional purposes:

(1) Continued funding of the State Loan Repayment Program for primary care providers and expansion of State incentives to general surgeons practicing in Critical Access Hospitals located across the State.

(2) Expansion of the State Loan Repayment Program to include eligible providers residing in North Carolina who use telemedicine in rural and underserved areas."

REDUCTION OF FUNDS FOR PURCHASED SERVICES

SECTION 11A.10. The Department of Health and Human Services, Division of Central Management and Support, shall achieve the required reduction in purchased services by reducing fund code 1910 by the sum of three million two hundred thousand dollars ($3,200,000) in nonrecurring funds for the 2017-2018 fiscal year and by the sum of three million two hundred thousand dollars ($3,200,000) in nonrecurring funds for the 2018-2019 fiscal year. In making the reductions required by this section, the Department may implement department-wide reductions in purchased services but shall not reduce any funds (i) that impact direct services provided through contracts or (ii) used to support the 2012 settlement agreement entered into between the United States Department of Justice and the State of North Carolina to ensure that the State will willingly meet the requirements of the Americans with Disabilities Act of 1990, section 504 of the Rehabilitation Act of 1973, and the United States Supreme Court decision in *Olmstead v. L.C.*, 527 U.S. 581 (1999).

OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY

SECTION 11A.11.(a) The Department of Health and Human Services shall not use any funds appropriated in this act for the Office of Program Evaluation Reporting and Accountability for any purpose other than to establish and administer that Office and to implement the provisions of Part 31A of Article 3 of Chapter 143B of the General Statutes.

SECTION 11A.11.(b) By December 15, 2017, the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the establishment and operation of the Office of Program Evaluation Reporting and Accountability. The report shall include at least all of the following:

(1) A breakdown of all expenditures from the funds appropriated to the Department since the 2015-2016 fiscal year for the establishment and administration of the Office.

(2) All steps taken by the Department to establish the Office pursuant to Part 31A of Article 3 of Chapter 143B of the General Statutes.
(3) An organizational chart of the Office that includes all employees.
(4) A list of all assessments and evaluations conducted or in progress by the Office.
(5) An explanation of any obstacles to establishment and operation of the Office or fulfillment by the Office of any of the duties prescribed in G.S. 143B-216.56.

CONTRACTING SPECIALIST AND CERTIFICATION PROGRAM

SECTION 11A.12.(a) By September 1, 2017, the Department of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the proposal prepared pursuant to Section 12A.4 of S.L. 2016-94 by the School of Government at the University of North Carolina at Chapel Hill, in collaboration with the Director of Procurement, Contracts and Grants for the Department of Health and Human Services, for the implementation and administration of a contracting specialist training program for management level personnel within the Department. The proposal shall include a detailed description of the proposed program curriculum along with budget estimates for program implementation and administration based on the requirements of the program design.

SECTION 11A.12.(b) This section is effective when this act becomes law.

GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL CENTER

SECTION 11A.13.(a) Calculation of Nonrecurring Payment of Funds. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the 2017-2018 fiscal year for Graduate Medical Education, the sum of up to one million dollars ($1,000,000) in nonrecurring funds shall be allocated to Cape Fear Valley Medical Center (the Center) to support the establishment of residency programs affiliated with Campbell University School of Medicine. Subject to fulfillment of the conditions specified in subsection (b) of this section, the nonrecurring amount of funds allocated to the Center pursuant to this section shall be equal to the total amount of actual lost Medicare payments for admissions to the Center prior to October 1, 2017, attributed to the Center's reclassification by the federal Centers for Medicare and Medicaid Services (CMS) as a rural hospital or rural referral center or any other change approved by CMS, up to a maximum of one million dollars ($1,000,000).

SECTION 11A.13.(b) Conditions for Payment of Funds. – No funds shall be paid to the Center pursuant to the calculation specified in subsection (a) of this section until the Office of State Budget and Management (OSBM) certifies, in writing, all of the following:

(1) The amount of actual lost Medicare payments for admissions to the Center prior to October 1, 2017, attributed to the Center's reclassification by the federal CMS as a rural hospital or rural referral center or any other change approved by CMS.
(2) That the Center has maintained approval from CMS for reclassification as a rural hospital or rural referral center.
(3) That the Center has maintained approval from the Accreditation Council for Graduate Medical Education or the American Osteopathic Association for residency programs with a minimum of 130 additional residency slots.

SECTION 11A.13.(c) Report on Use of Funds. – The Center shall report on or before April 1, 2018, to the House Appropriations Committee 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 regarding its progress in establishing any residency programs funded by State appropriations.

SECTION 11A.13.(d) Any funds not obligated or encumbered for the purposes specified in this section by June 30, 2018, shall revert to the General Fund.

SECTION 11A.13.(e) Section 12A.8 of S.L. 2016-94, as amended by Section 5.1 of S.L. 2016-123, is repealed.

COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS

SECTION 11A.14.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of ten million six hundred fifty-three thousand nine hundred eleven dollars ($10,653,911) for each year of the 2017-2019 fiscal biennium, the sum of four million two hundred two thousand five hundred dollars ($4,202,500) for each year of the 2017-2019 fiscal biennium appropriated in Section 11L.1(p) of this act in Social Services Block Grant funds, and the sum of one million six hundred thousand dollars ($1,600,000) for each year of 2017-2019 fiscal biennium in Section 11L.1 of this act in Substance Abuse Prevention and Treatment Block Grant funds shall be used to allocate funds for nonprofit organizations.

SECTION 11A.14.(b) The Department shall continue administering a competitive grants process for nonprofit funding. The Department shall administer a plan that, at a minimum, includes each of the following:

(1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis. The Department shall require nonprofits to include in the application a plan to evaluate the effectiveness, including measurable impact or outcomes, of the activities, services, and programs for which the funds are being requested.

(2) A requirement that nonprofits match a minimum of fifteen percent (15%) of the total amount of the grant award.

(3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.

(4) A process that awards grants to nonprofits that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:

a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.

b. A system of residential supports for those afflicted with substance abuse addiction.

c. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.

d. Supports and services to children and adults with developmental disabilities or mental health diagnoses.

e. A food distribution system for needy individuals.

f. The provision and coordination of services for the homeless.

g. The provision of services for individuals aging out of foster care.

h. Programs promoting wellness, physical activity, and health education programming for North Carolinians.

i. The provision of services and screening for blindness.

j. A provision for the delivery of after-school services for apprenticeships or mentoring at-risk youth.

k. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.

l. A comprehensive smoking prevention and cessation program that screens and treats tobacco use in pregnant women and postpartum mothers.

m. A program providing short-term or long-term residential substance abuse services. For purposes of this sub-subdivision, "long-term" means a minimum of 12 months.

n. A program that provides year-round sports training and athletic competition for children and adults with disabilities.

It is the intent of the General Assembly that annually the Secretary evaluate and prioritize the categories of health and wellness initiatives described under this subdivision to determine the best use of these funds in making grant awards, exclusive of direct allocations made by the General Assembly.

(5) A process that ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

(6) A process that allows grants to be awarded to nonprofits for up to two years.

(7) A requirement that initial disbursement of the grants be awarded no later than 30 days after certification of the State budget for the respective fiscal year.

SECTION 11A.14.(c) No later than July 1 of each year, as applicable, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective grant period pursuant to the amounts designated under subsection (a) of this section. After awards have been granted, by September 1 of each year, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.

(2) The amount of funding awarded to each grantee.

(3) The number of persons served by each grantee, broken down by program or initiative.

SECTION 11A.14.(d) No later than December 1 of each fiscal year, each nonprofit organization receiving funding pursuant to this subsection in the respective fiscal year shall submit to the Division of Central Management and Support a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:

a. The entity's mission, purpose, and governance structure.

b. A description of the types of programs, services, and activities funded by State appropriations.

c. Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.

d. Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities.

e. A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

SECTION 11A.14.(e) For the 2017-2019 fiscal biennium only, from the funds identified in subsection (a) of this section, the Department shall make allocations as follows:

(1) The sum of three hundred fifty thousand dollars ($350,000) in each year of the 2017-2019 fiscal biennium to provide grants to Big Brothers Big Sisters. Big Brothers Big Sisters shall be required to seek future funding through the competitive grants process in accordance with subsection (b) of this section.

(2) The sum of one million six hundred twenty-five thousand dollars ($1,625,000) for each year of the 2017-2019 fiscal biennium and the sum of one million six hundred thousand dollars ($1,600,000) in Section 11L.1 of this act in Substance Abuse Prevention and Treatment Block Grant funds in each year of the 2017-2019 fiscal biennium to Triangle Residential Options for Substance Abusers, Inc., (TROSA) for the purpose of assisting individuals with substance abuse addiction. TROSA shall be required to seek future funding through the competitive grants process in accordance with subsection (b) of this section.

(3) The sum of two million seven hundred fifty thousand dollars ($2,750,000) in each year of the 2017-2019 fiscal biennium to provide grants to Boys and Girls Clubs across the State to implement (i) programs that improve the motivation, performance, and self-esteem of youth and (ii) other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. Boys and Girls Clubs shall be required to seek future funding through the competitive grants process in accordance with subsection (b) of this section.

SECTION 11A.14.(f) Funds appropriated pursuant to this section that have been awarded but not yet disbursed or encumbered at the end of each fiscal year shall not revert but shall remain available for expenditure.

SECTION 11A.14.(g) G.S. 143B-139.2A is repealed.

SUBPART XI-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED FACILITIES

SECTION 11B.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months, or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was injured or killed while serving on active duty. Eligibility determinations for NC Pre-K participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

Other than developmental disabilities or other chronic health issues, the Division shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 11B.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 11B.1.(b1) Building Standards. – Notwithstanding G.S. 110-91(4), private child care facilities and public schools operating NC Pre-K classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1.

SECTION 11B.1.(c) Programmatic Standards. – Except as provided in subsection (b1) of this section, entities operating NC Pre-K 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 11B.1.(d) NC Pre-K Committees. – Local NC Pre-K committees shall use the standard decision-making process developed by the Division of Child Development and Early Education in awarding NC Pre-K classroom slots and student selection.

SECTION 11B.1.(e) Reporting. – The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Oversight Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in the NC Pre-K program by county.

(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.

(4) The results of an annual evaluation of the NC Pre-K program.

SECTION 11B.1.(f) Audits. – The administration of the NC Pre-K program by local partnerships shall be subject to the financial and compliance audits authorized under G.S. 143B-168.14(b).

SECTION 11B.1.(g) Oral Health Screen and Health Assessment Transmittal Form. – G.S. 130A-441(a)(5) reads as rewritten:

"(a) Health assessment results shall be submitted on the statewide standardized health assessment transmittal form developed by the Department and the Department of Public Instruction and submitted to the school principal by either (i) the parent, guardian, or person standing in loco parentis for the student or (ii) the health care provider specified in G.S. 130A-440(c), if authorized in writing by the parent, guardian, or person standing in loco parentis. The health assessment transmittal form shall include only the items listed below:

…

(5) A section that includes the following information, if applicable, supplied by a health care provider specified in G.S. 130A-440(c):

…

<u>f1. Information on whether the student passed a dental screening and any concerns related to the student's oral health.</u>

…."

STATE AGENCY CONTINUED COLLABORATION ON EARLY CHILDHOOD EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN

SECTION 11B.2.(a) The Department of Health and Human Services, in consultation with the Department of Public Instruction and any other agencies or organizations that administer, support, or study early education in this State, and within resources currently available, shall continue to collaborate on an ongoing basis in the development and implementation of a statewide vision for early childhood education. In collaborating in this effort, the agencies shall continue developing a comprehensive approach to early childhood education, birth through third grade, including creating cross agency accountability with a comprehensive set of data indicators, including consideration of the NC Pathways to

Grade-Level Reading, to monitor and measure success of the early childhood education systems.

SECTION 11B.2.(b) The Department of Health and Human Services, the Department of Public Instruction, and any other agencies or organizations that administer, support, or study early education programs in this State shall submit a follow-up report of their findings and recommendations, including any legislative proposals, on the statewide vision for early childhood education pursuant to subsection (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018, and may make any subsequent reports, annually, on or before January 1, as needed to those same committees.

SECTION 11B.2.(c) The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall continue developing a standardized program to transition children from preschool to kindergarten. In developing this standardized transition program, the Department of Health and Human Services shall identify, at a minimum:

(1) Methods to standardize student transition information such that it is quantifiable.

(2) Recommendations for sharing data contained in a student's transition plan between preschool teachers and either kindergarten teachers or the schools that receive the incoming kindergarten students.

(3) Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.

(4) Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.

(5) Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.

(6) Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.

(7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

SECTION 11B.2.(d) The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (c) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018.

CHILD CARE SUBSIDY RATES

SECTION 11B.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0 – 5	200%
6 – 12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

SECTION 11B.3.(b) Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. When care is received at the blended rate, the co-payment shall be eighty-three percent (83%) of the full-time

co-payment. Co-payments for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

SECTION 11B.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (g) of this section.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) No payments shall be made for transportation services or registration fees charged by child care facilities.

(5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.

(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 11B.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 11B.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 11B.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 non-star rated programs, such as religious programs.

SECTION 11B.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 11B.3.(h) Payment for subsidized child care services provided with Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 11B.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 11B.3.(j) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

SECTION 11B.3.(k) Department of Defense-certified child care facilities licensed pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that provides for the purchase of care in child care facilities for minor children in needy families, provided that funds allocated from the State-subsidized child care program to Department of Defense-certified child care facilities shall supplement and not supplant funds allocated in accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose Department of Defense-certified child care facilities and who are eligible to receive subsidized child care shall be as set forth in this section.

CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS AND COUNTIES

SECTION 11B.4.(a) Beginning October 1, 2017, the Division shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study for children birth through two years of age in three-, four-, and five-star-rated child care centers and homes in tier three counties.

SECTION 11B.4.(b) Beginning October 1, 2017, the Division shall increase the child care subsidy market rates by thirty percent (30%) of the difference between the current market rates and the rates recommended by the 2015 Child Care Market Rate Study for children three through five years of age in three-, four-, and five-star-rated child care centers and homes in tier three counties.

SECTION 11B.4.(c) For purposes of this section, tier three counties shall have the same designations as those established by the N.C. Department of Commerce's 2015 County Tier Designations.

CHILD CARE ALLOCATION FORMULA

SECTION 11B.5.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

(1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 11B.3(a) of this act.

(2) The Division may withhold up to two percent (2%) of available funds from the allocation formula for (i) preventing termination of services throughout the fiscal year and (ii) repayment of any federal funds identified by counties as overpayments, including overpayments due to fraud. The Division shall allocate to counties any funds withheld before the end of the fiscal year when the Division determines the funds are not needed for the purposes described in this subdivision. The Division shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division, which report shall include each of the following:
   a. The amount of funds used for preventing termination of services and the repayment of any federal funds.
   b. The date the remaining funds were distributed to counties.
   c. As a result of funds withheld under this subdivision and after funds have been distributed, any counties that did not receive at least the amount the counties received the previous year and the amount by which funds were decreased.

   The Division shall submit a report in each year of the 2017-2019 fiscal biennium 30 days after the funds withheld pursuant to this subdivision are distributed, but no later than April 1 of each respective year.

(3) The Division shall set aside four percent (4%) of child care subsidy allocations for vulnerable populations, which include a child identified as having special needs and a child whose application for assistance indicates that the child and the child's family is experiencing homelessness or is in a temporary living situation. A child identified by this subdivision shall be given priority for receiving services until such time as set-aside allocations for vulnerable populations are exhausted.

SECTION 11B.5.(b) The Division 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. Counties shall manage service levels within the funds allocated to the counties. A county with a spending coefficient over one hundred percent (100%) shall submit a plan to the Division for managing the county's allocation before receiving any reallocated funds.

SECTION 11B.5.(c) When implementing the formula under subsection (a) of this section, the Division shall include the market rate increase in the formula process, rather than

calculating the increases outside of the formula process. Additionally, the Department shall do the following:

(1) Implement the final one-third change in a county's allocation beginning fiscal year 2018-2019. A county's initial allocation shall be at least the county's expenditure in the previous fiscal year or a prorated share of the county's previous fiscal year expenditures if sufficient funds are not available. With the exception of market rate increases consistent with any increases approved by the General Assembly, a county whose spending coefficient is less than ninety-five percent (95%) in the previous fiscal year shall receive its prior year's expenditure as its allocation and shall not receive an increase in its allocation in the following year. A county whose spending coefficient is at least ninety-five percent (95%) in the previous fiscal year shall receive, at a minimum, the amount it expended in the previous fiscal year and may receive additional funding, if available. The Division may waive this requirement and allow an increase if the spending coefficient is below ninety-five percent (95%) due to extraordinary circumstances, such as a State or federal disaster declaration in the affected county. By October 1 of each year, the Division shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division the counties that received a waiver pursuant to this subdivision and the reasons for the waiver.

(2) Effective immediately following the next new decennial census data release, implement (i) one-third of the change in a county's allocation in the year following the data release, (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision, and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

CODIFY CERTAIN CHILD CARE SUBSIDY PROVISIONS

SECTION 11B.6. Article 3 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 10C. Child Care Subsidy.

"**§ 143B-168.25. Child care funds matching requirements.**

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 unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of an emergency as defined in G.S. 166A-19.3(6).

"**§ 143B-168.26. Child care revolving loan.**

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.

"**§ 143B-168.27. Administrative allowance for county departments of social services; use of subsidy funds for fraud detection.**

(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy

funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand dollars ($80,000), whichever is greater.

(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

(c) The Division may adjust the allocations in the Child Care and Development Fund Block Grant according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30 of each year."

SMART START INITIATIVES

SECTION 11B.8.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s mission of improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

(1) Increase children's literacy.
(2) Increase the parents' ability to raise healthy, successful children.
(3) Improve children's health.
(4) Assist four- and five-star-rated facilities in improving and maintaining quality.

SECTION 11B.8.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 11B.8.(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 11B.8.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the 2017-2019 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 thirteen percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total match requirement of nineteen percent (19%) for each year of the 2017-2019 fiscal biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Division of Employment Security of the Department of Commerce in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.
(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
(3) Not include expenses funded by State funds.
(4) Be supplemental to and not supplant preexisting resources for related program activities.
(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
(6) Be otherwise allowable under federal or State law.
(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the 2017-2019 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Oversight Committee on Health and Human Services in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 11B.8.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.

(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.
(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.
(4) For amounts of forty thousand dollars ($40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 11B.8.(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 11B.8.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 11B.8.(h) Expenditure Restrictions. – The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for the 2017-2019 fiscal biennium shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for the 2017-2019 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
(2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2017-2019 fiscal biennium.

For the 2017-2019 fiscal biennium, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SMART START EARLY LITERACY INITIATIVE/DOLLY PARTON'S IMAGINATION LIBRARY

SECTION 11B.9.(a) Funds allocated to the North Carolina Partnership for Children, Inc., from the Department of Health and Human Services, shall be used to increase access to Dolly Parton's Imagination Library, an early literacy program that mails age-appropriate books on a monthly basis to children registered for the program, with the intent that, upon full implementation, access to the program shall be statewide.

SECTION 11B.9.(b) The North Carolina Partnership for Children, Inc., may use up to two percent (2%) of the funds for program evaluation. Funds appropriated under this section shall not be subject to administrative costs requirements under Section 11B.8(b) of this act, nor shall these funds be subject to the child care services funding requirements under G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g), or the match requirements under Section 11B.8(d) of this act.

SECTION 11B.9.(c) The North Carolina Partnership for Children, Inc., shall report on the success of the early literacy initiative, including any recommendations, to the Joint Legislative Oversight Committee on Health and Human Services by March 1, 2018. The report shall include participation rates for Dolly Parton's Imagination Library.

TASK FORCE/EARLY CHILDHOOD EDUCATION WORKFORCE

SECTION 11B.10.(a) The Department of Health and Human Services, Division of Child Development and Early Education (Division), shall create and appoint a Task Force to (i) study issues related to the education and compensation of the early childhood workforce and (ii) make recommendations to strengthen the early education teacher workforce and best attract and retain qualified teachers for North Carolina's early education programs, including the NC prekindergarten program (NC Pre-K) and private child care centers.

SECTION 11B.10.(b) The Task Force shall consist of at least the following members:

(1) The Director of the Division of Child Development and Early Education or the Secretary of Health and Human Services' designee for the Division. This representative shall serve as the chair of the Task Force. The Division shall use the resources of its office to staff and support the Task Force.
(2) Six members representing State-level early education organizations working on education and compensation issues facing the early childhood workforce.
(3) Four members representing child care programs, including one for-profit center, one nonprofit center, one NC Pre-K provider, and one family child care home provider.
(4) Two members representing local North Carolina Partnership for Children, Inc., partnerships, including one urban and one rural representative.
(5) Two staff with expertise about the workforce from local Child Care Resource and Referral agencies.
(6) Two members representing higher education, including one member from the Community College Early Education System and one member from The University of North Carolina system.

SECTION 11B.10.(c) The Task Force shall study the following:

(1) National reports, programs, and recommendations related to advancing the education or compensation of the early childhood workforce.
(2) North Carolina data on early education workforce education and compensation from workforce studies and other sources.
(3) Current State education standards and compensation policy in law, policy, and rules for early education teachers.
(4) Professional development and training resources available through the community college early education programs, Child Care Resource and Referral agencies, and other technical assistance providers.
(5) Opportunities to improve teacher compensation through various funding streams including parent rates, provider incentives, the child care subsidy system, and NC Pre-K.
(6) Opportunities to include compensation and education strategies in the State's Quality Rating and Improvement System.
(7) The coordination and support of public and private partnerships and resources necessary to attract and retain a qualified early childhood workforce.
(8) Any other issues related to the early childhood workforce that the Task Force deems relevant.

SECTION 11B.10.(d) The Task Force shall submit a final report, including any recommendations on the results of its study, to the Joint Legislative Oversight Committee on Health and Human Services on or before March 1, 2018. The Task Force shall terminate on March 1, 2018, or upon the filing of its final report, whichever occurs first.

SUBPART XI-C. DIVISION OF SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION

SECTION 11C.1.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019," 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, 2016, through September 30, 2019. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services.

SECTION 11C.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019, as approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 11C.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 2016 through 2019, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2017. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2019.

SECTION 11C.1.(d) For each year of the 2017-2019 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2016-2017 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 11C.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2017-2018 fiscal year or the 2018-2019 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 11C.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 11C.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 11C.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 11C.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 11C.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may continue to provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program (GAP) shall include provisions for extending guardianship services for individuals who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 11C.5.(a) Funds appropriated from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

SECTION 11C.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 2017-2018 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2018-2019 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 11C.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 2017-2018 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2018-2019 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 11C.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.

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 11C.6.(a) Centralized Services. – The North Carolina Child Support Services Section (NCCSS) of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

(1) In consultation with representatives from county child support services programs, identify how federal incentive funding could improve centralized services.

(2) Use federal incentive funds to improve the effectiveness of the State's centralized child support services by supplementing and not supplanting State expenditures for those services.

(3) Develop and implement rules that explain the State process for calculating and distributing federal incentive funding to county child support services programs.

SECTION 11C.6.(b) County Child Support Services Programs. – NCCSS shall allocate no less than eighty-five percent (85%) of the annual federal incentive payments it receives from the federal government to county child support services programs to improve effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall do the following:

(1) In consultation with representatives from county child support services programs, examine the current methodology for distributing federal incentive funding to the county programs and determine whether an alternative formula would be appropriate. NCCSS shall use its current formula for distributing federal incentive funding until an alternative formula is adopted.

(2) Upon adopting an alternative formula, develop a process to phase in the alternative formula for distributing federal incentive funding over a four-year period.

SECTION 11C.6.(c) Reporting by County Child Support Services Programs. – NCCSS shall continue implementing guidelines that identify appropriate uses for federal incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county child support services programs to comply with each of the following:

(1) Submit an annual plan describing how federal incentive funding would improve program effectiveness and efficiency as a condition of receiving federal incentive funding.

(2) Report annually on the following: (i) how federal incentive funding has improved program effectiveness and efficiency and been reinvested into their programs, (ii) provide documentation that the funds were spent according to their annual plans, and (iii) explain any deviations from their plans.

SECTION 11C.6.(d) Reporting by NCCSS. – NCCSS shall submit a report on federal child support incentive funding to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1 of each year. The report shall describe how federal incentive funds enhanced centralized child support services to benefit county child support services programs and improved the effectiveness and efficiency of county child support services programs. The report shall further include any changes to the

State process the NCCSS used in calculating and distributing federal incentive funding to county child support services programs and any recommendations for further changes.

CHILD WELFARE SYSTEM CHANGES

SECTION 11C.7.(a) Federal Improvement Plan Implementation. – The Department of Health and Human Services, Division of Social Services, shall continue implementing the requirements of the federal Program Improvement Plan to bring our State into compliance with national standards for child welfare policy and practices. The Division shall collaborate with county departments of social services to develop a model of oversight that supports program outcomes and a county's ability to meet performance standards as outlined in the Program Improvement Plan. Oversight may include support for continuous quality improvement, staff training, and data analysis.

The Division shall report on the implementation and outcomes of the Program Improvement Plan to the Joint Legislative Oversight Committee on Health and Human Services. The report shall be submitted semiannually on February 1 and August 1 of each year, with a final report on February 1, 2019.

SECTION 11C.7.(b) Child Welfare/NC FAST. – The Department of Health and Human Services, Division of Social Services, shall continue toward completion of the child welfare component of the North Carolina Families Accessing Services Through Technology (NC FAST) system to (i) bring the State into compliance with the Statewide Information System systematic factor of the Child and Family Services Review (CFSR) and (ii) ensure that data quality meets federal standards and adequate information is collected and available to counties to assist in tracking children and outcomes across counties.

It is the intent of the General Assembly that the child welfare component of the NC FAST system be operational by December 31, 2017. To that end, the Department of Health and Human Services, Division of Social Services, shall report on the development, implementation, and outcomes of the child welfare component of the NC FAST system to the Joint Legislative Oversight Committee on Health and Human Services quarterly through April 1, 2019. The report shall include, at a minimum, each of the following:

(1) The current time line for development and implementation of the child welfare component to NC FAST.
(2) Any adjustments and justifications for adjustments to the time line.
(3) Progress on the development and implementation of the system.
(4) Address any identified issues in developing or implementing the child welfare component to NC FAST and solutions to address those issues.
(5) The level of county participation and involvement in each phase of the project.
(6) Any budget and expenditure reports, including overall project budget and expenditures, and current fiscal year budget and expenditures.

INCREASE ACCESS TO PUBLIC BENEFITS FOR OLDER DUAL ELIGIBLE SENIORS

SECTION 11C.8.(a) The Department of Health and Human Services, Division of Social Services (Division), shall continue implementing an evidence-based pilot program to increase access to public benefits for seniors aged 65 and older who are dually enrolled in Medicare and Medicaid to (i) improve the health and independence of seniors and (ii) reduce health care costs. The Division shall continue to partner with a not-for-profit firm for the purposes of engaging in a data-driven campaign to help seniors aged 65 and older who are dually enrolled in Medicare and Medicaid meet their basic social needs. The not-for-profit firm shall have demonstrated experience in assisting with these types of services and the partnership shall accomplish each of the following:

(1) Identify, through data sharing, dual eligible seniors aged 65 and older who qualify for the Supplemental Nutrition and Assistance Program (SNAP) but are not currently enrolled.
(2) Conduct an outreach program toward those seniors for the purpose of enrolling them into SNAP.
(3) Provide comprehensive application assistance through outreach specialists to complete public benefits application processes.
(4) Evaluate project effectiveness and explore how data can be utilized to achieve optimal outcomes.
(5) Make recommendations regarding policy options available to the State to streamline access to benefits.

SECTION 11C.8.(b) The Division shall report to the Office of the Governor and the Joint Legislative Oversight Committee on Health and Human Services on its progress in the pilot program by February 1 following each year the pilot program is in place. The report shall, at a minimum, include the following:

(1) The number of seniors age 65 and older who are dual eligibles but are not enrolled in SNAP.
(2) The number of those identified that would be included in the sample population.
(3) Methods of outreach toward those seniors in the sample population.
(4) Number of to date enrollments in SNAP as a direct result of outreach during the pilot program.
(5) Participation rate to date in SNAP of those seniors in the sample population.
(6) Any other findings the Division deems relevant.

SECTION 11C.8.(c) Any nonrecurring funds remaining in the 2016-2017 fiscal year from implementation of the pilot program under this section shall not revert, but shall remain available for continued implementation of the pilot program, along with any private or nonprofit funding provided to the Division for use in the pilot program. If funding and capacity exist, the Division of Social Services may expand the pilot program to include other public benefits programs.

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH/PERMANENCY INNOVATION INITIATIVE TECHNICAL CHANGE

SECTION 11C.9.(a) There is created the Foster Care Transitional Living Initiative Fund to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and lead to the development of evidence-based programs to serve the at-risk population described in this section. The Fund shall support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

(1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent Randomized Controlled Trial. Results indicate that Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings,

economic hardship, mental health, and intimate partner violence in comparison to the control population.

(2) Public-Private Partnership, which is a commitment by private-sector funding partners to match one hundred percent (100%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2017-2019 fiscal biennium for the purposes of providing Transitional Living Services through the Youth Villages Transitional Living Model to youth aging out of foster care.

(3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.

(4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

SECTION 11C.9.(b) G.S. 131D-10.9A(c) reads as rewritten:

"(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 established under this section as well as ~~an initiative~~any initiatives for foster care youth transitioning to ~~adulthood in accordance with Part 3 of this Article.~~adulthood.

(2) Develop a methodology to identify short- and long-term cost-savings in the provision of foster care and foster care transitional living services and any potential reinvestment strategies.

(3) Oversee program implementation to ensure fidelity to the program models identified under subdivisions (1) and (2) of ~~G.S. 131D-10.9B(a) and under subdivisions (1) through (4) of G.S. 131D-10.9G(a).~~G.S. 131D-10.9B(a).

(4) Study, review, and recommend other policies and services that may positively impact permanency, well-being outcomes, and youth aging out of the foster care system."

FINAL REPORT/EASTERN BAND OF CHEROKEE INDIANS ASSUMPTION OF SERVICES

SECTION 11C.10.(a) The Department of Health and Human Services, Division of Social Services, shall submit a final report to the Joint Legislative Oversight Committee on Health and Human Services on the assumption of certain services by the Eastern Band of Cherokee Indians as implemented pursuant to Section 12C.10 of S.L. 2015-241, as amended by Section 12C.2 of S.L. 2016-94, when implementation is complete.

SECTION 11C.10.(b) Section 12C.10(h) of S.L. 2015-241 is repealed.

ECKERD KIDS AND CARING FOR CHILDREN'S ANGEL WATCH PROGRAM/REPORT ON USE OF ADDITIONAL FUNDS

SECTION 11C.14.(a) The Department of Health and Human Services, Division of Social Services, shall report on the use of additional funds provided in this act for each year of the 2017-2019 fiscal biennium to provide continued support of the Eckerd Kids and Caring for Children's Angel Watch program, a foster care program for children who are ages zero to 10 who are not in the custody of a county department of social services and whose families are

temporarily unable to care for them due to a crisis. The report shall, at a minimum, include each of the following:

(1) The number of families and children served by the program, including the counties in which services are provided.

(2) The number of children who enter foster care within six months after their family participates in the program.

(3) A comparison of children with similar needs that do not participate in the program and the number of those children who enter into foster care.

(4) Any other matters the Division deems relevant.

SECTION 11C.14.(b) The Division shall submit the report required by subsection (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by December 1, 2018.

CHILD ADVOCACY CENTER FUNDING

SECTION 11C.15. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Social Services, for each year of the 2017-2019 fiscal biennium for child advocacy centers, allocations shall be made as follows:

(1) Up to one hundred thousand dollars ($100,000) for each child advocacy center in good standing with Children's Advocacy Centers of North Carolina, Inc.

(2) One hundred thousand dollars ($100,000) to Children's Advocacy Centers of North Carolina, Inc., for its operations.

SUBPART XI-D. DIVISION OF AGING AND ADULT SERVICES

STATE-COUNTY SPECIAL ASSISTANCE RATE INCREASE

SECTION 11D.1.(a) From July 1, 2017, through September 30, 2017, 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. Beginning October 1, 2017, through the remainder of the 2017-2019 fiscal biennium, the maximum monthly rate for residents in adult care home facilities shall be one thousand two hundred sixteen dollars ($1,216) per month per resident.

SECTION 11D.1.(b) From July 1, 2017, through September 30, 2017, 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. Beginning October 1, 2017, through the remainder of the 2017-2019 fiscal biennium, the maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one thousand five hundred forty-nine dollars ($1,549) per month per resident.

ALIGNMENT OF STATE AND FEDERAL AGING PLAN REPORTING DEADLINES

SECTION 11D.2. G.S. 143B-181.1A reads as rewritten:

"**§ 143B-181.1A. Plan for serving older adults; inventory of existing data; cooperation by State agencies.**

(a) The Division of ~~Aging,~~Aging and Adult Services of the Department of Health and Human Services shall submit a regularly updated plan to the General Assembly by ~~March 1~~July 1 of every other odd-numbered year, beginning March 1, 1995. This plan shall include:

(1) A detailed analysis of the needs of older adults in North Carolina, based on existing available data, including demographic, geographic, health, social, ~~economical,~~economic, and other pertinent ~~indicators;~~indicators.

(2) A clear statement of the goals of the State's long-term public policy on ~~aging;~~aging.

(3) An analysis of services currently provided and an analysis of additional services ~~needed; and~~needed.

(4) Specific implementation recommendations on expansion and funding of current and additional services and ~~services~~ service levels.

(b) The Division of ~~Aging,~~Aging and Adult Services of the Department of Health and Human ~~Services,~~Services shall maintain an inventory of existing data sets regarding the elderly in North Carolina, in order to ensure that adequate demographic, geographic, health, social, economic, and other pertinent indicators are available to generate its regularly updated Plan for Serving Older Adults.

Upon request, the Division of Aging and Adult Services shall make information on these data sets available within a reasonable time.

All State agencies and entities that possess data relating to the elderly, including the Department of ~~Health and Human Services' Division of Health Services, the Division of~~ Administration and the Divisions of Public Health, Health Service Regulation, and ~~the Division of Social Services, and the Department of Administration,~~Social Services of the Department of Health and Human Services, shall cooperate, upon request, with the Division of Aging and Adult Services in implementing this subsection."

RECOMMENDATION TO APPOINT A SUBCOMMITTEE ON AGING

SECTION 11D.3.(a) Pursuant to the authority in G.S. 120-208.2(d), the cochairs for the Joint Legislative Oversight Committee on Health and Human Services may consider appointing a subcommittee on aging to examine the State's delivery of services for older adults in order to (i) determine their service needs and to (ii) make recommendations to the Oversight Committee on how to address those needs. North Carolina currently ranks ninth in the nation for the size of the age 60 and older population and tenth in the nation for the age 85 and older population. From 2015 to 2035, the age 65 and older population is projected to increase sixty-seven percent (67%) and the age 85 and older population is projected to increase one hundred two percent (102%). By 2019, North Carolina will have more people that are 60 years of age and older than children age zero to 17. It is recommended that the subcommittee examine the range of programs and services for older adults throughout the continuum of care. The subcommittee is encouraged to seek input from a variety of stakeholders and interest groups, including the Division of Aging and Adult Services and the Division of Social Services, Department of Health and Human Services; the North Carolina Coalition on Aging; the North Carolina Senior Tarheel Legislature, and the Governor's Advisory Council on Aging.

SECTION 11D.3.(b) If a subcommittee on aging is appointed, the subcommittee shall submit an interim report of its findings and recommendations, including any proposed legislation, to the Joint Legislative Oversight Committee on Health and Human Services on or before March 1, 2018, and shall submit a final report of its findings and recommendations, including any proposed legislation, on or before November 1, 2018, at which time it shall terminate unless reappointed by the cochairs of the Oversight Committee under the authority granted in G.S. 120-208.2(d).

SUBPART XI-E. DIVISION OF PUBLIC HEALTH

FUNDS FOR SCHOOL NURSES

SECTION 11E.1. Part 1 of Article 1 of Chapter 130A of the General Statutes is amended by adding a new section to read:

"**§ 130A-4.3. State funds for school nurses.**

(a) The Department shall use State funds appropriated for the School Nurse Funding Initiative to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. The Department shall ensure that communities maintain their current

level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.
(2) Percentage of students eligible for free or reduced-price meals.
(3) Percentage of children in poverty.
(4) Per capita income.
(5) Eligibility as a low-wealth county.
(6) Mortality rates for children between one and 19 years of age.
(7) Percentage of students with chronic illnesses.
(8) Percentage of county population consisting of minority persons.

(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."

STRATEGIES FOR ADDRESSING STRUCTURAL BUDGET DEFICIT IN STATE LABORATORY OF PUBLIC HEALTH

SECTION 11E.2.(a) By March 1, 2018, the Department of Health and Human Services, Division of Public Health, shall review the current fee schedule for medical and environmental services provided by the State Laboratory of Public Health (SLPH) and report any recommended strategies for addressing its structural budget deficit. The report must include at least all of the following:

(1) Recommendations on all of the following:
  a. Any service the SLPH currently provides at no cost for which it should begin charging a fee, along with recommendations for the amount of each new fee sufficient to cover both the direct and indirect costs of the service.
  b. Implementation of a billing system for services provided by the SLPH.
  c. Strategies to improve billing accuracy in order to increase the SLPH's Medicaid reimbursement rate.
  d. The feasibility of modifying the Medicaid State Plan to allow the SLPH to engage in cost settlement, similar to the approaches used by local health departments.

(2) Identification of measures to ensure that local health departments collect and report all data needed to ensure accurate and timely billing of SLPH services.
(3) Proposals on alternative funding options to support the operating costs of the SLPH.

SECTION 11E.2.(b) This section is effective when this act becomes law.

LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO IMPROVE MATERNAL AND CHILD HEALTH

SECTION 11E.3.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for each year of the 2017-2019 fiscal biennium to award competitive grants to local health departments for the improvement of maternal and child health shall be used to continue administering a competitive grant process for local health departments based on maternal and infant health indicators and the county's detailed proposal to invest in evidence-based programs to achieve the following goals:
(1) Improve North Carolina's birth outcomes.
(2) Improve the overall health status of children in this State from birth to age five.
(3) Lower the State's infant mortality rate.

SECTION 11E.3.(b) The plan for administering the competitive grant process shall include at least all of the following components:
(1) A request for application (RFA) process to allow local health departments to apply for and receive State funds on a competitive basis. The Department shall require local health departments to include in the application a plan to evaluate the effectiveness, including measurable impact or outcomes, of the activities, services, and programs for which the funds are being requested.
(2) A requirement that the Secretary prioritize grant awards to those local health departments that are able to leverage non-State funds in addition to the grant award.
(3) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for maternal and child health initiatives.
(4) Allows grants to be awarded to local health departments for up to two years.

SECTION 11E.3.(c) No later than July 1 of each year, as applicable, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective grant period pursuant to the amounts designated under subsection (a) of this section. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:
(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.
(2) The amount of funding awarded to each grantee.
(3) The number of persons served by each grantee, broken down by program or initiative.

SECTION 11E.3.(d) No later than December 1 of each fiscal year, each local health department receiving funding pursuant to this section in the respective fiscal year shall submit to the Division of Central Management and Support a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:
(1) A description of the types of programs, services, and activities funded by State appropriations.

(2) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.

(3) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities based on the evaluation protocols developed by the Division, in collaboration with the University of North Carolina Gillings School of Global Public Health, pursuant to Section 12E.11(e) of S.L. 2015-241, and reported to the Joint Legislative Oversight Committee on Health and Human Services on April 1, 2016.

(4) A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

EVIDENCE-BASED DIABETES PREVENTION PROGRAM TO ELIMINATE HEALTH DISPARITIES

SECTION 11E.5.(a) The Department of Health and Human Services, Division of Public Health, Office of Minority Health, shall continue to administer, in consultation with the Chronic Disease and Injury Prevention Section, an evidence-based Diabetes Prevention Program modeled after the program recommended by the National Institute of Diabetes and Digestive and Kidney Diseases, targeting minority populations.

SECTION 11E.5.(b) By December 1, 2017, and annually thereafter, the Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services on the status, participant demographics, cost, and outcomes of the Diabetes Prevention Program authorized by subsection (a) of this section.

IMPLEMENTATION OF THE FEDERAL ELEVATED BLOOD LEVEL STANDARD IN NORTH CAROLINA

SECTION 11E.6.(a) It is the intent of the State to protect young children and pregnant women from being exposed to high levels of lead that can cause substantial harm to their normal neurological development and to ensure important intervention services, including required remediation of lead hazards, will be provided to children and pregnant women whose health is threatened by lead exposure.

SECTION 11E.6.(b) G.S. 130A-131.7 reads as rewritten:

"**§ 130A-131.7. Definitions.**

The following definitions apply in this Part:

…

(3) "Confirmed lead poisoning" means a blood lead concentration of ~~20~~ 10 micrograms per deciliter or greater determined by the lower of two consecutive blood tests within a ~~six-month~~12-month period.

…

(5) "Elevated blood lead level" means a blood lead concentration of ~~10~~ five micrograms per deciliter or greater determined by the lower of two consecutive blood tests within a ~~six-month~~12-month period.

…

(13) "Readily accessible substance" means any substance that can be ingested or inhaled by a child less than six years of ~~age.~~age or by a pregnant woman. Readily accessible substances include deteriorated paint that is peeling, chipping, cracking, flaking, or blistering to the extent that the paint has separated from the substrate. Readily accessible substances also include soil, water, toys, vinyl miniblinds, bathtubs, lavatories, doors, door jambs, stairs, stair rails, windows, interior windowsills, baseboards, and paint that is chalking.

…."

SECTION 11E.6.(c) G.S. 130A-131.9C reads as rewritten:

"**§ 130A-131.9C. Abatement and Remediation.**

(a) Upon determination that a child less than six years of age or a pregnant woman has a confirmed lead poisoning of ~~20~~ 10 micrograms per deciliter or greater and that child or pregnant woman resides in a residential housing unit containing lead poisoning hazards, the Department shall require remediation of the lead poisoning hazards. The Department shall also require remediation of the lead poisoning hazards identified at the supplemental addresses of a child less than six years of age or a pregnant woman with a confirmed lead poisoning of ~~20~~ 10 micrograms per deciliter or greater.

…

(h) All lead-containing waste and residue shall be removed and disposed of in accordance with applicable federal, State, and local laws and rules. Other substances containing lead that are intended for use by children less than six years of age or pregnant women and vinyl miniblinds that constitute a lead poisoning hazard shall be removed and disposed of in accordance with applicable federal, State, and local laws and rules.

…

(j1) Compliance with the maintenance standard satisfies the remediation requirements for confirmed lead poisoning cases identified on or after 1 October 1990 as long as all lead poisoning hazards identified on interior and exterior surfaces are addressed by remediation. Except for owner-occupied residential housing units, continued compliance shall be verified by means of an annual monitoring inspection conducted by the Department. For owner-occupied residential housing units, continued compliance shall be verified (i) by means of an annual monitoring inspection, (ii) by documentation that no child less than six years of age and no pregnant woman has resided in or regularly visited the residential housing unit within the past year, or (iii) by documentation that no child less than six years of age and no pregnant woman residing in or regularly visiting the unit has an elevated blood lead level.

(k) Removal of children or pregnant women from the residential housing unit or removal of children from the child-occupied facility shall not constitute remediation if the property continues to be used for a residential housing unit or child-occupied facility. The remediation requirements imposed in subsection (a) of this section apply so long as the property continues to be used as a residential housing unit or child-occupied facility."

SECTION 11E.6.(d) G.S. 130A-131.9G reads as rewritten:

"**§ 130A-131.9G. Resident responsibilities.**

In any residential housing unit occupied by a child less than six years of age or a pregnant woman who has an elevated blood lead level of ~~10~~ five micrograms per deciliter or greater, the Department shall advise, in writing, the owner or managing agent and the pregnant woman or the child's parents or legal guardian of the importance of carrying out routine cleaning activities in the units they occupy, own, or manage. The cleaning activities shall include all of the following:

(1) Wiping clean all windowsills with a damp cloth or sponge at least weekly.

(2) Regularly washing all surfaces accessible to children.

(3) In the case of a leased residential housing unit, identifying any deteriorated paint in the unit and notifying the owner or managing agent of the conditions within 72 hours of discovery.

(4) Identifying and understanding potential lead poisoning hazards in the environment of each child less than six years of age and each pregnant woman in the unit (including toys, vinyl miniblinds, playground equipment, drinking water, soil, and painted surfaces), and taking steps to prevent children and pregnant women from ingesting lead such as encouraging

children and pregnant women to wash their faces and hands frequently and especially after playing outdoors."

AIDS DRUG ASSISTANCE PROGRAM

SECTION 11E.7. Part 1 of Article 1 of Chapter 130A of the General Statutes is amended by adding a new section to read:

"**§ 130A-4.4. Funds for AIDS Drug Assistance Program.**

The Department shall work with the Department of Public Safety to use Department of Public Safety funds to purchase pharmaceuticals for the treatment of individuals in the custody of the Department of Public Safety 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 also known as ADAP."

IMPLEMENTATION OF COST-NEUTRAL PREMIUM ASSISTANCE PROGRAM WITHIN AIDS DRUG ASSISTANCE PROGRAM (ADAP)

SECTION 11E.8.(a) The Department of Health and Human Services, Division of Public Health, shall continue to implement within the North Carolina AIDS Drug Assistance Program (ADAP) a health insurance premium assistance program that (i) is cost neutral or achieves savings; (ii) utilizes federal funds from Part B of the Ryan White HIV/AIDS Program and ADAP funds to provide individual ADAP participants or subsets of ADAP participants with premium and cost-sharing assistance for the purchase or maintenance of private health insurance coverage, including premiums, co-payments, and deductibles; and (iii) meets the requirements of Section 12E.1 of S.L. 2016-94.

SECTION 11E.8.(b) By March 1, 2018, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on implementation of the health insurance premium assistance program authorized by subsection (a) of this section. The report must include at least all of the following components:

(1) A detailed explanation of the program design.

(2) A demonstration of cost neutrality, which shall include a comparison of the cost of providing prescription drugs to eligible beneficiaries through the health insurance premium program created pursuant to subsection (a) of this section and the cost of providing prescription drugs to eligible beneficiaries through the existing ADAP program.

(3) Information on health outcomes of program participants.

(4) Any obstacles to program implementation.

USE OF MODIFIED ADJUSTED GROSS INCOME (MAGI) FOR AIDS DRUG ASSISTANCE PROGRAM (ADAP) ELIGIBILITY DETERMINATIONS

SECTION 11E.9. Beginning January 1, 2018, the Department of Health and Human Services shall implement the use of the Modified Adjusted Gross Income formula in the calculation of income for the purpose of determining eligibility for the AIDS Drug Assistance Program in order to ensure consistency in the Department's methods of determining eligibility for other benefit programs.

DIVISION OF PUBLIC HEALTH EATING DISORDER STUDY

SECTION 11E.11.(a) The Department of Health and Human Services, Division of Public Health, is directed to study eating disorders in the State of North Carolina. At a minimum, the Division shall:

(1) Identify the number of diagnosed incidences of eating disorders in North Carolina.
(2) Provide an estimate of the number of individuals in North Carolina who are suffering from an eating disorder but who have not been formally diagnosed.
(3) Identify the number of individuals who are being treated for an eating disorder.
(4) Identify strategies by which the State can increase awareness of, and disseminate information about, eating disorders, including their symptoms, effects, and preventative interventions.
(5) Examine the adequacy of training provided to public school officials in identifying the symptoms of eating disorders and in providing support to the individuals and families affected by eating disorders.
(6) Make recommendations for improving education, prevention, early detection, and treatment of eating disorders.
(7) Identify the availability of treatment consistent with the best practices described by the American Psychiatric Association and other published materials to individuals and families affected by eating disorders.
(8) Consider any other issues the Division identifies that are related to the objectives of this study.

The Division shall solicit input from relevant organizations and entities, including the UNC Center for Excellence for Eating Disorders at the University of North Carolina at Chapel Hill, the North Carolina Chapter of the American Academy of Pediatrics, the North Carolina Academy of Family Physicians, and national organizations specializing in eating disorders.

SECTION 11E.11.(b) On or before November 1, 2017, the Division shall submit a report containing findings and recommendations to the Joint Legislative Oversight Committee on Health and Human Services. Based on the Division's report, the Committee shall consider making a recommendation to the 2018 General Assembly.

SECTION 11E.11.(c) This section is effective when this act becomes law.

EVERY WEEK COUNTS DEMONSTRATION PROJECT

SECTION 11E.12.(a) The General Assembly finds that preterm birth is the major driver of infant mortality in the United States and the leading cause of long-term neurological disabilities in children. It further finds that the counties in North Carolina with the highest infant mortality rates are multiply burdened by high rates of preterm birth and high rates of poverty and also tend to be counties that are also disproportionately composed of racial minorities. It is the intent of the General Assembly to reduce the incidence of preterm birth and infant mortality by funding and supporting for a period of at least three years a demonstration project in two counties of Perinatal Care Region V of North Carolina to study (i) the extent to which a home-based prenatal care model can reduce the rate of preterm birth among multiparous women and (ii) whether multiparous women without a prior preterm birth, but with multiple risk factors for preterm birth in the current pregnancy, may benefit from 17 Alpha-Hydroxyprogesterone Caproate (17P) therapy.

SECTION 11E.12.(b) To that end, of the funds appropriated to the Department of Health and Human Services, Division of Public Health, the sum of two million two hundred thousand dollars ($2,200,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of two million two hundred thousand dollars ($2,200,000) in nonrecurring funds for the 2018-2019 fiscal year shall be used to conduct a demonstration project in Robeson and Columbus counties to do the following:

(1) Investigate the effectiveness of in-home prenatal care for the prevention of preterm birth among multiparous women of low income.

(2) Conduct a nested randomized controlled trial of 17P for preterm birth prevention among women without a prior preterm birth, but with a significant constellation of risk factors that increases their likelihood of having a preterm birth in the current pregnancy.

Multiparous women at or below one hundred eighty-five percent (185%) of the federal poverty level and primaparous women at or below two hundred percent (200%) of the federal poverty level, who are in the early stages of pregnancy, ideally prior to 17 weeks gestation, are eligible to participate in the demonstration project regardless of age or medical history. Faculty at the University of North Carolina at Chapel Hill shall supervise the demonstration project.

SECTION 11E.12.(c) The demonstration project shall consist of at least all of the following components:

(1) An Every Week Counts enrollment visit that includes an early ultrasound assessment and a complete medical examination to ascertain baseline health characteristics, presence of reproductive tract infections, and other risk factors for preterm birth including reproductive history and other relevant factors. The enrollment visit shall also include a detailed interview to ascertain the social and psychological state of the program participant.

(2) Women enrolled in Every Week Counts shall receive home visits during pregnancy that combine a home-based prenatal care model with social interventions focused on addressing barriers to completing educational goals, obtaining employment, identifying reliable and high-quality child care, and addressing the health and safety needs of the growing family.

(3) Women enrolled in Every Week Counts shall receive home visits during the first two years of their child's life. Program participants and their infants will be followed until the child's second birthday. In these monthly visits, the child's health, growth, and development will be tracked; the mother will be provided with information on nutritional, health, and developmental needs; and children in need of Early Intervention Services will be identified to ensure school readiness. Primary health care in addition to targeted education in early childhood development and health needs will be provided to participants in a home setting. In order to track the development of these children, standardized tests will be administered periodically to assess cognitive, psychomotor, and behavioral development.

(4) There shall be a randomized clinical trial of 17P within Every Week Counts in a population of women enriched for preterm birth susceptibility. Eligible women that choose to enroll in this intervention trial will be randomized to a weekly 17P injection after 16-20 weeks' gestation or a sham injection. Women who choose to participate in the 17P intervention trial will be co-enrolled in Every Week Counts and will receive all the same home-based prenatal care and child development services, but will receive weekly visits from the Nurse Practitioner after 16-20 weeks' gestation in order to deliver the 17P intramuscular injection.

SECTION 11E.12.(d) Not later than six months after the conclusion of the demonstration project, the University of North Carolina at Chapel Hill shall submit a final report on the demonstration project to the Department that addresses at least all of the following:

(1) For the Every Week Counts part of the demonstration project:

a. Percent preterm and low birth weight relative to overall county statistics in current and prior years using vital statistics data, within categories of race/ethnicity and parity.

b. Percent initiating breastfeeding at delivery and the average duration of breastfeeding.
c. Percent reporting active smoking at the time of delivery.
d. Uptake of contraception postpartum.
e. Average length of interpregnancy interval.
f. Percent of children meeting developmental milestones in the first year.
g. Number of emergency room visits related to child health in the first two years.

(2) For the 17P Intervention Trial, relative risk of preterm birth in treated versus untreated program participants.

SECTION 11E.12.(e) Not later than three months after the Department receives the report due under subsection (d) of this section, the Department shall submit a final report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division evaluating the demonstration project. At a minimum, the report shall include all of the following:

(1) An estimate of the cost to expand the program incrementally and statewide.
(2) An estimate of any potential savings of State funds associated with expansion of the program.
(3) If expansion of the program is recommended, a time line for expanding the program.

SECTION 11E.12.(f) The demonstration project authorized under this section shall terminate upon the submission of the report due under subsection (d) of this section by the University of North Carolina at Chapel Hill.

FUNDS FOR MEDICAL EQUIPMENT AND TRAINING

SECTION 11E.13. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of one million three hundred thousand dollars ($1,300,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of one million three hundred thousand dollars ($1,300,000) in nonrecurring funds for the 2018-2019 fiscal year shall be allocated to the Carolina Pregnancy Care Fellowship for grants to purchase durable medical equipment for clinics that apply to the Carolina Pregnancy Care Fellowship for such equipment. The Carolina Pregnancy Care Fellowship may use (i) up to thirty thousand dollars ($30,000) of these nonrecurring funds for each year of the 2017-2019 fiscal biennium for administrative purposes and (ii) up to one hundred seventy thousand dollars ($170,000) of these nonrecurring funds for each year of the 2017-2019 fiscal biennium to provide grants for training on the use of durable medical equipment to clinics that apply to the Carolina Pregnancy Care Fellowship for such training.

COMMUNICABLE DISEASE TESTING

SECTION 11E.14. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, State Laboratory of Public Health, the sum of one million two hundred thousand dollars ($1,200,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of one million two hundred thousand dollars ($1,200,000) in nonrecurring funds for the 2018-2019 fiscal year shall be used for the following purposes:

(1) To provide testing for Hepatitis C and other priority communicable diseases identified by the Division of Public Health.
(2) To provide individuals who test positive for Hepatitis C and other priority communicable diseases with access to appropriate treatment options.

SUBPART XI-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM

SECTION 11F.1.(a) The title to Part 4 of Article 3 of Chapter 143B of the General Statutes reads as rewritten:

"Part 4. ~~Commission for~~ Mental Health, Developmental Disabilities, and Substance Abuse Services."

SECTION 11F.1.(b) Part 4 of Article 3 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-150.1. Use of funds for North Carolina Child Treatment Program.**

(a) State funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the North Carolina Child Treatment Program shall be used exclusively for the following purposes:

(1) To continue to provide clinical training and coaching to licensed clinicians on an array of evidence-based treatments and to provide a statewide platform to assure accountability and measurable outcomes.

(2) To maintain and manage a public roster of program graduates, linking high-quality clinicians with children, families, and professionals.

(3) To partner with leadership within the State, local management entities/managed care organizations as defined in G.S. 122C-3, and the private sector to bring effective mental health treatment to children in juvenile justice and mental health facilities.

(b) All data, including any entered or stored in the State-funded secure database developed for the North Carolina Child Treatment Program to track individual-level and aggregate-level data with interface capability to work with existing networks within State agencies, is and remains the sole property of the State."

SINGLE-STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 11F.2.(a) For the purpose of mitigating cash flow problems that many local management entities/managed care organizations (LME/MCOs) experience at the beginning of each fiscal year relative to single-stream funding, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS), shall distribute not less than one-twelfth of each LME/MCO's base budget allocation at the beginning of the fiscal year and subtract the amount of that distribution from the LME/MCO's total reimbursements for the fiscal year. For each month of the fiscal year after July, the DMH/DD/SAS shall distribute, on the third working day of the month, one-eleventh of the amount of each LME/MCO's single-stream allocation that remains after subtracting the amount of the distribution that was made to the LME/MCO in July of the fiscal year.

SECTION 11F.2.(b) The DMH/DD/SAS is directed to reduce its allocation for single-stream funding by twenty million one hundred ninety-three thousand four hundred forty-nine dollars ($20,193,449) in recurring funds and by thirty-seven million four hundred twenty-four thousand eight hundred eighteen dollars ($37,424,818) in nonrecurring funds for the 2017-2018 fiscal year and by thirty million nine hundred eighty-six thousand two hundred thirty-four dollars ($30,986,234) in recurring funds for the 2018-2019 fiscal year.

The DMH/DD/SAS shall allocate these recurring and nonrecurring reductions for single-stream funding among the LME/MCOs as follows:

	FY 2017-2018	**FY 2018-2019**
Alliance Behavioral Healthcare		

Recurring	($5,488,112)	($8,421,342)
Nonrecurring	($6,011,507)	-
Cardinal Innovations Healthcare		
Recurring	($5,015,785)	($7,696,570)
Nonrecurring	($9,636,515)	-
Eastpointe		
Recurring	($1,575,476)	($2,417,520)
Nonrecurring	($3,848,066)	-
Partners Behavioral Health Management		
Recurring	($1,383,137)	($2,122,382)
Nonrecurring	($4,463,652)	-
Sandhills Center		
Recurring	($5,004,989)	($7,680,003)
Nonrecurring	($6,003,492)	-
Trillium Health Resources		
Recurring	($795,661)	($1,220,917)
Nonrecurring	($3,613,035)	-
Vaya Health		
Recurring	($930,289)	($1,427,500)
Nonrecurring	($3,848,550)	-
TOTALS		
Recurring	($20,193,449)	($30,986,234)
Nonrecurring	($37,424,818)	-

By March 1, 2018, the Secretary of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division a proposal for any adjustments to the specified recurring reductions among the LME/MCOs for future fiscal years. The proposal must include a detailed explanation supporting any proposed changes.

It is the intent of the General Assembly that, during each fiscal year of the 2017-2019 fiscal biennium, each LME/MCO shall offer at least the same level of service utilization as during the 2014-2015 fiscal year.

SECTION 11F.2.(c) The Department of Health and Human Services shall continue to use the monthly reporting package submitted by the LME/MCOs to the Department, as modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include revenues and expenditures for the State funding sources for single-stream, intellectual and developmental disability, and substance abuse services on Schedule D2. Additionally, the Department shall continue to use appropriate schedules in the LME/MCO monthly reporting package, as modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include unduplicated recipients and encounters in the same level of detail included in each D schedule for each source of funding for the reporting for the current and previous year's month and year-to-date periods. The Department shall continue to submit these reports to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by the third Monday of each month.

SECTION 11F.2.(d) If, on or after June 1, 2018, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus in fund codes 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for the 2017-2018 fiscal year, then the Department of Health and Human Services, Division of Medical Assistance (DMA), may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars ($30,000,000), whichever is less, to offset the reduction in single-stream funding required by this section.

If, on or after June 1, 2019, the OSBM certifies a Medicaid budget surplus in fund codes 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year 2018-2019, then the DMA may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty million dollars ($30,000,000), whichever is less, to offset the reduction in single-stream funding required by this section.

The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection among the LME/MCOs based on the individual LME/MCO's percentage of nonrecurring reductions in single-stream funding for the fiscal year, as required by subsection (b) of this section. These funds shall be allocated as prescribed by June 30 of each State fiscal year.

SECTION 11F.2.(e) The Department of Health and Human Services shall develop a maintenance of effort (MOE) spending requirement for all mental health and substance abuse services which must be maintained using nonfederal, State appropriations on an annual basis in order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure the MOE spending requirement is met using State appropriations.

SECTION 11F.2.(f) Beginning July 1, 2017, and quarterly thereafter, the Secretary of Health and Human Services shall evaluate the financial position of each LME/MCO relative to the solvency standards to be developed by the Department and included in the statewide Strategic Plan for Behavioral Health Services pursuant to Section 12F.10(b)(4) of S.L. 2016-94 (approved solvency standards).

If, at any time, the Secretary determines an LME/MCO is at risk of failing financially in the ensuing two-year period, based on the approved solvency standards, the Secretary shall immediately meet with that LME/MCO for the purpose of evaluating the reasons for the LME/MCO's vulnerable financial position, including reasons attributable to trends in performance management and utilization of services. Within 30 days after meeting with an LME/MCO pursuant to this section, the Secretary shall submit a written report of its evaluation to the LME/MCO. By October 1, 2017, the Secretary shall submit an initial report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on each LME/MCO determined to be at risk of failing financially, identifying the reasons for each LME/MCO's vulnerable financial position.

Within 45 days after receiving the Secretary's report, the LME/MCO shall develop and submit to the Secretary, in writing, a proposed plan of corrective action with specific initiatives and actions to be implemented by the LME/MCO in order to bring its financial position into compliance with the approved solvency standards, along with a projected time line for completing each identified initiative or action and a deadline for achieving full compliance with the approved solvency standards. At a minimum, the proposed plan of corrective action shall address (i) rates paid to the LME/MCO and its providers for services, contracts, and administrative costs; (ii) utilization of services; (iii) management of the operations of the LME/MCO; and (iv) financial risk to the State.

Within 14 days after receiving the LME/MCO's proposed plan of corrective action, the Secretary shall make any changes to the proposed plan of corrective action it deems necessary for the LME/MCO to bring its financial position into compliance with the approved solvency standards and submit a final, Secretary-approved plan of corrective action to the LME/MCO, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division.

The LME/MCO shall submit monthly reports to the Secretary on its progress under the final, Secretary-approved plan of corrective action. The Secretary shall submit monthly reports to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division evaluating the LME/MCO's progress under the final, Secretary-approved plan of corrective action, identifying any variance from the corrective plan of action that could be an obstacle to the LME/MCO achieving full compliance with the approved solvency standards by the deadline included in the final, Secretary-approved corrective plan of action.

FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 11F.3.(a) Use of Funds. – Of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of forty-one million three hundred fifty-one thousand six hundred forty-four dollars ($41,351,644) in recurring funds and the sum of forty-one million three hundred fifty-one thousand six hundred forty-four dollars ($41,351,644) in recurring funds for the 2018-2019 fiscal year shall be used to purchase additional new or existing local inpatient psychiatric beds or bed days not currently funded by or though LME/MCOs. The Department shall continue to implement a two-tiered system of payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels, as defined by the Department. The enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LME/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed days shall not be used to supplant other funds appropriated or otherwise available to the Department for the purchase of inpatient psychiatric services through contracts with local hospitals.

SECTION 11F.3.(b) Distribution and Management of Beds or Bed Days. – Except as provided in this subsection, the Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, as defined in this subsection. In addition, 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.

The Department may use up to ten percent (10%) of the funds allocated in this section for each year of the 2017-2019 fiscal biennium to pay for facility-based crisis services and nonhospital detoxification services for individuals in need of these services, regardless if the individuals are medically indigent, defined as uninsured persons who (i) are financially

unable to obtain private insurance coverage as determined by the Department and (ii) are not eligible for government-funded health coverage such as Medicare or Medicaid.

SECTION 11F.3.(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 11F.3.(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 decreased, 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 11F.3.(e) Reporting by LME/MCOs. – The Department shall establish reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

SECTION 11F.3.(f) Reporting by Department. – By no later than December 1, 2018, and by no later than December 1, 2019, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on all of the following:

(1) A uniform system for beds or bed days purchased during the preceding fiscal year from (i) funds appropriated in this act that are designated for this purpose in subsection (a) of this section, (ii) existing State appropriations, and (iii) local funds.

(2) An explanation of the process used by the Department to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.

(3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.

(4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.

(5) Other Department initiatives funded by State appropriations to reduce State psychiatric hospital use.

USE OF FUNDS TO PURCHASE INPATIENT ALCOHOL AND SUBSTANCE USE DISORDER TREATMENT SERVICES

SECTION 11F.4. Section 12F.12(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 12F.12.(b)** From funds appropriated ~~in this act~~ to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to be allocated to LME/MCOs for the purchase of inpatient alcohol and substance abuse treatment services, the LME/MCOs shall use their respective fund allocations for individuals within their respective catchment areas as follows:

(1) During the 2015-2016 fiscal year, a minimum of one hundred percent (100%) of the allocation shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs.

(2) During the 2016-2017 fiscal year, a minimum of ninety percent (90%) of the allocation shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs. The LME/MCOs shall use the remaining ten percent (10%) of their respective allocations to purchase inpatient alcohol and substance abuse treatment services from any qualified provider.

(2a) During the 2017-2018 fiscal year, a minimum of eighty-six percent (86%) of the allocation shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs in order to increase the availability of services through the ADATCs to individuals in need of inpatient opioid treatment. The LME/MCOs shall use any remaining allocations to purchase inpatient alcohol and substance abuse treatment services from any qualified provider.

(3) In subsequent fiscal years, the percentage of the allocation that shall be used exclusively to purchase inpatient alcohol and substance abuse treatment services from the ADATCs shall decrease by ten percentage points each fiscal year after the 2016-2017 fiscal year until it reaches zero percent (0%). The percentage of the allocation remaining that shall be used to purchase inpatient alcohol and substance abuse treatment services from any qualified provider shall increase by ten percentage points each fiscal year after the 2016-2017 fiscal year until it reaches one hundred percent (100%)."

USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS FOR THE PURCHASE OF ADDITIONAL PSYCHIATRIC AND FACILITY-BASED CRISIS BEDS AND A CASE MANAGEMENT PILOT PROGRAM FOR INDIVIDUALS WITH BEHAVIORAL HEALTH NEEDS

SECTION 11F.5.(a) It is the intent of the General Assembly to increase inpatient behavioral health bed capacity in rural areas of the State with the highest need. To that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2017-2018 fiscal year, the sum of up to nineteen million dollars ($19,000,000) in nonrecurring funds shall be used to pay for any renovation or building costs associated with (i) the construction of new licensed inpatient behavioral health beds, (ii) the conversion of existing inpatient acute care beds into licensed inpatient behavioral health beds, or (iii) a combination of these options as follows:

(1) The sum of up to four million dollars ($4,000,000) in nonrecurring funds shall be used to pay for any renovation or building costs associated with the construction of new licensed inpatient behavioral health beds at Caldwell/ University of North Carolina Health Care in Caldwell County.

(2) The sum of up to four million dollars ($4,000,000) in nonrecurring funds shall be used to pay for any renovation or building costs associated with the construction of new licensed inpatient behavioral health beds at Cape Fear Valley Medical Center in Cumberland County.

(3) The sum of up to four million dollars ($4,000,000) in nonrecurring funds shall be used to pay for any renovation or building costs associated with the construction of new licensed inpatient behavioral health beds at Vidant Health in Eastern North Carolina.

(4) The sum of up to three million dollars ($3,000,000) in nonrecurring funds shall be used for any renovation or building costs associated with the construction of new licensed inpatient behavioral health beds at Good Hope Hospital in Harnett County.

(5) The sum of up to two million two hundred thousand dollars ($2,200,000) in nonrecurring funds shall be used to pay for any renovation or building costs associated with the construction of new licensed inpatient behavioral health beds at Mission Health System, Inc., in Buncombe County.

(6) The sum of up to one million eight hundred thousand dollars ($1,800,000) in nonrecurring funds shall be used to pay for any renovation or building costs associated with the construction of new licensed inpatient behavioral health beds at the Dix Crisis Intervention Center in Onslow County.

SECTION 11F.5.(b) Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each facility that receives funds allocated under subsection (a) of this section shall be allowed to construct new or convert unused acute care beds into licensed, inpatient behavioral health beds without undergoing certificate of need review by the Division of Health Service Regulation for the beds constructed or converted with funds allocated under subsection (a) of this section. All newly constructed or converted beds shall be subject to existing licensure laws and requirements. As a condition of receiving these funds, each selected rural hospital shall reserve at least fifty percent (50%) of the constructed or converted beds for (i) purchase by the Department under the State-administered, three-way contract and (ii) referrals by local management entities/managed care organizations (LME/MCOs) of individuals who are indigent or Medicaid recipients. Any hospital unit or other location with inpatient behavioral health beds constructed or converted with funds allocated under subsection (a) of this section shall be named in honor of Dorothea Dix.

SECTION 11F.5.(c) Beginning November 1, 2018, the Department of Health and Human Services shall annually report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the number and location of additional licensed inpatient behavioral health beds brought into operation with funds allocated under subsection (a) of this section. By December 1, 2020, the Department shall submit a report that includes a proposal for funding the recurring operating costs of these additional beds from a source or sources other than the Dorothea Dix Hospital Property Funds, including the identification of potential new funding sources.

SECTION 11F.5.(d) It is the intent of the General Assembly to continue to increase the number of facility-based crisis centers in North Carolina for children and adolescents. To that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2017-2018 fiscal year, the sum of two million dollars ($2,000,000) in nonrecurring funds shall be used to award grants on a competitive basis for the establishment of up to two new facility-based crisis centers in the State for children and adolescents. The Department shall establish a process for applying for these grants, criteria for evaluating applications, and a process for allocating grants.

SECTION 11F.5.(e) It is the intent of the General Assembly to reduce avoidable emergency department readmissions and emergency department boarding times among individuals with behavioral health needs. To that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2017-2018 fiscal year, the sum of two million dollars ($2,000,000) in nonrecurring funds shall be allocated for the development and establishment of

a two-year pilot program at a hospital in Wake County that supports a hospital-based, comprehensive community case management program. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, in consultation with local management entities/managed care organizations responsible for the management and provision of mental health, developmental disabilities, and substance abuse disorder services in Wake County under the 1915(b)/(c) Medicaid Waiver, shall oversee the development and establishment of the pilot program to ensure it is designed to reduce avoidable emergency department readmissions and emergency department boarding times among individuals with behavioral health needs. The pilot program shall be conducted at the hospital in Wake County with the largest number of emergency department visits that agrees to participate in the two-year pilot program authorized by this subsection.

By December 1, 2020, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division evaluating the effectiveness of the pilot program in reducing avoidable emergency department readmissions and emergency department boarding times among individuals with behavioral health needs.

SECTION 11F.5.(f) Any funds allocated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) pursuant to Section 12F.4 of S.L. 2016-94 for the 2016-2017 fiscal year that are not expended or encumbered as of June 30, 2017, shall remain in the Dorothea Dix Hospital Property Fund.

SECTION 11F.5.(g) Any funds allocated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) pursuant to this section for the 2017-2018 fiscal year that are not expended or encumbered as of June 30, 2019, shall remain in the Dorothea Dix Hospital Property Fund.

ADDITIONS TO THE STRATEGIC PLAN FOR IMPROVEMENT OF BEHAVIORAL HEALTH SERVICES

SECTION 11F.6.(a) Section 12F.10(b) of S.L. 2016-94 reads as rewritten:

"**SECTION 12F.10.(b)** By January 1, 2018, the Department of Health and Human Services shall develop and submit to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division a strategic statewide plan to improve the efficiency and effectiveness of State-funded behavioral health services. In developing the plan, the Department shall review and consider its past and current studies, and associated reports, relating to behavioral health services in the State. The plan shall include at least all of the following:

…

(5) Any other ~~component~~component, study, or report that the Department deems necessary to achieve the goal of improving the effective and efficient delivery and coordination of publicly funded behavioral health services across the State."

SECTION 11F.6.(b) Section 12F.10 of S.L. 2016-94 is amended by adding a new subsection to read:

"**SECTION 12F.10.(b1)** In the development of the strategic statewide plan, required under subsection (b) of this section, the Department of Health and Human Services shall consider policy issues pertaining to the delivery of services for people with intellectual and developmental disabilities. Consideration shall be given to all of the following:

(1) The causes and potential solutions for the growing waitlist for NC Innovations Waiver slots. Potential solutions to be studied include the following:
a. Increasing the funding for the 1915(c) Innovations Waiver to result in more individuals served.
b. Creating new support waiver slots as recommended in the March 2015 "Study Additional 1915(c) Waiver" report from the Department of Health and Human Services, Division of Medical Assistance, to the Joint Legislative Oversight Committee on Health and Human Services.
c. Utilizing a 1915(i) waiver option and exploring how the 1115 waiver required for Medicaid transformation may assist in addressing current waitlist for services.
(2) Issues surrounding single-stream funding and how single-stream funding is used to support services for people with intellectual and developmental disabilities.
(3) Multiple federal mandates that will directly impact current services and supports for people with intellectual and developmental disabilities, including Home and Community-Based Services changes, the Work Force Innovations and Opportunities Act, and changes under section 14(c) of the federal Fair Labor Standards Act.
(4) The coverage of services for the treatment of autism, including any State Plan amendment needed to address guidance issued by the Centers for Medicare and Medicaid Services."

TRAUMATIC BRAIN INJURY FUNDING

SECTION 11F.8. 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, the sum of two million three hundred seventy-three thousand eighty-six dollars ($2,373,086) for the 2017-2018 fiscal year and the sum of two million three hundred seventy-three thousand eighty-six dollars ($2,373,086) for the 2018-2019 fiscal year shall be used exclusively to support traumatic brain injury (TBI) services as follows:

(1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars ($359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina, Carolinas Rehabilitation, or other appropriate service providers to assist families in accessing the continuum of care and to provide educational programs on brain injury prevention, intervention, and care.
(2) The sum of seven hundred ninety-six thousand nine hundred thirty-four dollars ($796,934) shall be used to support residential programs across the State that are specifically designed to serve individuals with TBI.
(3) The sum of one million two hundred sixteen thousand nine hundred thirty-four dollars ($1,216,934) shall be used to support requests submitted by individual consumers for assistance with services such as, but not limited to, residential supports, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity.

FUNDS FOR BROUGHTON HOSPITAL LITIGATION COSTS RELATED TO CONSTRUCTION DELAYS AND TO EXTEND THE STUDY ON THE FUTURE USE OF BROUGHTON HOSPITAL FACILITIES

SECTION 11F.13. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and

Substance Abuse Services, for Broughton Hospital, the sum of up to two million five hundred thousand dollars ($2,500,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of up to two million five hundred thousand dollars ($2,500,000) for the 2018-2019 fiscal year shall be used to offset the following costs arising from delays in the construction of the new Broughton Hospital:

(1) A combined sum for both years of the 2017-2019 fiscal biennium of not more than two million two hundred twenty thousand dollars ($2,220,000) in nonrecurring funds for litigation costs resulting from anticipated or pending litigation against private third parties. The Secretary of the Department of Health and Human Services may retain private legal counsel to represent the interest of the State in such litigation, as provided in G.S. 147-17(c1), as amended by this act, and G.S. 114-2.3(d), as amended by this act.

(2) The sum of one hundred eighty thousand dollars ($180,000) for the 2017-2018 fiscal year shall be transferred to the Department of Commerce to extend the study on the future use of Broughton Hospital Facilities authorized by Section 15.20 of S.L. 2014-100, as amended by Section 15.5 of S.L. 2016-94.

(3) A combined sum for both years of the 2017-2019 fiscal biennium of not more than the balance of the funds allocated under this section or two million six hundred thousand dollars ($2,600,000) in nonrecurring funds, whichever is greater, for any combination of the following:

a. Costs related to design changes, technology changes, continued use of the existing hospital, staffing, and other costs directly related to the delays in construction.

b. Costs to equip the new hospital.

c. Administrative costs.

FUNDS FOR OVERDOSE MEDICATIONS

SECTION 11F.14. 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, the sum of one hundred thousand dollars ($100,000) in recurring funds for each year of the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists, as defined in G.S. 90-12.7, to reverse opioid-related drug overdoses as follows:

(1) Seventy-five thousand dollars ($75,000) in recurring funds for each year of the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists to be distributed at no charge to the North Carolina Harm Reduction Coalition to serve individuals at risk of experiencing an opioid-related drug overdose or to the friends and family members of an at-risk individual.

(2) Twenty-five thousand dollars ($25,000) in recurring funds for each year of the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists to be distributed at no charge to North Carolina law enforcement agencies.

NC START FUNDING AND REPORT

SECTION 11F.15.(a) Of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of five hundred thousand dollars ($500,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of five hundred thousand dollars ($500,000) in nonrecurring funds for the 2018-2019 fiscal year shall be allocated to contracts for providing North Carolina Systemic, Therapeutic Assessment, Respite and Treatment (NC START) services, an evidenced-based model of community-based crisis prevention and intervention services for

individuals with Intellectual/Developmental Disabilities (I/DD) who are at least 18 years of age and who experience crises due to mental health or complex behavioral health issues.

SECTION 11F.15.(b) By December 1, 2020, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report to the Joint Legislative Oversight Committee on Health and Human Services on NC START services funded by State appropriations during the 2017-2019 fiscal biennium. The report shall include at least all of the following components:

(1) A breakdown of expenditures.

(2) The number of individuals who received services, broken down by age and category of disability.

(3) Specific and objectively measurable outcomes for each individual who received services.

REPEAL OF LME/MCO CLINICAL INTEGRATION ACTIVITIES REPORT

SECTION 11F.16. Subsection (e) of Section 12F.4A of S.L. 2013-360 is repealed.

STUDY ON LME/MCO PROPERTY CONVEYANCE RESTRICTIONS

SECTION 11F.17. By April 1, 2018, the Joint Legislative Oversight Committee on Health and Human Services shall examine the need for statutory restrictions prohibiting local management entities/managed care organizations from conveying State-funded property. The Committee may report its findings, including any recommended legislation, to the 2018 Regular Session of the 2017 General Assembly.

STUDY ON SITE-OF-USE SOLUTIONS FOR SAFE DISPOSAL OF PRESCRIPTION DRUGS

SECTION 11F.18. By December 1, 2017, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall study and submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on simple site-of-use solutions for the safe disposal of prescription drugs.

LME/MCO FUND BALANCE, CASH RESERVE DESIGNATION, AND REINVESTMENT

SECTION 11F.19.(a) Prior to the submission of the behavioral health strategic statewide plan that is required, in accordance with Section 12F.10 of S.L. 2016-94, to be submitted by January 1, 2018, and that will contain comprehensive solvency standards for LME/MCOs, the Department of Health and Human Services (Department) shall establish interim policies regarding LME/MCO cash reserves and reinvestments that apply to the LME/MCO's entire operation. These interim policies shall be incorporated, as appropriate, into the final comprehensive solvency standards contained in the behavioral health strategic statewide plan.

SECTION 11F.19.(b) In addition to the Medicaid risk reserve that the LME/MCOs must maintain as required by their contracts with the Department of Health and Human Services, LME/MCOs may maintain other operating and cash reserve accounts. The Department shall determine what operating and cash reserve accounts are permissible and which reserve accounts are restricted or unrestricted. LME/MCOs may not use funds in restricted reserves for any purpose other than those approved by the Department. Funds in unrestricted reserves must be used for the provision of mental health, developmental disability, and substance abuse services (MH/DD/SAS) to individuals in the catchment area of the LME/MCO. Plans for the reinvestment of unrestricted reserves must be approved by the Department, must result in specific measurable outcomes, and must be consistent with the

Medicaid State Plan, the Department's behavioral health strategic statewide plan, and the long-term goals of the Department for the provision of MH/DD/SAS services. The Department shall set a balance threshold for each LME/MCO's unrestricted reserve account.

SECTION 11F.19.(c) By March 1 of each year, the Department shall notify each LME/MCO of the approved purposes for which restricted cash reserve funds may be used and the LME/MCO's approved unrestricted cash reserve balance threshold for the next State fiscal year. The Department shall submit a copy of these notices to the Joint Legislative Oversight Committee Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division.

SECTION 11F.19.(d) The Department shall review the cash reserves of each LME/MCO on December 31 and June 30 of each year. If the unrestricted cash reserve balance exceeds the threshold set by the Department, the Department may withhold the amount in excess of the threshold from the monthly single-stream payments to the LME/MCO so long as doing so does not impact the ability of the LME/MCO to meet the maintenance of effort spending requirements to maintain federal block grant funding developed pursuant to Section 11F.2(e) of this act. If the withholding of the amount in excess of the threshold from the single-stream payments to the LME/MCO would result in the LME/MCO's inability to meet the maintenance of effort spending requirements to maintain federal block grant funding developed pursuant to Section 11F.2(e) of this act, then the LME/MCO shall be required to transfer to its Medicaid risk reserve an amount equal to the lesser of (i) the amount of the unrestricted cash reserve balance that exceeds the threshold set by the Department or (ii) the amount needed to reach a Medicaid risk reserve balance of fifteen percent (15%) of the LME/MCO's annual capitation payment. Any funds withheld may be distributed by the Department to any LME/MCOs that are in compliance with the unrestricted cash reserve balance thresholds. These distributed funds shall be used for the provision of priority MH/DD/SAS services in accordance with the Department's behavioral health strategic statewide plan that result in specific measurable outcomes. These withheld funds shall not be used by the Department for any other purpose without an act by the General Assembly.

SECTION 11F.19.(e) If a LME/MCO's unrestricted cash reserve balance exceeds the threshold set by the Department, then the LME/MCO must maintain the level of services provided across the LME/MCO's catchment area in the preceding 12 months regardless of any withholding of single-stream payments under subsection (d) of this section. This requirement shall not be construed to require LME/MCOs to authorize or maintain the same level of services for any specific individual whose services were paid for with single-stream funding. Further, this requirement shall not be construed to create a private right of action for any person or entity against the State of North Carolina or the Department of Health and Human Services or any of its divisions, agents, or contractors and shall not be used as authority in any contested case brought pursuant to Chapter 108A or 108D of the General Statutes.

SECTION 11F.19.(f) If actions taken under subsection (d) and (e) of this section do not result in the unrestricted cash reserve balance meeting the threshold requirements at the next semi-annual review required by subsection (d) of this section, then the Department shall develop a plan to reduce payments, transfer funds, or ensure that funds are spent on needed MH/DD/SAS services that will result in the LME/MCO's unrestricted cash reserves balance meeting the Department's threshold requirements. The plan must comply with all State and federal laws, rules, regulations, and the Medicaid State Plan and waivers.

SECTION 11F.19.(g) Upon a demonstration that the LME/MCO's unrestricted cash reserves balance is in compliance with the Department's threshold requirements, the Department shall discontinue the actions taken under subsection (d) of this section, the LME/MCO shall no longer be subject to the requirements of subsection (e) of this section, and the LME/MCO shall no longer be required to comply with any plan developed under subsection (f) of this section.

SECTION 11F.19.(h) This section is effective when it becomes law and expires on June 30, 2019, or on the date when the solvency standards required by Section 12F.10(b)(4) of S.L. 2016-94 are incorporated into State contracts with each LME/MCO, whichever is earlier. The Secretary of the Department of Health and Human Services shall certify to the Revisor of Statutes that the solvency standards have been incorporated into State contracts with each LME/MCO.

SUBPART XI-G. DIVISION OF HEALTH SERVICE REGULATION

FUNDS TO CONTINUE COMMUNITY PARAMEDICINE PILOT PROGRAM

SECTION 11G.1.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Health Service Regulation, the sum of three hundred fifty thousand dollars ($350,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of three hundred fifty thousand dollars ($350,000) in nonrecurring funds for the 2018-2019 fiscal year shall be used to continue the community paramedicine pilot program authorized in Section 12A.12 of S.L. 2015-241, as amended by Section 12A.3 of S.L. 2016-94, as follows:

(1) The sum of two hundred ten thousand dollars ($210,000) in nonrecurring funds for each year of the fiscal biennium shall be allocated to the New Hanover Regional Emergency Medical Services site.

(2) The sum of seventy thousand dollars ($70,000) in nonrecurring funds for each year of the fiscal biennium shall be allocated to the McDowell County Emergency Medical Services site.

(3) The sum of seventy thousand dollars ($70,000) in nonrecurring funds for each year of the fiscal biennium shall be allocated to the Wake County Emergency Medical Services site.

The focus of this community paramedicine pilot program shall continue to be expansion of the role of paramedics to allow for community-based initiatives that result in providing care that avoids nonemergency use of emergency rooms and 911 services and avoidance of unnecessary admissions into health care facilities.

SECTION 11G.1.(b) The participation requirements, objectives, standards, and required outcomes for the pilot program shall remain the same as established pursuant to Section 12A.12 of S.L. 2015-241, as amended by Section 12A.3 of S.L. 2016-94.

SECTION 11G.1.(c) By November 1, 2019, the Department of Health and Human Services shall submit an updated report on the community paramedicine pilot program to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. At a minimum, the updated report shall include all of the following:

(1) Any updated version of the evaluation plan required by subsection (d) of Section 12A.12 of S.L. 2015-241.

(2) An estimate of the cost to expand the program incrementally and statewide.

(3) An estimate of any potential savings of State funds associated with expansion of the program.

(4) If expansion of the program is recommended, a time line for expanding the program.

FACILITIES INCLUDED UNDER SINGLE HOSPITAL LICENSE

SECTION 11G.2.(a) G.S. 131E-77(e1) reads as rewritten:

"(e1) Any license issued by the Department shall include only ~~facilities, premises, buildings, outpatient clinics, and other locations~~ facilities (i) operated by the hospital within a single county and (ii) operated by the hospital in an immediately adjoining county; provided, however, that ~~facilities, premises, buildings, outpatient clinics, and other locations~~ facilities operated by a hospital in an immediately adjoining county shall only be included within the

same hospital license if the applicant hospital demonstrates all of the following to the satisfaction of the Department:

(1) There was previously only one hospital licensed by the Department ~~and~~ providing inpatient services in the immediately adjoining county.

(2) The licensed ~~inpatient~~ hospital in the immediately adjoining county described in subdivision (1) of this subsection closed or otherwise ceased providing hospital services to patients no more than three years prior to the date the applicant hospital first applied to license a ~~facility, premises, building, outpatient clinic, or location~~ facility in such immediately adjoining county.

If the Department approves ~~an applicant~~ a hospital's initial request to include within its hospital ~~licensure an initial facility, premises, building, outpatient clinic, or other location~~ license a facility in an immediately adjoining county, then any other ~~designated facilities, premises, buildings, outpatient clinics, or other locations~~ hospital services thereafter developed and operated by the applicant in such immediately adjoining county in accordance with applicable law may also be included within and covered by the license issued to the applicant by the Department."

SECTION 11G.2.(b) This section is effective when this act becomes law.

SUBPART XI-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

MEDICAID ELIGIBILITY

SECTION 11H.1.(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	$ 5,208	$ 2,904
2	6,828	3,804
3	8,004	4,404
4	8,928	4,800
5	9,888	5,196
6	10,812	5,604
7	11,700	6,000
8	12,432	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 11H.1.(b) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

(1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

(2) Pregnant women with incomes equal to or less than one hundred ninety-six percent (196%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to

pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

(3) Infants under the age of one with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.

(4) Children aged one through five with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.

(5) Children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.

The Department of Health and Human Services, Division of Medical Assistance, shall also provide family planning services to men and women of childbearing age with family incomes equal to or less than one hundred ninety-five percent (195%) of the federal poverty guidelines and without regard to resources.

SECTION 11H.1.(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 11H.1.(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 11H.1.(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).

MEDICAID ANNUAL REPORT

SECTION 11H.2. The Department of Health and Human Services, Division of Medical Assistance (Division), shall continue the publication of the Medicaid Annual Report and accompanying tables. The Division shall publish the report and tables on its Web site no later than December 31 following each State fiscal year.

PROVIDER APPLICATION AND RECREDENTIALING FEE

SECTION 11H.3. Chapter 108C of the General Statutes is amended by adding a new section to read:

"**§ 108C-2.1. Provider application and recredentialing fee.**

(a) Each provider that submits an application to enroll in the Medicaid program shall submit an application fee. The application fee shall be the sum of the amount federally required and one hundred dollars ($100.00).

(b) The fee required under subsection (a) of this section shall be charged to all providers at recredentialing every five years."

ADMINISTRATIVE HEARINGS FUNDING

SECTION 11H.4. Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, for administrative contracts and interagency transfers, the Department of Health and Human Services (Department) shall transfer the sum of one million dollars ($1,000,000) for the 2017-2018 fiscal year and the sum of one million dollars ($1,000,000) for the 2018-2019 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. The 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 the OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 11H.5.(a) Receivables reserved at the end of the 2017-2018 and 2018-2019 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 11H.5.(b) For the 2017-2018 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred sixty-four million seven hundred thousand dollars ($164,700,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2018-2019 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred forty-nine million six hundred thousand dollars ($149,600,000) 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 that are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT

SECTION 11H.6. 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.

ANNUAL ISSUANCE OF MEDICAID IDENTIFICATION CARDS

SECTION 11H.7. The Department of Health and Human Services (Department) shall issue Medicaid identification cards to recipients on an annual basis with updates as needed. The Department shall adopt rules, or amend any current rules relating to Medicaid identification cards, to implement this section.

LME/MCO OUT-OF-NETWORK AGREEMENTS

SECTION 11H.8.(a) The Department of Health and Human Services (Department) shall continue to ensure that local management entities/managed care organizations (LME/MCOs) utilize an out-of-network agreement that contains standardized elements developed in consultation with LME/MCOs. The out-of-network agreement shall be a streamlined agreement between a single provider of behavioral health or intellectual/developmental disability (IDD) services and an LME/MCO to ensure access to care in accordance with 42 C.F.R. § 438.206(b)(4), reduce administrative burden on the provider, and comply with all requirements of State and federal laws and regulations. LME/MCOs shall use the out-of-network agreement in lieu of a comprehensive provider contract when all of the following conditions are met:

(1) The services requested are medically necessary and cannot be provided by an in-network provider.

(2) The behavioral health or IDD provider's site of service delivery is located outside of the geographical catchment area of the LME/MCO, and the LME/MCO is not accepting applications or the provider does not wish to apply for membership in the LME/MCO closed network.

(3) The behavioral health or IDD provider is not excluded from participation in the Medicaid program, the NC Health Choice program, or other State or federal health care program.

(4) The behavioral health or IDD provider is serving no more than two enrollees of the LME/MCO, unless the agreement is for inpatient hospitalization, in which case the LME/MCO may, but shall not be required to, enter into more than five such out-of-network agreements with a single hospital or health system in any 12-month period.

SECTION 11H.8.(b) Medicaid providers providing services pursuant to an out-of-network agreement shall be considered a network provider for purposes of Chapter 108D of the General Statutes only as it relates to enrollee grievances and appeals.

LME/MCO INTERGOVERNMENTAL TRANSFERS

SECTION 11H.10. The local management entities/managed care organizations (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human Services, Division of Medical Assistance (DMA), in an aggregate amount of seventeen million seven hundred thirty-six thousand nine hundred eighty-five dollars ($17,736,985) in the 2017-2018 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand two hundred seventeen dollars ($18,028,217) for the 2018-2019 fiscal year. The due date and frequency of the intergovernmental transfer required by this section shall be determined by DMA. The amount of the intergovernmental transfer that each individual LME/MCO is required to make in each fiscal year shall be as follows:

	2017-2018	**2018-2019**
Alliance Behavioral Healthcare	$2,994,703	$3,043,874
Cardinal Innovations Healthcare	$4,118,912	$4,186,543
Eastpointe	$2,011,858	$2,044,892
Partners Behavioral Health Management	$1,913,793	$1,945,216
Sandhills Center	$1,924,822	$1,956,427
Trillium Health Resources	$2,457,426	$2,497,775
Vaya Health	$2,315,471	$2,353,490

In the event that any county disengages from an LME/MCO and realigns with another LME/MCO during the 2017-2019 fiscal biennium, DMA shall have the authority to reallocate the amount of the intergovernmental transfer that each affected LME/MCO is required to make, taking into consideration the change in catchment area and covered population, provided that the aggregate amount of the transfers received from all LME/MCOs in each year of the fiscal biennium are achieved.

EXPAND NORTH CAROLINA INNOVATIONS WAIVER SLOTS

SECTION 11H.11. The Department of Health and Human Services, Division of Medical Assistance, shall amend the North Carolina Innovations waiver to increase the number of slots available under the waiver by 250 slots. These additional slots shall be made available on January 1, 2018.

INCREASE PERSONAL CARE SERVICES RATE

SECTION 11H.12. Beginning January 1, 2018, the Department of Health and Human Services, Division of Medical Assistance, shall increase to three dollars and ninety-four

cents ($3.94) the rate paid per 15-minute billing unit for personal care services provided pursuant to Clinical Coverage Policy 3L.

RETROACTIVE PERSONAL CARE SERVICES PAYMENT

SECTION 11H.12A.(a) The Department of Health and Human Services, Division of Medical Assistance, shall amend Section 5.5, Retroactive Prior Approval for PCS, of Clinical Coverage Policy 3L, State Plan Personal Care Services (PCS), to extend the allowable retroactive period for prior approvals for personal care services from 10 days to 30 days upon the same conditions that are currently required for retroactive prior approval of personal care services. This section shall not be construed to require Medicaid reimbursement for personal care services provided within the retroactive period in excess of the number of hours approved through the prior approval process.

SECTION 11H.12A.(b) This section becomes effective August 1, 2017, and applies to Requests for Independent Assessment for Personal Care Services Attestation for Medical Need forms received on or after that date.

GRADUATE MEDICAL EDUCATION MEDICAID REIMBURSEMENT

SECTION 11H.13.(a) Beginning July 1, 2017, the Department of Health and Human Services, Division of Medical Assistance, shall no longer be required to implement the prohibitions on reimbursement for Graduate Medical Education payments required by Section 12H.23 of S.L. 2015-241, as amended by Section 88 of S.L. 2015-264.

SECTION 11H.13.(b) No later than January 1, 2018, the Department of Health and Human Services, Division of Medical Assistance, shall report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division on any changes in spending or other actions taken that will result in lower overall appropriations needed for the 2017-2019 fiscal biennium.

PLAN TO IMPLEMENT COVERAGE FOR HOME VISITS FOR PREGNANT WOMEN AND FAMILIES WITH YOUNG CHILDREN

SECTION 11H.14.(a) It is the intent of the General Assembly to provide Medicaid and NC Health Choice coverage for evidence-based home visits for pregnant women and families with young children designed to improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness that are consistent with the model used by Nurse-Family Partnership. No later than July 1, 2018, the Department of Health and Human Services, Division of Medical Assistance (Department), shall begin providing Medicaid and NC Health Choice coverage for home visits statewide or through a pilot program.

The Department shall develop a plan to implement changes necessary to provide Medicaid and NC Health Choice coverage for home visits statewide or through a pilot program; however, consistent with G.S. 108A-54(e)(4), the Department is not authorized to make any changes to eligibility for the Medicaid or NC Health Choice programs. The plan shall detail the design and scope of coverage for the home visits for pregnant women and families with young children and include the identification of any State Plan Amendments or waivers that may be necessary to submit to the Centers for Medicare and Medicaid Services.

SECTION 11H.14.(b) No later than November 1, 2017, the Department shall submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division a report containing the following information:

(1) As required by subsection (a) of this section, a copy of the plan to provide, no later than July 1, 2018, Medicaid and NC Health Choice coverage for home visits statewide or through a pilot program.

(2) A detailed description of the coverage to be provided, including the proposed service definition, the home visit schedule, the scope of the covered service, and the anticipated reimbursement rate to be paid.
(3) An analysis of the total fiscal impact of adding Medicaid and NC Health Choice coverage for the home visits for pregnant women and families with young children. This shall include an outline of both costs and savings to the Medicaid and NC Health Choice programs, as well as any savings to other programs provided by the State.
(4) A description of how the Department intends to leverage any private funding that may be currently utilized to provide coverage for evidence-based home visits for pregnant women and families with young children.
(5) Whether the Department intends to add this coverage pursuant to its authority under G.S. 108A-54(e) or whether additional appropriations are required.
(6) Any plans to include pay-for-success initiatives as part of the Medicaid and NC Health Choice funding for the covered service.
(7) An anticipated time line for the implementation of the Department's plan and the submission of any necessary State Plan Amendments or waivers to the Centers for Medicare and Medicaid Services.

PLAN TO ESTABLISH MEDICAID COVERAGE FOR AMBULANCE TRANSPORTS TO ALTERNATIVE APPROPRIATE CARE LOCATIONS

SECTION 11H14A.(a) It is the intent of the General Assembly to provide opportunities to divert individuals in behavioral health crisis from hospital emergency departments to alternative appropriate care locations. Consistent with Option 1 outlined in the Department of Health and Human Services' (Department) March 1, 2015, legislative report entitled "Ambulance Transports to Crisis Centers," the Department shall design a plan for adding Medicaid coverage for ambulance transports of Medicaid recipients in behavioral health crisis to behavioral health clinics or other alternative appropriate care locations. The plan shall ensure the following:

(1) Medicaid reimbursement is contingent upon an Emergency Medical Services (EMS) System's ability to demonstrate its EMS providers have received appropriate education in caring for individuals in behavioral health crisis and that the EMS System has at least one partnership with a receiving facility that is able to provide care appropriate for those individuals.
(2) An EMS System shall be required to include in its EMS System Plan a report on patient experiences and outcomes in accordance with rules adopted by the Department of Health and Human Services, Division of Health Regulation, Office of Emergency Medical Services.

SECTION 11H14A.(b) No later than December 1, 2017, the Department shall report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice on the plan for adding Medicaid coverage for ambulance transports of Medicaid recipients in behavioral health crisis to behavioral health clinics or other alternative appropriate care locations. The report shall include the following:

(1) The proposed reimbursement methodology to be utilized.
(2) An analysis of the financial impact of adding the coverage, including any anticipated costs to the Medicaid program.
(3) Whether the Department intends to add this coverage pursuant to its authority under G.S. 108A-54(e) or whether additional appropriations are required.

(4) If the Department intends to add this coverage pursuant to its authority under G.S. 108A-54(e), a time line for submission of any State Plan amendments or any waivers necessary for implementation and expected implementation date.

NC TRACKS ENHANCEMENTS TO PREVENT AND DETECT FRAUD, WASTE, AND ABUSE

SECTION 11H.15. The Department of Health and Human Services (Department) shall enhance the capability of the NC Tracks Medicaid Management Information System (MMIS) to include the ability to detect and prevent fraud, waste, and abuse prior to the payment of claims. Program changes shall be made to MMIS to prevent claims payment to providers when fraud, waste, or abuse is identified. The new capability required by this subsection shall utilize publicly available data regarding Medicaid providers and recipients. For this new capability, the Department shall establish criteria for the identification of suspicious claims, suspicious patterns of activity, or both without preselecting providers or recipients for review. Claims or patterns of activity identified by this new capability shall be evaluated utilizing a combination of automated and manual processes to determine the validity of the suspected fraud, waste, or abuse prior to the issuance of any payment to the provider for the suspicious claims.

The new capability required by this subsection shall be implemented utilizing existing MMIS contracts no later than 210 days after this section becomes law. Nothing in this section shall be construed to change or limit any current laws or rules regarding prompt payment to providers or provider prepayment claims review.

DURATION OF MEDICAID AND NC HEALTH CHOICE PROGRAM MODIFICATIONS

SECTION 11H.16. Except for eligibility categories and income thresholds and except for statutory changes, the Department of Health and Human Services shall not be required to maintain, after June 30, 2019, any modifications to the Medicaid and NC Health Choice programs required by this Subpart.

MEDICAID TRANSFORMATION TECHNICAL AND CLARIFYING CHANGES

SECTION 11H.17.(a) Section 4 of S.L. 2015-245, as amended by Section 2(b) of S.L. 2016-121, reads as rewritten:

"**SECTION 4.** Structure of Delivery System. – The transformed Medicaid and NC Health Choice programs described in Section 1 of this act shall be organized according to the following principles and parameters:

…

(4) Services covered by PHPs. – Capitated PHP contracts shall cover all Medicaid and NC Health Choice services, including physical health services, prescription drugs, long-term services and supports, and behavioral health services for NC Health Choice recipients, except as otherwise provided in this subdivision. The capitated contracts required by this subdivision shall not cover:

…

d. ~~Audiology, speech therapy, occupational therapy, physical therapy, nursing, and psychological services prescribed~~Services documented in an Individualized Education Program (IEP) and ~~performed by schools or individuals contracted with~~provided or billed by Local Education Agencies.

e. Services provided ~~directly~~and billed by a Children's Developmental Services Agency (CDSA) ~~or by a provider under contract with a CDSA if the service is authorized through the CDSA and is~~that are included on the child's Individualized Family Service Plan.

…."

SECTION 11H.17.(b) G.S. 143B-216.80(b)(1) reads as rewritten:

"(1) Employees of the Division of Health Benefits shall not be subject to the North Carolina Human Resources Act, except as provided in ~~G.S. 126-5(c1)(31).~~G.S. 126-5(c1)(33)."

PREPAID HEALTH PLAN BID AND CONTRACT EXCLUSIONS

SECTION 11H.17A. Any health insurer or prepaid health plan that is in litigation, as of April 1, 2017, with the United States government that involves overbilling or otherwise defrauding the Medicare program, may not bid for and may not be granted a contract with the State as a prepaid health plan under the State's 1115 Demonstration Waiver submitted in accordance with S.L. 2015-245.

PREPAYMENT CLAIMS REVIEW MODIFICATIONS

SECTION 11H.19.(a) G.S. 108C-7 reads as rewritten:

"**§ 108C-7. Prepayment claims review.**

(a) In order to ensure that claims presented by a provider for payment by the Department meet the requirements of federal and State laws and regulations and medical necessity criteria, a provider may be required to undergo prepayment claims review by the Department. Grounds for being placed on prepayment claims review shall include, but shall not be limited to, receipt by the Department of credible allegations of fraud, identification of aberrant billing practices as a result of ~~investigations or~~ investigations, data analysis performed by the ~~Department~~ Department, the failure of the provider to timely respond to a request for documentation made by the Department or one of its authorized representatives, or other grounds as defined by the Department in rule.

(b) Providers shall not be entitled to payment prior to claims review by the Department. The Department shall notify the provider in writing of the decision and the process for submitting claims for prepayment claims ~~review no less than 20 calendar days prior to instituting prepayment claims~~ review. The written notice shall be deposited, first-class postage prepaid, in the United States mail and addressed to the most recent address given by the provider to the Department. The prepayment claims review shall be instituted no less than 20 calendar days from the date of the mailing of written notification. The notice shall contain all of the following:

…

(4) A specific list of all supporting documentation that the provider will need to submit ~~contemporaneously with the~~ to the prepayment review vendor for all claims that ~~will be~~ are subject to the prepayment claims review.

…

(d) The Department shall process all clean claims submitted for prepayment review within 20 calendar days of ~~submission by the provider~~ receipt of the supporting documentation for each claim by the prepayment review vendor. To be considered by the Department, the documentation submitted must be complete, legible, and clearly identify the provider to which the documentation applies. If the provider failed to provide any of the specifically requested supporting documentation necessary to process a claim pursuant to this section, the Department shall send to the provider written notification of the lacking or deficient documentation within 15 calendar days of ~~receipt of such claim~~ the due date of requested supporting documentation.

The Department shall have an additional 20 days to process a claim upon receipt of the documentation.

(e) The provider shall remain subject to the prepayment claims review process until the provider achieves three consecutive months with a minimum seventy percent (70%) clean claims ~~rate~~rate, provided that the number of claims submitted per month is no less than fifty percent (50%) of the provider's average monthly submission of Medicaid claims for the three-month period prior to the provider's placement on prepayment review. If a provider does not submit any claims following placement on prepayment review in any given month, then the claims accuracy rating shall be zero percent (0%) for each month in which no claims were submitted. If the provider does not meet ~~this standard~~ the seventy percent (70%) clean claims rate minimum requirement for three consecutive months within six months of being placed on prepayment claims review, the Department may implement sanctions, including termination of the applicable Medicaid Administrative Participation Agreement, or continuation of prepayment ~~review for an additional six-month period.~~review. The Department shall give adequate advance notice of any modification, suspension, or termination of the Medicaid Administrative Participation Agreement. ~~In no instance shall prepayment claims review continue longer than 12 months.~~

Prepayment claims review shall not continue longer than 24 consecutive months unless the Department has initiated the termination or other sanction of the provider and the provider has appealed that termination or sanction. If the Department has initiated the termination or other sanction of the provider and the provider has appealed that termination or sanction, then the provider shall remain on prepayment review until the final disposition of the Department's termination or other sanction of the provider.

(e1) Failure of a provider to meet the seventy percent (70%) clean claims rate minimum requirement may result in a termination action. A termination action taken shall reflect the failure of the provider to meet the seventy percent (70%) clean claims rate minimum requirement and shall result in exclusion of the provider from future participation in the Medicaid program. If a provider fails to meet the seventy percent (70%) clean claims rate minimum requirement and subsequently requests a voluntary termination, the termination shall reflect the provider's failure to successfully complete prepayment claims review and shall result in exclusion of the provider from future participation in the Medicaid program.

(e2) A provider shall not withhold claims to avoid the claims review process. Any claims for services provided during the period of prepayment review may still be subject to review prior to payment regardless of the date the claims are submitted and regardless of whether the provider has been taken off of prepayment review for any reason, including attaining a minimum of seventy percent (70%) clean claims rate for three consecutive months, the expiration of the 24-month time limit, or the termination of the provider.

(f) The decision to place or maintain a provider on prepayment claims review does not constitute a contested case under Chapter 150B of the General Statutes. A provider may not appeal or otherwise contest a decision of the Department to place or maintain a provider on prepayment review.

(g) If a provider elects to appeal the Department's decision to impose sanctions on the provider as a result of the prepayment review process to the Office of Administrative Hearings, then the provider shall have 45 days from the date that the appeal is filed to submit any documentation or records that address or challenge the findings of the prepayment review. The Department shall not review, and the administrative law judge shall not admit into evidence, any documentation or records submitted by the provider after the 45-day deadline. In order for a provider to meet its burden of proof under G.S. 108C-12(d) that a prior claim denial should be overturned, the provider must prove that (i) all required documentation was provided at the time the claim was submitted and was available for review by the prepayment review vendor and (ii) the claim should not have been denied at the time of the vendor's initial review."

SECTION 11H.19.(b) This section becomes effective October 1, 2017, and applies to providers who are placed on prepayment review on or after that date and written notices provided to providers on or after that date.

MEDICAID ELIGIBILITY DETERMINATION TIMELINESS REPORTING

SECTION 11H.21. Part 10 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-70.43. Reporting.**

No later than November 1 of each year, the Department shall submit a report for the prior fiscal year to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division containing the following information:

(1) The annual statewide percentage of Medicaid applications processed in a timely manner for the fiscal year.

(2) The statewide average number of days to process Medicaid applications for each month in the fiscal year.

(3) The annual percentage of Medicaid applications processed in a timely manner by each county department of social services for the fiscal year.

(4) The average number of days to process Medicaid applications for each month for each county department of social services.

(5) The number of months during the fiscal year that each county department of social services met the timely processing standards under G.S. 108A-70.38.

(6) The number of months during the fiscal year that each county department of social services failed to meet the timely processing standards under G.S. 108A-70.38.

(7) A description of all corrective action activities conducted by the Department and county departments of social services in accordance with G.S. 108A-70.36.

(8) A description of how the Department plans to assist county departments of social services in meeting timely processing standards for Medicaid applications, for every county in which the performance metrics for processing Medicaid applications in a timely manner do not show significant improvement compared to the previous fiscal year."

MEDICAID SUBROGATION RIGHTS CONFORMING CHANGES

SECTION 11H.23. If Section 202(b) of the Bipartisan Budget Act of 2013, P.L. 113-67, takes effect on October 1, 2017, as provided in Section 202(c) of that act, as amended by Section 211 of the Protecting Access to Medicare Act of 2014, P.L. 113-93, and Section 220 of the Medicare Access and CHIP Reauthorization Act of 2015, P.L. 114-10, then G.S. 108A-57 reads as rewritten:

"**§ 108A-57. Subrogation rights; withholding of information a misdemeanor.**

(a) As used in this section, the term "beneficiary" means (i) the beneficiary of medical assistance, including a minor beneficiary, (ii) the medical assistance beneficiary's parent, legal guardian, or personal representative, (iii) the medical assistance beneficiary's heirs, and (iv) the administrator or the executor of the medical assistance beneficiary's estate.

Notwithstanding any other provisions of the law, to the extent of payments under this Part, the State shall be subrogated to all rights of recovery, contractual or otherwise, of ~~the~~ a beneficiary ~~of this assistance, or of the beneficiary's personal representative, heirs, or the administrator or executor of the estate,~~ against any person. A personal injury or wrongful death claim brought by a ~~medical assistance~~ beneficiary against a third party shall include a claim for all medical assistance payments for health care items or services furnished to the ~~medical~~

~~assistance~~ beneficiary as a result of the injury, hereinafter referred to as the "Medicaid claim." Any personal injury or wrongful death claim brought by a ~~medical assistance~~ beneficiary against a third party that does not state the Medicaid claim shall be deemed to include the Medicaid claim.

(a1) ~~If the amount of the Medicaid claim does not exceed one-third of the medical assistance beneficiary's gross recovery, it is presumed that the gross recovery includes compensation for the full amount of the Medicaid claim. If the amount of the Medicaid claim exceeds one-third of the medical assistance beneficiary's gross recovery, it is presumed that one-third of the gross recovery represents compensation for the Medicaid claim.~~The Medicaid claim shall be a lien upon any recovery that a beneficiary obtains. The amount of the lien shall be equal to the total amount of the Medicaid claim but shall not exceed one-third of the gross amount of the recovery obtained.

If a beneficiary has claims against more than one third party related to the same injury, then the payment of the Medicaid lien on any individual recovery shall reduce the total balance of the Medicaid claim. The remaining balance of the Medicaid claim shall be applied as a lien on any subsequent recovery, provided that the lien on each recovery shall not exceed one-third of the gross amount of each recovery obtained.

~~(a2) A medical assistance beneficiary may dispute the presumptions established in subsection (a1) of this section by applying to the court in which the medical assistance beneficiary's claim against the third party is pending, or if there is none, then to a court of competent jurisdiction, for a determination of the portion of the beneficiary's gross recovery that represents compensation for the Medicaid claim. An application under this subsection shall be filed with the court and served on the Department pursuant to the Rules of Civil Procedure no later than 30 days after the date that the settlement agreement is executed by all parties and, if required, approved by the court, or in cases in which judgment has been entered, no later than 30 days after the date of entry of judgment. The court shall hold an evidentiary hearing no sooner than 30 days after the date the action was filed. All of the following shall apply to the court's determination under this subsection:~~

~~(1) The medical assistance beneficiary has the burden of proving by clear and convincing evidence that the portion of the beneficiary's gross recovery that represents compensation for the Medicaid claim is less than the portion presumed under subsection (a1) of this section.~~

~~(2) The presumption arising under subsection (a1) of this section is not rebutted solely by the fact that the medical assistance beneficiary was not able to recover the full amount of all claims.~~

~~(3) If the beneficiary meets its burden of rebutting the presumption arising under subsection (a1) of this section, then the court shall determine the portion of the recovery that represents compensation for the Medicaid claim and shall order the beneficiary to pay the amount so determined to the Department in accordance with subsection (a5) of this section. In making this determination, the court may consider any factors that it deems just and reasonable.~~

~~(4) If the beneficiary fails to rebut the presumption arising under subsection (a1) of this section, then the court shall order the beneficiary to pay the amount presumed pursuant to subsection (a1) of this section to the Department in accordance with subsection (a5) of this section.~~

~~(a3) Notwithstanding the presumption arising pursuant to subsection (a1) of this section, the medical assistance beneficiary and the Department may reach an agreement on the portion of the recovery that represents compensation for the Medicaid claim. If such an agreement is reached after an application has been filed pursuant to subsection (a2) of this section, a stipulation of dismissal of the application signed by both parties shall be filed with the court.~~

(a4) Within 30 days of receipt of the proceeds of a settlement or judgment related to a claim described in subsection (a) of this section, the ~~medical assistance~~ beneficiary or any attorney retained by the beneficiary shall notify the Department of the receipt of the proceeds.

(a5) ~~The medical assistance~~ Within 30 days of receipt of the proceeds of a settlement or judgment related to a claim described in subsection (a) of this section, a beneficiary or any attorney retained by the beneficiary ~~shall, out of the proceeds obtained by or on behalf of the beneficiary by settlement with, judgment against, or otherwise from a third party by reason of injury or death,~~ shall distribute to the Department ~~the amount due pursuant to this section as follows:~~an amount sufficient to fully satisfy the Department's Medicaid lien as provided in subsection (a1) of this section. The Department's right to payment under this subsection shall be a right to first recovery and shall not be prorated with or otherwise reduced by the claims of any other persons or entities having medical subrogation or medical liens against the amount received or recovered by the beneficiary.

~~(1) If, upon the expiration of the time for filing an application pursuant subsection (a2) of this section, no application has been filed, then the amount presumed pursuant to subsection (a1) of this section, as prorated with the claims of all others having medical subrogation rights or medical liens against the amount received or recovered, shall be paid to the Department within 30 days of the beneficiary's receipt of the proceeds, in the absence of an agreement pursuant to subsection (a3) of this section.~~

~~(2) If an application has been filed pursuant to subsection (a2) of this section and no agreement has been reached pursuant to subsection (a3) of this section, then the Department shall be paid as follows:~~

~~a. If the beneficiary rebuts the presumption arising under subsection (a1) of this section, then the amount determined by the court pursuant to subsection (a2) of this section, as prorated with the claims of all others having medical subrogation rights or medical liens against the amount received or recovered, shall be paid to the Department within 30 days of the entry of the court's order.~~

~~b. If the beneficiary fails to rebut the presumption arising under subsection (a1) of this section, then the amount presumed pursuant to subsection (a1) of this section, as prorated with the claims of all others having medical subrogation rights or medical liens against the amount received or recovered, shall be paid to the Department within 30 days of the entry of the court's order.~~

~~(3) If an agreement has been reached pursuant to subsection (a3) of this section, then the agreed amount, as prorated with the claims of all others having medical subrogation rights or medical liens against the amount received or recovered, shall be paid to the Department within 30 days of the execution of the agreement by the medical assistance beneficiary and the Department.~~

(a6) The United States and the State of North Carolina shall be entitled to shares in each net recovery by the Department under this section. Their shares shall be promptly paid under this section and their proportionate parts of such sum shall be determined in accordance with the matching formulas in use during the period for which assistance was paid to the recipient.

(b) It is a Class 1 misdemeanor for any person seeking or having obtained assistance under this ~~Part~~ Part, for ~~himself~~ himself or herself or ~~another~~ for another, to willfully fail to disclose to the county department of social services or its attorney and to the Department the identity of any person or organization against whom the recipient of assistance has a right of recovery, contractual or otherwise.

(c) This section applies to the administration of and claims payments made by the Department of Health and Human Services under the NC Health Choice Program established under Part 8 of this Article.

(d) As required to ensure compliance with this section, the Department may apply to the court in which the ~~medical assistance~~ beneficiary's claim against the third party is pending, or if there is none, then to a superior court of competent jurisdiction for enforcement of this section."

PROFESSIONAL SUPPLEMENTAL PAYMENT ASSESSMENT

SECTION 11H.24.(a) Notwithstanding any other provision of law, in order to continue the supply of well-trained clinicians who practice and provide access to high-quality care for Medicaid patients across the State, the Department of Health and Human Services (Department) shall amend the Medicaid State Plan, Attachment 4.19-B, Section 5, Pages 2 and 3, which pertains to supplemental payments, to replace the existing definition of "eligibled medical professional providers" under subsection (c)(2) so as to expand the eligible medical professionals to include those Medicaid-enrolled North Carolina physicians, advanced care practitioners, and other related professionals, who are employed or contracted by (i) State-operated schools of medicine, (ii) the University of North Carolina Health Care System, (iii) University Health Systems of Eastern Carolina, doing business as Vidant Health, (iv) any entity controlled by or under common control, including common operational control, with a hospital that qualifies to certify expenditures or a public hospital, (v) any entity controlled by or under common control, including common operational control, with a hospital that qualifies for Equity Enhanced Payments under the Medicaid State Plan, Attachment 4.19-B, Section 2, Pages 1a and 1b, or (vi) the faculty practice plan associated with Duke University. The Department shall further condition eligibility for contracted eligible professionals upon a demonstration that the contracts account for at least eighty percent (80%) of net professional fees from commercial payers or that the contracts address the overall financial risk of the professional's practice or group.

The Department shall submit the State Plan Amendment required by this subsection to the Centers for Medicare and Medicaid (CMS) no later than October 1, 2017. The Department shall not implement the requirements of this subsection until approval of the Medicaid State Plan Amendment required by this subsection is obtained from CMS.

SECTION 11H.24.(b) G.S. 108A-121 is rewritten to read:

"**§ 108A-121. Definitions.**

The following definitions apply in this Article:

(1) CMS. – Centers for Medicare and Medicaid Services.

(2) Critical access hospital. – Defined in 42 C.F.R. § 400.202.

(3) Department. – The Department of Health and Human Services.

(4) Equity assessment. – The assessment payable under G.S. 108A-123.

(5) Medicaid equity payment. – The amount required to be paid under G.S. 108A-124.

(5a) Professional supplemental payment. – The amount required to be paid under G.S. 108A-124.

(5b) Professional supplemental payment assessment. – The assessment payable under G.S. 108A-123.

(6) Public hospital. – A hospital that certifies its public expenditures to the Department pursuant to 42 C.F.R. § 433.51(b) during the fiscal year for which the assessment applies.

(7) Secretary. – The Secretary of Health and Human Services.

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

(9) Total hospital costs. – The costs as calculated using the most recent available Hospital Cost Report Information Systems cost report data, available through CMS, or other comparable data.
(10) Upper pay limit (UPL). – The maximum ceiling imposed by federal regulation on hospital Medicaid payments under 42 C.F.R. § 447.272 for inpatient services.
(11) UPL assessment. – The assessment payable under G.S. 108A-123.
(12) UPL gap. – The difference between the UPL attributable to hospital inpatient services and the reasonable costs of inpatient hospital services as defined in Section (f)(2)(A) on page 11 of Attachment 4.19-A of the State Medicaid Plan as approved on December 15, 2005.
(13) UPL payment. – The amount required to be paid under G.S. 108A-124."

SECTION 11H.24.(c) G.S. 108A-122 reads as rewritten:

"**§ 108A-122. ~~Assessment.~~Assessment Percentage.**

(a) Assessment Imposed. – Except as provided in this section, the assessments authorized under this Article are imposed as a percentage of total hospital costs on all licensed North Carolina hospitals. The assessments are due quarterly in the time and manner prescribed by the Secretary. Payment of an assessment is considered delinquent if not paid within seven days of the due date. With respect to any past-due assessment, the Department may withhold the unpaid amount from Medicaid payments otherwise due or impose a late-payment penalty. The Secretary may waive a penalty for good cause shown.

(b) Allowable Cost. – An assessment paid under this Article may be included as allowable costs of a hospital for purposes of any applicable Medicaid reimbursement formula; assessments paid under this Article shall be excluded from cost settlement. An assessment imposed under this Article may not be added as a surtax or assessment on a patient's bill.

(c) Full Exemption. – The following hospitals are exempt from both the equity assessment and the UPL assessment:

(1) State-owned and State-operated hospitals.
(2) The primary affiliated teaching hospital for each University of North Carolina medical school.
(3) Critical access hospitals.
(4) Long-term care hospitals.
(5) Freestanding psychiatric hospitals.
(6) Freestanding rehabilitation hospitals.

(d) Partial Equity Assessment Exemption. – A public hospital is exempt from the equity assessment.

(e) Partial Professional Supplemental Payment Assessment Exemption. – All of the following hospitals are exempt from the professional supplemental payment assessment:

(1) Critical access hospitals.
(2) Freestanding psychiatric hospitals.
(3) Freestanding rehabilitation hospitals.
(4) Hospitals owned by the University Health Systems of Eastern Carolina, doing business as Vidant Health.
(5) Hospitals owned by the University of North Carolina Health Care System.
(6) Long-term care hospitals.
(7) Public hospitals.
(8) State-owned and State-operated hospitals."

SECTION 11H.24.(d) G.S. 108A-123 reads as rewritten:

"**§ 108A-123. Assessment amount.**

(a) Annual Calculation. – The Secretary must annually calculate the equity assessment ~~amount and~~ amount, the UPL assessment ~~amount~~ amount, and the professional supplemental

payment assessment amount for each hospital subject to the respective assessment. Each assessment must comply with applicable federal regulations and may be prorated for any partial year.

The Secretary must notify each hospital that is assessed the amount of its individual UPL assessment amount and, if applicable, its individual equity assessment amount and its individual professional supplemental payment assessment. The notice must include all of the following:

(1) The applicable assessment rates.
(2) The hospital costs on which the hospital's assessments are based.
(3) The elements of the calculation of the hospital's UPL.

(b) Total Equity ~~Assessment.~~Assessment Amount. – The equity assessment consists of both inpatient and outpatient components. The equity assessment percentage rate must be calculated to produce an aggregate annual amount equal to the following:

(1) The amount needed ~~to make~~ for the nonfederal share of the Medicaid equity payments under G.S. 108-124.
(2) The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(c) Total UPL ~~Assessment.~~Assessment Amount. – The UPL assessment consists of both inpatient and outpatient components. The UPL assessment percentage rate must be calculated to produce an aggregate annual amount equal to the following:

(1) The amount needed ~~to make~~ for the nonfederal share of the UPL payments under G.S. 108A-124.
(2) The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(c1) Total Professional Supplemental Payment Assessment Amount. – The professional supplemental payment assessment consists of both inpatient and outpatient components. The professional supplemental payment assessment percentage rate must be calculated to produce an aggregate amount equal to the total of the following:

(1) The amount needed for the nonfederal share of the Medicaid professional supplemental payments under G.S.108A-124(b)(4)a.
(2) The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(d) State's Annual Medicaid Payment. – The first forty-three million dollars ($43,000,000) of the State's annual Medicaid payment must be allocated between the equity assessment and the UPL assessment based on the amount of gross payments received by hospitals under ~~G.S. 108A-124.~~G.S. 108A-124(b)(1) and G.S. 108A-124(b)(2). A portion of the State's annual Medicaid payment equal to twenty-eight and eighty-five hundredths percent (28.85%) of the amount needed under subdivision (1) of subsection (c1) of this section must be allocated to the professional supplemental payment assessment. The remaining portion of the State's annual Medicaid payment must be allocated to the UPL assessment.

(e) Appeal. – A hospital may appeal an assessment determination through a reconsideration review. The pendency of an appeal does not relieve a hospital from its obligation to pay an assessment amount when due."

SECTION 11H.24.(e) 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~~ payments, professional supplemental payments, and UPL payments to hospitals.

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

(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 (2) of this ~~subsection.~~subsection and any professional supplemental payments remitted to hospitals under sub-subdivision a. of subdivision (4) of this subsection.

(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.

~~(3) 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.~~

(4) Pay, for the respective quarter, twenty-five percent (25%) of the hospital's professional supplemental payment amount to the following hospitals:

a. Each hospital (i) that is a critical access hospital or a hospital that has paid the required professional supplemental payment assessment and (ii) that has eligible professionals.

b. Each hospital that is not a critical access hospital, that is exempt from payment of a professional supplemental payment assessment under G.S. 108A-122(e), and that has eligible professionals.

A professional supplemental payment amount is the amount calculated pursuant to the Medicaid State Plan.

(c) UPL Payment Amount. – The aggregate UPL payments made to eligible hospitals that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for these hospitals. UPL payments are payable to the individual hospitals in the ratio of each hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.

(d) Refund of Assessment. – If all or any part of a payment required to be made under this section is not made to one or more hospitals when due, the Secretary must promptly refund to each such hospital the corresponding assessment proceeds collected in proportion to the amount of assessment paid by that hospital."

SECTION 11H.24.(f) Article 7 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-129. Required intergovernmental transfers.**

Any hospital that (i) is not a critical access hospital, (ii) is exempt under G.S. 108A-122(e) from the professional supplemental payment assessment, and (iii) is eligible to receive a professional supplemental payment shall make an intergovernmental transfer to the Department in an amount equal to the nonfederal share of the amount needed to make the professional supplemental payment to that hospital."

SECTION 11H.24.(g) The Medicaid Retention Fund is established as a special fund in the Office of State Budget and Management. The Department of Health and Human Services, Division of Medicaid Assistance, shall transfer any receipts attributable to an increase in the State's annual Medicaid payment under G.S. 108A-121(8) resulting from the professional supplemental payment assessment under G.S. 108A-123(c1), as enacted by subsection (d) of this section, to the Medicaid Retention Fund.

SECTION 11H.24.(h) If the Department of Health and Human Services, Division of Medical Assistance (Department), has receipts resulting from the professional supplemental payment assessment under G.S. 108A-123(c1), as enacted by subsection (d) of this section, that are not required to be transferred to the Medicaid Retention Fund in accordance with subsection (g) of this section, then those receipts shall be used to make the professional supplement payments required under G.S. 108A-124, as amended by subsection (e) of section.

SECTION 11H.24.(i) Subsections (b) through (f) of this section are effective upon approval by the Centers for Medicare and Medicaid Services (CMS) of the Medicaid State Plan amendment required by subsection (a) of this section. The Secretary of the Department of Health and Human Services shall certify to the Revisor of Statutes that approval by CMS of the State Plan amendment has occurred and shall provide notice of State Plan amendment approval by posting the effective date of the change on its Web site. The remainder of this section becomes effective July 1, 2017.

STUDY PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY

SECTION 11H.25.(a) The Department of Health and Human Services, Division of Medical Assistance (Department), shall conduct a study of the efficacy of the Program of All-Inclusive Care for the Elderly (PACE). In conducting the study, the Department shall engage a variety of stakeholders, including existing PACE organizations, PACE consumers, and the general public. The study shall consist of the following:

(1) An evaluation of the existing program to include information on and an assessment of the following:
   a. An update on all of the information required to be reported on under Section 12H.34(b) of S.L. 2014-100.
   b. The structures of the various PACE organizations.
   c. Any clinical outcome or quality measures available for each PACE service or PACE organization.

(2) A statewide assessment of anticipated long-term care needs over the next 10 years, broken down by county.

(3) A review of PACE experiences in other states, including an analysis of costs and quality.

(4) An evaluation of State regulations placed upon PACE providers. The study shall include the identification of any regulations that could be eliminated in order to reduce cost or unnecessary duplication.

(5) An assessment of the role of PACE in the continuum of care, including opportunities to apply the PACE model to additional populations under the PACE Innovations Act of 2015, P.L. 114-85.

SECTION 11H.25.(b) No later than March 1, 2018, the Department shall submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice a report containing the information outlined in subsection (a) of this section, as well as any recommendations and proposed legislative changes that further the goal of providing the highest quality programs at a low cost to keep aging individuals in their homes.

SUBPART XI-I. DIVISION OF HEALTH BENEFITS

DIVISION OF HEALTH BENEFITS FEDERAL FUNDS

SECTION 11I.1. To the extent that the Department of Health and Human Services, Division of Health Benefits', net appropriations are made available as a result of increased federal receipts collected as federal match for the Division of Health Benefits' Medicaid transformation project expenditures, those net appropriations shall not be transferred or used for any other purpose and shall revert at the end of the 2017-2019 fiscal biennium.

SUBPART XI-J. MISCELLANEOUS

JOINT OVERSIGHT SUBCOMMITTEES ON MEDICAL EDUCATION PROGRAMS AND MEDICAL RESIDENCY PROGRAMS

SECTION 11J.2.(a) The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee shall each appoint a subcommittee to jointly examine the use of State funds to support medical education and medical residency programs. In conducting the study, the subcommittees shall examine at least all of the following:

(1) The health care needs of the State's residents and the State's goals in meeting those health care needs through the support and funding of medical education and medical residency programs located within the State.

(2) The short-term and long-term benefits to the State for allocating State funds to medical education and medical residency programs located within the State.

(3) Recommended changes and improvements to the State's current policies with respect to allocating State funds and providing other support to medical education programs and medical residency programs located within the State.

(4) Development of an evaluation protocol to be used by the State in determining (i) the particular medical education programs and medical residency programs to support with State funds and (ii) the amount of State funds to allocate to these programs.

(5) Any other relevant issues the subcommittees deem appropriate.

SECTION 11J.2.(b) The subcommittees may seek input from other states, stakeholders, and national experts on medical education programs, medical residency programs, and health care as it deems necessary.

SECTION 11J.2.(c) By February 1, 2018, the Department of Health and Human Services and The University of North Carolina shall provide the subcommittees the following information regarding State funds and other support provided by the State to medical education programs and medical residency programs located in North Carolina:

(1) The identity, location, and number of positions available in these medical education programs and medical residency programs, broken down by geographic area.

(2) The specific amount of State funds or the nature of any other support provided by the State to medical education programs and medical residency programs, broken down by program.

(3) The number of graduates of medical education programs and medical residency programs who are currently practicing in North Carolina, broken down by specialty areas in which North Carolina is experiencing a shortage, including:

a. Anesthesiology.
b. Neurology.
c. Neurosurgery.
c. Obstetrics/Gynecology.
d. Primary Care.
e. Psychiatry.
f. Surgery.
g. Urology.

h. Any other specialty areas determined by the Department of Health and Human Services or The University of North Carolina to be experiencing a shortage.

(4) The number of program graduates who practiced in North Carolina for at least five years after graduation.

(5) Any other information requested by the subcommittees.

SECTION 11J.2.(d) The subcommittees shall jointly develop a proposal for a statewide plan to support medical education programs and medical residency programs within North Carolina in a manner that maximizes the State's financial and other support of these programs and addresses the short-term and long-term health care needs of the State's residents. Each subcommittee shall submit a report to its respective oversight committee on or before March 15, 2018, at which time each subcommittee shall terminate.

SECTION 11J.2.(e) This section is effective when this act becomes law.

SUBPART XI-K. DIVISIONS OF VOCATIONAL REHABILITATION, SERVICES FOR THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF HEARING [RESERVED]

SUBPART XI-L. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 11L.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2019, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2017-2018	FY 2018-2019
Local Program Expenditures		
Division of Social Services		
01. Work First Family Assistance	$49,479,444	$49,479,444
02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
05. Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06. Child Welfare Program Improvement Plan	775,176	775,176
07. Child Welfare Collaborative	400,000	400,000
08. Child Welfare Initiatives	1,400,000	1,400,000
Division of Child Development and Early Education		

09. Subsidized Child Care Program	53,605,680	58,112,735
10. NC Pre-K Services	6,000,000	12,200,000
10A. Swap Child Care Subsidy	392,420	294,697
Division of Public Health		
11. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
DHHS Administration		
12. Division of Social Services	2,482,260	2,482,260
13. Office of the Secretary	34,042	34,042
14. Eligibility Systems – Operations and Maintenance	2,908,598	2,765,192
15. NC FAST Implementation	48,495	875,264
Transfers to Other Block Grants		
Division of Child Development and Early Education		
16. Transfer to the Child Care and Development Fund	71,773,001	71,773,001
Division of Social Services		
17. Transfer to Social Services Block Grant for Child Protective Services – Training	1,300,000	1,300,000
18. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
19. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	7,500,000	7,500,000
20. Transfer to Social Services Block Grant – Foster Care Services	1,385,152	1,385,152
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$301,385,315**	**$312,678,010**
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		

Local Program Expenditures		
Division of Child Development and Early Education		
01. Subsidized Child Care	$28,600,000	$28,600,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$28,600,000**	**$28,600,000**
SOCIAL SERVICES BLOCK GRANT		
Local Program Expenditures		
Divisions of Social Services and Aging and Adult Services		
01. County Departments of Social Services (Transfer From TANF $7,500,000)	$32,971,498	$33,003,632
02. EBCI Tribal Public Health and Human Services	244,740	244,740
03. Child Protective Services (Transfer From TANF)	5,040,000	5,040,000
04. State In-Home Services Fund	1,943,950	1,943,950
05. Adult Protective Services	1,245,363	1,245,363
06. State Adult Day Care Fund	1,994,084	1,994,084
07. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	901,868	901,868
08. Special Children Adoption Incentive Fund	462,600	462,600
09. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF)	1,300,000	1,300,000
10. Child Protective Services – Child Welfare Training for Counties	737,067	737,067
11. Home and Community Care Block Grant (HCCBG)	1,696,888	1,696,888
12. Child Advocacy Centers	582,000	582,000
13. Guardianship – Division of Social Services	815,362	815,362
14. Foster Care Services		

(Transfer From TANF)	1,385,152	1,385,152
Division of Central Management and Support		
15. DHHS Competitive Block Grants for Nonprofits	4,202,500	4,202,500
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
16. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,563,078	4,530,944
DHHS Program Expenditures		
Division of Services for the Blind		
17. Independent Living Program	3,361,323	3,361,323
Division of Health Service Regulation		
18. Adult Care Licensure Program	381,087	381,087
19. Mental Health Licensure and Certification Program	190,284	190,284
Division of Aging and Adult Services		
20. Guardianship	3,766,119	3,766,119
DHHS Administration		
21. Division of Aging and Adult Services	577,745	577,745
22. Division of Social Services	634,680	634,680
23. Office of the Secretary/Controller's Office	127,731	127,731
24. Legislative Increases/Fringe Benefits	236,278	236,278
25. Division of Child Development and Early Education	13,878	13,878
26. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446	27,446
27. Division of Health Service Regulation	118,946	118,946
TOTAL SOCIAL SERVICES BLOCK GRANT	**$69,521,667**	**$69,521,667**
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		

Local Program Expenditures		
Division of Social Services		
01. Low-Income Energy Assistance Program (LIEAP)	$36,402,610	$35,419,272
02. Crisis Intervention Program (CIP)	36,402,610	35,419,272
Local Administration		
Division of Social Services		
03. County DSS Administration	5,978,512	5,817,014
DHHS Administration		
Division of Central Management and Support		
04. Division of Social Services	10,000	10,000
05. Office of the Secretary/DIRM	252,603	128,954
06. Office of the Secretary/Controller's Office	18,378	18,378
07. NC FAST Development	139,991	2,468,390
08. NC FAST Operations and Maintenance	2,135,701	2,539,033
Transfers to Other State Agencies		
Department of Environmental Quality		
09. Weatherization Program	10,716,043	10,426,573
10. Heating Air Repair and Replacement Program (HARRP)	5,701,752	5,547,732
11. Local Residential Energy Efficiency Service Providers – Weatherization	439,982	428,097
12. Local Residential Energy Efficiency Service Providers – HARRP	234,105	227,781
13. DENR – Weatherization Administration	439,982	428,097
14. DENR – HARRP Administration	234,105	227,781
Department of Administration		

15. N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT	**$99,194,110**	**$99,194,110**
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development and Early Education		
01. Child Care Services (Smart Start $7,000,000)	$152,923,849	$152,416,794
02. Transfer from TANF Block Grant for Child Care Subsidies	71,773,001	71,773,001
03. Quality and Availability Initiatives (TEACH Program $3,800,000)	45,761,678	45,761,678
DHHS Administration		
Division of Child Development and Early Education		
04. DCDEE Administrative Expenses	9,042,159	8,929,324
Division of Social Services		
05. Local Subsidized Child Care Services Support	16,436,361	16,436,361
06. Direct Deposit for Child Care Payments	505,100	505,100
Division of Central Management and Support		
07. NC FAST Development	24,237	427,865
08. NC FAST Operations and Maintenance	2,758,389	2,581,225
09. DHHS Central Administration – DIRM Technical Services	645,162	645,162
10. Central Regional Maintenance	287,854	287,854
11. DHHS Central Administration	7,346	7,346
Division of Public Health		
12. Child Care Health Consultation Contracts	62,205	62,205
TOTAL CHILD CARE AND DEVELOPMENT		

FUND BLOCK GRANT	**$300,227,341**	**$299,833,915**
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Mental Health Services – Child	$3,619,833	$3,619,833
02. Mental Health Services – Adult/Child	10,967,792	10,967,792
03. Crisis Solutions Initiative – Critical Time Intervention	750,000	750,000
04. Mental Health Services – First Psychotic Symptom Treatment	1,430,851	1,430,851
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
05. Administration	200,000	200,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	**$16,968,476**	**$16,968,476**
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
01. Substance Abuse – HIV and IV Drug	$3,919,723	$3,919,723
02. Substance Abuse Prevention	8,998,382	8,998,382
03. Substance Abuse Services – Treatment for Children/Adults (Medication-Assisted Opioid Use Disorder Treatment Pilot Program $500,000; First Step Farm of WNC, Inc. $100,000)	27,722,717	27,621,286
04. Crisis Solutions Initiatives – Walk-In Crisis Centers	420,000	420,000
05. Crisis Solutions Initiatives – Collegiate Wellness/Addiction Recovery	1,085,000	1,085,000
06. Crisis Solutions Initiatives – Community Paramedic Mobile Crisis Management	60,000	60,000
07. Crisis Solutions Initiatives – Innovative		

Technologies	41,000	41,000
DHHS Program Expenditures		
Division of Central Management and Support		
08. Competitive Block Grant	1,600,000	1,600,000
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
09. Administration	454,000	454,000
10. Controlled Substance Reporting System Enhancement	326,224	427,655
Division of Public Health		
11. HIV Testing for Individuals in Substance Abuse Treatment	965,949	965,949
Transfers to Other State Agencies		
Department of Military and Veterans Affairs		
12. Crisis Solutions Initiative – Veteran's Crisis	250,000	250,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	**$45,842,995**	**$45,842,995**
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01. Women and Children's Health Services (Safe Sleep Campaign $45,000; Sickle Cell Centers $100,000; Prevent Blindness $575,000; March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; 17P Project $52,000; Nurse-Family Partnership $550,000; Carolina Pregnancy Care Fellowship $400,000; Perinatal & Neonatal Outreach Coordinator Contracts $440,000)	$14,002,435	$14,002,435
02. Oral Health	48,227	48,227
03. Evidence-Based Programs in Counties With Highest Infant Mortality Rates	1,575,000	1,575,000

DHHS Program Expenditures		
04. Children's Health Services	1,427,323	1,427,323
05. Women's Health – Maternal Health	169,864	169,864
06. Women and Children's Health – Perinatal Strategic Plan Support Position	68,245	68,245
07. State Center for Health Statistics	158,583	158,583
08. Health Promotion – Injury and Violence Prevention	87,271	87,271
DHHS Administration		
09. Division of Public Health Administration	552,571	552,571
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	**$18,089,519**	**$18,089,519**
PREVENTIVE HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Physical Activity and Prevention	$3,545,093	$3,545,093
02. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	180,778	180,778
DHHS Program Expenditures		
Division of Public Health		
03. HIV/STD Prevention and Community Planning	145,819	145,819
04. Oral Health Preventive Services	451,809	451,809
05. Laboratory Services – Testing, Training, and Consultation	21,012	21,012
06. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	192,315	192,315
07. State Laboratory Services – Testing, Training, and Consultation	199,634	199,634
08. Performance Improvement and Accountability	1,104,455	1,104,455

09. State Center for Health Statistics	107,291	107,291
DHHS Administration		
Division of Public Health		
10. Division of Public Health	172,820	172,820
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	**$6,121,026**	**$6,121,026**
COMMUNITY SERVICES BLOCK GRANT		
01. Community Action Agencies	$24,187,142	$24,187,142
02. Limited Purpose Agencies	1,343,730	1,343,730
03. Office of Economic Opportunity	1,343,730	1,343,730
TOTAL COMMUNITY SERVICES BLOCK GRANT	**$26,874,602**	**$26,874,602**

GENERAL PROVISIONS

SECTION 11L.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
(2) A delineation of the proposed State and local administrative expenditures.
(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
(5) A projection of current year expenditures by program or activity.
(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 11L.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall develop a plan to adjust the Block Grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for fiscal years 2017-2018 and 2018-2019, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for four-year-old children and shall not be used to supplant State funds.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SECTION 11L.1.(d) Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2019, according to the schedule enacted for State fiscal years 2017-2018 and 2018-2019 or until a new schedule is enacted by the General Assembly.

SECTION 11L.1.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Oversight Committee on Health and Human Services for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

SECTION 11L.1.(f) Except as otherwise provided, the Department of Health and Human Services shall have flexibility to transfer funding between the Temporary Assistance for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant so long as the total allocation for the line items within those block grants remains the same.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 11L.1.(g) The sum of eighty million ninety-three thousand five hundred sixty-six dollars ($80,093,566) for each year of the 2017-2019 fiscal biennium appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures. The Division shall also have the authority to realign appropriated funds from Work First Family Assistance for electing counties to the Work First County Block Grant for electing counties based on current year expenditures so long as the electing counties meet Maintenance of Effort requirements.

SECTION 11L.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 fiscal year of the 2017-2019 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 2017-2018 and 2018-2019 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 11L.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 fiscal year of the 2017-2019 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 11L.1.(j) The sum of one million four hundred thousand dollars ($1,400,000) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for each fiscal year of the 2017-2019 fiscal biennium shall be used for child welfare initiatives to (i) enhance the skills of social workers to improve the outcomes for families and children involved in child welfare and (ii) enhance the provision of services to families in their homes in the least restrictive setting.

SOCIAL SERVICES BLOCK GRANT

SECTION 11L.1.(k) The sum of thirty-two million nine hundred seventy-one thousand four hundred ninety-eight dollars ($32,971,498) for the 2017-2018 fiscal year and the sum of thirty-three million three thousand six hundred thirty-two dollars ($33,003,632) for the 2018-2019 fiscal year appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for county block grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds, as well as State Social Services Block Grant funds, among the State-level services based on current year actual expenditures.

Of the funds appropriated in this subsection for each year of the 2017-2019 fiscal biennium for county block grants, three million dollars ($3,000,000) shall be used to assist counties in the implementation of Project 4, Child Services, in North Carolina Families Accessing Services Through Technology (NC FAST). These funds shall be available in each fiscal year of the fiscal biennium for this purpose.

SECTION 11L.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 fiscal year of the 2017-2019 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 11L.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 11L.1.(n) Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

SECTION 11L.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 fiscal year of the 2017-2019 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county governments to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 11L.1.(p) The sum of four million two hundred two thousand five hundred dollars ($4,202,500) for each year of the 2017-2019 fiscal biennium appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services (DHHS), Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 11A.14 of this act. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 11L.1.(q) The sum of five hundred eighty-two thousand dollars ($582,000) appropriated in this section in the Social Services Block Grant for each fiscal year of the 2017-2019 fiscal biennium to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers, and the funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 11L.1.(r) The sum of three million seven hundred sixty-six thousand one hundred nineteen dollars ($3,766,119) for each fiscal year of the 2017-2019 fiscal biennium appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support existing corporate guardianship contracts during the 2017-2018 and 2018-2019 fiscal years.

SECTION 11L.1.(s) The sum of seven hundred thirty-seven thousand sixty-seven dollars ($737,067) appropriated in this section in the Social Services Block Grant for each fiscal year of the 2017-2019 fiscal biennium shall be allocated to the Department of Health and Human Services, Division of Social Services. These funds shall be used to assist with training needs for county child welfare training staff and shall not be used to supplant any other source of funding for staff. County departments of social services are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 11L.1.(t) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services. Additional funds received shall be reported to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Oversight Committee on Health and Human Services.

SECTION 11L.1.(u) The sum of thirty-six million four hundred two thousand six hundred ten dollars ($36,402,610) for the 2017-2018 fiscal year and the sum of thirty-five million four hundred nineteen thousand two hundred seventy-two dollars ($35,419,272) for the 2018-2019 fiscal year appropriated in this section in the Low-Income Energy Assistance Block

Grant to the Department of Health and Human Services, Division of Social Services, shall be used for Energy Assistance Payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

(1) Ensure that eligible households are made aware of the available assistance, with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services.

(2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.

(3) Be approved by the local board of social services or human services board prior to submission.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 11L.1.(v) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development and Early Education for the subsidized child care program.

SECTION 11L.1.(w) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 11L.1.(x) The sum of one million four hundred thirty thousand eight hundred fifty-one dollars ($1,430,851) appropriated in this section in the Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom Treatment. The Division shall report on (i) the specific evidence-based treatment and services provided, (ii) the number of persons treated, and (iii) the measured outcomes or impact on the participants served. The Division shall report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31 of each year.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 11L.1.(y) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal biennium shall be allocated to the Department of Military and Veterans Affairs, for the call-in center established to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the Department of Military and Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

SECTION 11L.1.(z) The sum of five hundred thousand dollars ($500,000) allocated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal biennium shall be used for a medication-assisted opioid use disorder treatment pilot program.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 11L.1.(aa) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2017-2018 fiscal year or the 2018-2019 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 11L.1.(bb) The sum of one million five hundred seventy-five thousand dollars ($1,575,000) appropriated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each fiscal year of the 2017-2019 fiscal biennium shall be used for evidence-based programs in counties with the highest infant mortality rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the specific evidence-based services provided, (iii) the number of women served, and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31 of each year.

SECTION 11L.1.(cc) No more than fifteen percent (15%) of the funds provided in this section in the Maternal and Child Health Block Grant to Carolina Pregnancy Care Fellowship shall be used for administrative purposes. The balance of those funds shall be used for direct services.

SECTION 11L.1.(dd) The sum of sixty-eight thousand two hundred forty-five dollars ($68,245) allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, Women and Children's Health Section, for each fiscal year of the 2017-2019 fiscal biennium shall not be used to supplant existing State or federal funds. This allocation shall be used for a Public Health Program Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic Plan and provide staff support for the stakeholder work group.

SECTION 11L.1.(ee) The sum of one hundred thousand dollars ($100,000) allocated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Division of Public Health, for each year of the 2017-2019 fiscal biennium for community-based sickle cell centers shall not be used to supplant existing State or federal funds.

PART XII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

ELIMINATE PESTICIDE ADVISORY COMMITTEE

SECTION 12.1.(a) Effective July 1, 2017, the Pesticide Advisory Committee is abolished, and all records, property, and unexpended balances of funds of the Committee are transferred to the Structural Pest Control and Pesticides Division of the Department of Agriculture and Consumer Services.

SECTION 12.1.(b) G.S. 143-439 and subdivision (6) of G.S. 143-460 are repealed.

KEEP LINVILLE RIVER NURSERY OPEN

SECTION 12.4. The North Carolina Forest Service shall continue operations at the Linville River Nursery in Avery County during the 2017-2019 fiscal biennium and shall not close the nursery without authorization from the General Assembly.

HEALTHY FOOD/SMALL RETAILER

SECTION 12.5.(a) The funds appropriated by this act for the Healthy Food/Small Retailer program shall be used to continue a program to reimburse small food retailers for expenditures related to enhancing access to healthy foods in areas that qualify as food desert zones according to the Economic Research Service of the United States Department of Agriculture. For the purposes of this section, a small food retailer is defined as a business that is a small retail outlet, including corner stores, convenience stores, cooperatives, and bodegas, of no more than 3,000 heated square feet that sells a limited selection of foods and other products. Funds may be used to reimburse small food retailers for the purchase and installation of refrigeration equipment, display shelving, and other equipment necessary for stocking nutrient-dense foods, including fresh vegetables and fruits, whole grains, nuts, seeds, beans and legumes, low-fat dairy products, lean meats, and seafood.

SECTION 12.5.(b) The Department may reimburse up to twenty-five thousand dollars ($25,000) to each eligible small food retailer. Small food retailers receiving moneys from the program shall accept or agree to accept Supplemental Nutrition Assistance Program benefits and shall accept or agree to apply to accept Special Supplemental Nutrition Program for Women, Infants, and Children benefits. The Department shall establish guidelines for application and receipt of funding for small food retailers to ensure that the funds shall be used to enhance and advertise the availability of nutrient-dense foods. The Department shall assist the small food retailer in identifying suppliers of nutrient-dense foods and in developing a strategy to encourage the sale of nutrient-dense foods to customers.

SECTION 12.5.(c) On or before October 1, 2018, the Department shall report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on the activities, number of small food retailers receiving reimbursement, how the funds were used by the small food retailers, and the gross amount of nutrient-dense food, in dollars, sold to customers by participating small food retailers.

BEEHIVE GRANT FUND

SECTION 12.6. Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 55A.

"Beehive Grants.

"**§ 106-650. Beehive Grant Fund.**

(a) Establishment. – The North Carolina Beehive Grant Fund is established as a special fund in the Department of Agriculture and Consumer Services. The Department is responsible for administering the Fund using personnel and other administrative resources of the Agricultural Development and Farmland Preservation Trust Fund program. The Fund may receive funds appropriated by the General Assembly and any gifts, grants, or donations from any public or private sources.

(b) Purposes. – Funds in the North Carolina Beehive Grant Fund shall be used, as available, to encourage the establishment of new beehives in the State. Grants from the Fund shall be made upon application to the Beehive Grant Program as set forth in G.S. 106-651.

"**§ 106-651. Beehive Grant Program.**

(a) Definitions. – The definitions in G.S. 105-164.3 and the following definitions apply in this Article:

(1) Eligible activity. – Any of the following:

a. The purchase of a new hive for bees.

b. The purchase of materials or supplies to be used for the construction of a new hive for bees.

(2) Eligible beekeeper. – A resident of the State who meets the following requirements:

a. The person is at least 18 years of age.

b. The person is a Certified Beekeeper as determined by the North Carolina State Beekeepers Association at the time of filing of the grant application.

(3) Fund. – The Beehive Grant Fund established by G.S. 106-650.

(b) Grants. – Any eligible beekeeper may apply for a grant from the Fund for an eligible activity. The Department shall specify the form and contents of the application, including procedures for the submission of applications electronically. The Board may establish a fee for grant applicants to recover the reasonable costs of reviewing and processing applications. Grants shall be limited to two hundred dollars ($200.00) per new hive, up to a maximum grant of two thousand four hundred dollars ($2,400) per grant recipient in any year, and shall be issued in the order that each completed eligible application is received. In the event that the amount of eligible grants requested in a fiscal year exceeds the funds available in the Fund, the grants shall be paid in the next fiscal year in which funds are available.

(c) Rule making. – The Board may issue rules to implement the requirements of this Article."

NEW MARKET OPPORTUNITIES FOR FARMERS

SECTION 12.7.(a) Notwithstanding any other provision of law to the contrary, the nonrecurring funds appropriated to the Marketing Division of the Department of Agriculture and Consumer Services for new market opportunities in the 2016-2017 fiscal year shall carry forward to the 2017-2018 fiscal year.

SECTION 12.7.(b) The funds available to the Marketing Division of the Department of Agriculture and Consumer Services for new market opportunities shall be used to identify new market opportunities for agricultural and silvicultural producers related to products that producers currently hold, produce, or are capable of producing. The funds are available for activities including identifying new markets and barriers to market entry; catalyzing efforts to accelerate and ease market participation; utilizing relevant agricultural, forestry, and stakeholder networks; and creating mechanisms to ensure quality assurance for products and service providers.

PART XIII. DEPARTMENT OF ENVIRONMENTAL QUALITY

I & M AIR POLLUTION CONTROL ACCOUNT

SECTION 13.1. G.S. 143-215.3A(b1) reads as rewritten:

"(b1) The I & M Air Pollution Control Account is established as a nonreverting account within the Department. Fees transferred to the Division of Air Quality of the Department pursuant to G.S. 20-183.7(c) shall be credited to the I & M Air Pollution Control Account and shall be applied to ~~the costs of developing and implementing an air pollution control program for mobile sources.~~administering the air quality program."

VOLKSWAGEN SETTLEMENT FUNDS

SECTION 13.2.(a) In developing the "Beneficiary Mitigation Plan" (Plan) as mandated in the procedures for distribution of the State's share of the environmental mitigation trust established in the consent decree resolving the case *In Re: Volkswagen "Clean Diesel" Marketing, Sales Practices, and Products Liability Litigation*, Civil Case No. 3:15-md-02672 in the United States District Court for the Northern District of California, the agency designated by the Governor as the lead agency under the procedures set forth in the trust agreement shall consult with the Department of Transportation and other interested State agencies in the formulation of the Plan. In addition, the lead agency shall consider the following parameters when setting priorities and evaluating proposals for expenditure of the funds:

(1) The degree to which expenditures in an eligible funding category will attract new employers to the State or will encourage job growth from existing employers.

(2) The benefits to small businesses from the categories of expenditures proposed in the Plan.

(3) The extent to which expenditures of funds under the Plan for replacement or repowering of vehicles shall result in the use of new diesel or alternate fueled vehicles, engines, and parts that are manufactured or assembled in this State.

(4) The importance of reducing emissions from operation of transportation infrastructure through the repowering or replacement of State-owned modes of transportation.

SECTION 13.2.(b) As set forth in G.S. 114-2.4A(f), no funds may be expended under the Plan until the lead agency has submitted the Plan to the Joint Legislative Commission on Governmental Operations, the chairs of the House and Senate Appropriations Committees, and the Fiscal Research Division and the General Assembly has appropriated the funds. The lead agency designated by the Governor shall revise and resubmit the Plan to the trustee following the procedures set forth in the trust agreement to be consistent with the appropriation.

PRE-REGULATORY LANDFILL OWNER-LED CLEANUP

SECTION 13.4.(a) G.S. 130A-310.6 reads as rewritten:

"**§ 130A-310.6. State action upon default of responsible parties or when no responsible party can be located.**

…

(c) The Secretary shall use funds allocated to the Department under ~~G.S. 130A-295.9(1)~~ G.S. 130A-295.9 to assess pre-1983 landfills, to determine the priority for remediation of pre-1983 landfills, and to develop and implement a remedial action plan for each pre-1983 landfill that requires remediation. Environmental and human health risks posed by a pre-1983 landfill may be mitigated using a risk-based approach for assessment and remediation.

(c1) The Secretary shall develop a program to permit owners of property containing a pre-1983 landfill to undertake site assessment and risk-based remediation and development of a remedial action plan without regard to the priority of the landfill established under subsection (c) of this section if the owner complies with all of the following requirements:

(1) Assessment and remediation activities at the site (i) evaluate and address all on-site and off-site risks and (ii) are conducted under work plans that are timely reviewed and approved by the Department.

(2) The property owner provides financial assurance for any future impacts. The Department shall set the financial assurance requirement in a reasonable manner based on the information on current site conditions and historical disposal records or other information provided by the property owner.

(3) In cases where the property owner is not a potentially responsible party, the property owner signs an assumption of liability agreement agreeing to accept

all liability for potential on-site and off-site impacts caused by the pre-1983 landfill. Property owners assuming liability under this section shall retain the cost recovery liability protections provided by subsection (d) of this section if they comply with all requirements of this subsection.

…."

SECTION 13.4.(b) The Department may issue temporary and permanent rules to implement this section.

SECTION 13.4.(c) The Department shall provide an interim report on its implementation of this section no later than April 1, 2018, and recurring updates on February 1 of each subsequent year until the Department has issued either a final guidance document or final rules implementing this section. The reports shall be submitted to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division.

STUDY SOLID WASTE DISPOSAL TAX

SECTION 13.5. The Environmental Review Commission shall study North Carolina's solid waste disposal tax imposed under Article 5G of Chapter 105 of the General Statutes. In conducting this study, the Commission shall examine (i) a detailed history of the annual revenue generated from the tax and its distribution over time to the Department of Environmental Quality and local governments; (ii) a detailed history of expenditures by the Department of Environmental Quality and by local governments of tax proceeds received to date, including to whom and for what purposes the expenditures were made; (iii) all work completed by the Department of Environmental Quality using proceeds of the tax, including detailed information on the location of sites at which work was performed and a summary of the status of the sites; (iv) plans for future work to be conducted by the Department of Environmental Quality using proceeds of the tax, including detailed information on sites to be addressed and proposed schedules for work; (v) the current balance of the Inactive Hazardous Sites Cleanup Fund; and (vi) any other issue the Commission deems relevant. The Environmental Review Commission shall report its findings and recommendations, including any legislative proposals, to the 2018 Regular Session of the 2017 General Assembly upon its convening.

STUDY EROSION AND SEDIMENT CONTROL/NPDES STORMWATER MERGER

SECTION 13.6. The Department of Environmental Quality shall study the abolishment of the Sedimentation Control Commission and transfer of duties to the Environmental Management Commission and a subsequent combination of the Sedimentation and Erosion Control permitting program with the Department's NPDES Stormwater permitting program. In its report, the Department shall set forth the potential cost savings from abolishing the Sedimentation Control Commission and the program merger, any positive or negative impacts on ease of environmental permitting and permit processing and issuance times, and any other impacts on each program and on the workload of the Environmental Management Commission. The Department shall provide its report no later than April 1, 2018, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division.

STUDY ACQUISITION OF DEDICATED DREDGING CAPACITY

SECTION 13.8.(a) The Division of Water Resources of the Department of Environmental Quality shall study the feasibility and cost-effectiveness of the acquisition by the State of North Carolina of one or more dredges. The study shall include all of the following:

(1) The capital and annual operating costs of one or more dredges.

(2) The expected level of utilization of one or more State-owned dredges and opportunities for defraying operating expenses by the sale of dredging services to other states, the federal government, and private parties.

(3) Options for minimizing costs and increasing cost-effectiveness, including an evaluation of public-private partnerships and shared ownership arrangements with neighboring states or the United States Army Corps of Engineers.

SECTION 13.8.(b) The Department shall provide its study and any recommendations for fiscal or legislative actions no later than April 1, 2018, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division.

WATER INFRASTRUCTURE STATE MATCH SURPLUS FUNDS

SECTION 13.10. Notwithstanding G.S. 159G-22, funds appropriated in this act to the Division of Water Infrastructure for the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund to provide State matching funds that are in excess of the amount required to draw down the maximum amount of federal capitalization grant funds may be used for State water and wastewater infrastructure grants awarded from the Wastewater Reserve and the Drinking Water Reserve that benefit rural and economically distressed areas of the State.

COASTAL STORM DAMAGE PREVENTION FUND

SECTION 13.11. Article 21 of Chapter 143 of the General Statutes is amended by adding a new Part to read:

"Part 8D. Coastal Storm Damage Prevention.

"**§ 143-215.73M. Coastal Storm Damage Prevention Fund.**

(a) Fund Established. – The Coastal Storm Damage Prevention Fund is established as a special revenue fund. The Fund consists of General Fund appropriations, gifts, grants, devises, monies contributed by a non-State entity for a particular beach nourishment or damage prevention project or group of projects, and any other revenues specifically allocated to the Fund by an act of the General Assembly.

(b) Uses of the Fund. – Revenue credited to the Fund may only be used for costs associated with beach nourishment, artificial dunes, and other projects to prevent or remediate coastal storm damage to the ocean beaches and dune systems of the State. The Fund shall not be used for any project to construct, repair, or maintain a terminal groin or other permanent erosion control structure. For purposes of this subsection, "erosion control structure" shall have the definition set forth in G.S. 113A-115.1(a).

(c) Conditions on Funding. – Any project funded by revenue from the Fund shall be cost shared with non-State dollars as follows:

(1) The cost share for projects located, in whole or part, in a development tier one area, as defined in G.S. 143B-437.08, shall be at least one non-State dollar for every three dollars from the Fund.

(2) The cost share for projects not located, in whole or part, in a development tier one area shall be at least one non-State dollar for every two dollars from the Fund.

(d) Return of Non-State Entity Funds. – Non-State entities that contribute to the Fund for a particular project or group of projects may make a written request to the Secretary that the contribution be returned if the contribution has not been spent or encumbered within two years of receipt of the contribution by the Fund. If the written request is made prior to the funds being spent or encumbered, the Secretary shall return the funds to the entity within 30 days after the later of (i) receiving the request or (ii) the expiration of the two-year period described by this subsection."

OYSTER RESEARCH REPORTING

SECTION 13.12. The Division of Marine Fisheries and the University of North Carolina at Wilmington shall annually report no later than March 1 to the chairs of the Senate and the House of Representatives appropriations committees with jurisdiction over natural and economic resources and the Fiscal Research Division regarding the funding for oyster research and restoration activities provided by this act. The report shall include details regarding the use of the funds, including activities completed and additional personnel supported by the funds.

CONTINUE RESEARCH SUPPORT FOR SHELLFISH INDUSTRY

SECTION 13.13.(a) Section 14.11 of S.L. 2016-94 reads as rewritten:

"**PROMOTE SHELLFISH INDUSTRY**

…

"**SECTION 14.11.(d)** ~~The Chief Sustainability Officer of the University of North Carolina at Chapel Hill~~ North Carolina Sea Grant at North Carolina State University (Sea Grant) shall convene a stakeholder working group to study and advance efforts to ecologically restore and achieve economic stability of the shellfish ~~aquaculture~~ industry, including (i) how best to spend financial resources to counter declining native oyster populations and shellfish habitats; (ii) the use of ~~nonnative~~ appropriate oyster species to accomplish oyster restoration; (iii) means of combating oyster disease and managing harvesting practices to balance the needs of the industry and promote long-term viability and health of oyster habitat and substrate; (iv) ~~economic aquaculture~~ economically and scientifically sound mariculture methods to improve oyster stock and populations; (v) long-term, dedicated options for funding sources and water quality improvements; (vi) means to increase oyster production for both population growth and ~~harvest;~~harvest, including the use of triploid oyster species; (vii) options that expand ~~the use of~~ private shellfish hatchery capacity in the State; (viii) options for promoting the use of cultch planting to enhance and increase oyster habitat and population; (ix) other resources that might be leveraged to enhance reform efforts; and (x) any other issue ~~the Institute~~ Sea Grant deems relevant.

"**SECTION 14.11.(e)** In the conduct of the study required by subsection (d) of this section, ~~the Officer~~ Sea Grant shall convene and consult with a stakeholders group that ~~includes representatives of the commercial and recreational oyster harvesting industries, the North Carolina Division of Marine Fisheries, the Marine Fisheries Commission, nature conservation entities, and experts in the fields of marine biology and marine ecology.~~may consist of representatives from appropriate State and federal agencies; academic institutions; nongovernmental organizations; representatives of any industry working in, or benefitting from, shellfish mariculture; and any other individuals or groups deemed by Sea Grant as being relevant to the overall success of the study. Nothing in this subsection is intended to require a particular process or level of procedural formality for the stakeholders group.

…."

SECTION 13.13.(b) In addition to the study required by Subsection 14.11(d) of S.L. 2016-94, North Carolina Sea Grant at North Carolina State University (Sea Grant) shall also prepare and deliver a Shellfish Mariculture Plan by December 31, 2018. All State entities shall provide all information, resources, and support deemed relevant by Sea Grant for the

creation of the Shellfish Mariculture Plan. The plan shall be submitted to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division and shall include the following:

(1) A summary of available and relevant information on shellfish mariculture.

(2) An analysis of existing programs, policies, rules, and laws that govern or affect shellfish mariculture operations within the State, including an examination of workforce training and marketing programs that could facilitate the growth of shellfish mariculture within the State.

(3) A summary of shellfish mariculture plans from other states and countries, including a comparison of how these entities (i) promote and manage shellfish mariculture, (ii) reduce barriers to entry for potential participants in shellfish mariculture, and (iii) offer incentives to encourage entry into shellfish mariculture.

(4) Analysis of siting strategies that reduce potential user conflicts impeding the siting of shellfish mariculture operations and that protect riparian property owners and the public trust uses of estuarine waters for navigation, fishing, and recreation.

(5) Evaluation and consideration of enforcement mechanisms necessary to protect shellfish mariculture operations from theft and degradation and to ensure that shellfish mariculture operations make productive and fair use of public trust coastal waters dedicated to these operations.

(6) Opportunities for local traditional fishermen to effectively compete for shellfish mariculture sites in public waters and participate in enterprises in or near their own communities.

(7) Examination of environmental policies that protect or enhance shellfish mariculture operations.

(8) Consideration of the most appropriate substrate for cultch planting, with consideration of regional differences in bottom conditions within the State that may require different substrates to maximize shellfish sustainability.

(9) Strategies to mitigate or eliminate shellfish pests such as DMX, Dermo, and boring sponges.

(10) Any other issues deemed relevant by Sea Grant to grow and support shellfish mariculture within the State.

SECTION 13.13.(c) North Carolina State University shall not charge indirect facilities and administrative costs against the funding for the studies required by this section.

SECTION 13.13.(d) North Carolina Sea Grant at North Carolina State University (Sea Grant), in consultation with the Economic Development Partnership of North Carolina, the Department of Commerce, the Department of Natural and Cultural Resources, and any other stakeholders Sea Grant deems relevant, including the North Carolina Tourism Advisory Board, the North Carolina Restaurant and Lodging Association, the North Carolina Shellfish Growers Association, and the North Carolina Fisheries Association, shall develop conceptual plans and recommendations for economic development related to promotion of the State's shellfish harvesting heritage. The plans and recommendations shall include the creation of a North Carolina Oyster Trail and a North Carolina Oyster Festival. Plan development shall be congruent with the ongoing work of Sea Grant and its stakeholder group as described in subsection (a) of this section and shall include recommendations of locations, oversight, governmental support, cost, and timing of when such initiatives should be launched in the future, in addition to any other information deemed relevant for inclusion. Sea Grant's recommendations shall be provided no later than March 1, 2018, to the Joint Legislative

Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division. This study, as it may be subsequently amended after submission, shall be included as an appendix to the Shellfish Mariculture Plan required by subsection (b) of this section.

MARINE PATROL/SHELLFISH SANITATION EQUIPMENT SALES

SECTION 13.14.(a) The Division of Marine Fisheries of the Department of Environmental Quality may sell the following equipment and vessels from its fleet in order to modernize the fleet:

(1) 1991 Lull telehandler.
(2) 1984 LRT-100 crane.
(3) 1999 Hudson Brothers lowboy trailer.
(4) 1970s-era 135' M/V West Bay vessel.

Notwithstanding G.S. 143C-6-4 or any other provision of law, the Division may spend funds received from the sales authorized by this subsection for future equipment acquisitions to support the Shellfish Rehabilitation and Habitat Enhancement Programs. The sales proceeds are appropriated for that purpose and shall be incorporated into the authorized budget of the Division.

SECTION 13.14.(b) The Division shall report to the Fiscal Research Division and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources on the proceeds of the sales authorized by this section and the Division's plan for use of the proceeds.

ASSENT TO PROVISIONS OF CERTAIN FEDERAL FISHERIES ACTS

SECTION 13.15.(a) The title of Article 23 of Chapter 113 of the General Statutes reads as rewritten:

"Article 23.

"Administrative Provisions; ~~Regulatory Authority of Wildlife Resources Commission.~~Assent to Certain Federal Acts."

SECTION 13.15.(b) G.S. 113-307.1 reads as rewritten:

"**§ 113-307.1. Legislative assent to specific federal acts.**

…

(b) The State of North Carolina hereby assents to the provisions of the act of Congress entitled "An act to provide that the United States shall aid the states in wildlife restoration projects, and for other purposes," approved September 2, 1937 (Public Law 415, 75th ~~Congress),~~ Congress, also known as the "Pittman-Robertson Act"), 16 U.S.C. § 669, et seq., as amended, and the Wildlife Resources Commission ~~is~~ and the Division of Marine Fisheries of the Department of Environmental Quality are hereby authorized, empowered, and directed to perform such acts as may be necessary to the conduct and establishment of cooperative wildlife restoration projects, as defined in ~~said act of Congress,~~ the Pittman-Robertson Act, in compliance with ~~said act~~ the Act and rules and regulations promulgated by the Secretary of the Interior ~~thereunder; and no~~ under the Act. No funds accruing to the State of North Carolina from license fees paid by hunters shall be diverted for any other purpose than the protection and propagation of game and wildlife in North Carolina and administration of the laws enacted for such purposes, which laws are and shall be administered by the Wildlife Resources Commission. No funds accruing to the State of North Carolina from license fees paid by fishermen for license programs administered by the Division of Marine Fisheries shall be diverted for any other purpose than the administration by the Division of Marine Fisheries of the Department of Environmental Quality of the portion of the State's fish programs applicable

to the marine and estuarine resources over which the Division has authority under State law. Revenues collected from coastal recreational fishing licenses in accordance with the provisions of G.S. 113-175.1(c) and G.S. 113-175.5(c) shall be used solely for the administration of the Division of Marine Fisheries and for program functions described by this subsection.

(c) Assent is hereby given to the provisions of the act of Congress entitled "An act to provide that the United States shall aid the states in fish restoration and management projects, and for other purposes," approved August 9, 1950 (Public Law 681, 81st ~~Congress), and~~ Congress, also known as the "Dingell-Johnson Sport Fish Restoration Act"), 16 U.S.C. § 777, et seq., as amended, the Wildlife Resources ~~Commission is~~ Commission and the Division of Marine Fisheries of the Department of Environmental Quality are hereby authorized, empowered, and directed to perform such acts as may be necessary to the conduct and establishment of cooperative fish restoration projects, as defined in ~~said act of Congress,~~ the Dingell-Johnson Sport Fish Restoration Act, in compliance with ~~said act~~ the Act and rules and regulations promulgated by the Secretary of the Interior ~~thereunder;~~ under the Act; and no funds accruing to the State of North Carolina from license fees paid by fishermen shall be directed for any other purpose than the following:

(1) The administration of the Wildlife Resources Commission and ~~for~~ the protection, propagation, preservation, and investigation of fish and wildlife.

(2) The administration by the Division of Marine Fisheries of the Department of Environmental Quality of the portion of the State's fish programs applicable to the marine and estuarine resources over which the Division has authority under State law. Revenues collected from coastal recreational fishing licenses in accordance with the provisions of G.S. 113-175.1(c) and G.S. 113-175.5(c) shall be used solely for the administration of the Division of Marine Fisheries and for program functions described by this subdivision.

…."

SECTION 13.15.(c) G.S. 113-175.1 reads as rewritten:

"**§ 113-175.1. North Carolina Marine Resources Fund.**

…

(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 the ~~Marine Fisheries Commission.~~Division of Marine Fisheries of the Department of Environmental Quality.

(c) The ~~Marine Fisheries Commission~~ Division of Marine Fisheries of the Department of Environmental Quality 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 is encouraged to consider supporting the Oyster Sanctuary Program managed by the Division of Marine Fisheries. The Marine Fisheries Commission~~ The Division of Marine Fisheries 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 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~~ Division of Marine Fisheries 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 13.15.(d) G.S. 113-175.5 reads as rewritten:

"**§ 113-175.5. North Carolina Marine Resources Endowment Fund.**

…

(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.~~Division of Marine Fisheries of the Department of Environmental Quality.

(c) Subject to the limitations set out in subsection (d) of this section, the ~~Marine Fisheries Commission~~ Division of Marine Fisheries of the Department of Environmental Quality 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~~ Division of Marine Fisheries 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 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~~ Division of Marine Fisheries shall consult with the Wildlife Resources Commission about ~~these proposals.~~funding requests.

…."

DMF ARTIFICIAL REEFS PROGRAM FUNDING CLARIFICATION

SECTION 13.16. G.S. 113-175.1 is amended by adding a new subsection to read:

"(d) To enhance fishing opportunities, the Marine Resources Fund may be used to construct artificial reefs in the estuarine and ocean waters of the State and federal waters up to 20 nautical miles from land."

CRAB POT CLEANUP PROGRAM

SECTION 13.18. Funds appropriated by this act to the Division of Marine Fisheries of the Department of Environmental Quality to contract with the Coastal Federation for a crab pot cleanup program are not subject to Article 3 of Chapter 143 of the General Statutes. The Coastal Federation shall use these funds only for program expenses and not for any indirect administrative or overhead costs. Funds not expended or encumbered by June 30, 2018, shall revert. The Coastal Federation shall report to the Department of Environmental Quality by March 15, 2018 on the total amount of funds used, including amount spent per crab pot recovered and amount paid to third parties utilized in the cleanup program. The Department of Environmental Quality shall submit the report provided by the Coastal Federation along with any recommendations to improve the program, including mechanisms to reuse or repurpose recovered crab pots and to increase efficiency of the program, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on or before April 15, 2018.

UST PROGRAM RULE MAKING AND REPORT

SECTION 13.19.(a) The Environmental Management Commission shall adopt temporary rules implementing Section 14.16B of S.L. 2015-241 no later than October 1, 2017. Notwithstanding G.S. 150B-21.1(d), the temporary rules shall remain in effect until the effective date of the permanent rule adopted to replace the temporary rule.

SECTION 13.19.(b) The Commission shall report regarding the status of the rule making required by this section and by Section 14.16B of S.L. 2015-241 to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division no later than December 31, 2017.

MOTOR VEHICLE EMISSIONS INSPECTIONS

SECTION 13.20.(a) G.S. 143-215.107A(c), as amended by Section 3.5(a) of S.L. 2017-10, reads as rewritten:

"(c) Counties Covered. – Motor vehicle emissions inspections shall be performed in the following counties: Alamance, Buncombe, Cabarrus, Cumberland, Davidson, Durham, Forsyth, Franklin, Gaston, Guilford, Iredell, Johnston, Lee, Lincoln, Mecklenburg, New Hanover, ~~Onslow,~~ Randolph, ~~Rockingham,~~ Rowan, Union, and Wake."

SECTION 13.20.(b) The Department of Environmental Quality shall include the change to the motor vehicle emissions testing program provided in subsection (a) of this section in the amendment required to be prepared and submitted to the United States Environmental Protection Agency under Section 3.5(c) of S.L. 2017-10.

SECTION 13.20.(c) This section becomes effective on the later of the following dates and applies to motor vehicles inspected, or due to be inspected, on or after that effective date:

(1) October 1, 2017.

(2) The first day of a month that is 60 days after the Secretary of the Department of Environmental Quality certifies to the Revisor of Statutes that the United States Environmental Protection Agency has approved an amendment to the North Carolina State Implementation Plan submitted as required by Section 3.5(c) of S.L. 2017-10. The Secretary shall provide this notice along with the effective date of this act on its Web site and by written or electronic notice to emissions inspection mechanic license holders, emissions inspection station licensees, and self-inspector licensees in the counties where motor vehicle emissions inspection requirements are removed by this section.

MERCURY SWITCH PROGRAM EXTENSION

SECTION 13.21.(a) Section 9 of S.L. 2007-142, as amended by Section 14.1(a) of S.L. 2016-94, reads as rewritten:

"**SECTION 9.** Sections 1, 2, 6, 7, and 9 of this act become effective when this act becomes law. Sections 3, 4, and 8 of this act become effective 1 July 2007. Section 5 of this act becomes effective 1 July 2007 and applies to violations that occur on or after that date. The Department shall submit the first annual report required by G.S. 130A-310.57, as enacted by Section 7 of this act, on or before 1 October 2008. Effective June 30, ~~2017,~~2021, Part 6 of Article 9 of Chapter 130A of the General Statutes, as amended by this act, is repealed."

SECTION 13.21.(b) Section 14.1(c) of S.L. 2016-94 reads as rewritten:

"**SECTION 14.1.(c)** Subsection (b) of this section becomes effective June 30, ~~2017.~~2021. Funds remaining in the Mercury Pollution Prevention Fund (Fund Code 24300-2119) on that date shall be transferred to the Division of Waste Management (Fund Code 14300-1760)."

SECTION 13.21.(c) This section becomes effective June 30, 2017.

WATER AND SEWER INFRASTRUCTURE GRANTS

SECTION 13.22. From funds appropriated by this act to the Division of Water Infrastructure of the Department of Environmental Quality for water and sewer infrastructure grants for the 2017-2018 fiscal year, the sum of one million dollars ($1,000,000) is allocated for grants to grantees located in development tier one or tier two areas, as defined in G.S. 143B-437.08, for any of the following:

(1) Construction, protection, or expansion of water intake structures located in surface water impoundments. For purposes of this subdivision, protection of water intake structures may include the stabilization or restoration of natural stream functions upstream and downstream of the water intake.

(2) Repair or replacement of sewer lines, when the repair project is necessary to protect or enhance (i) natural habitats or (ii) water quality.

Notwithstanding G.S. 159G-33 and G.S. 159G-34, no non-State match will be required for grants allocated by this section.

LRC STUDY ON TRAFFICKING IN IVORY AND RHINOCEROS HORN

SECTION 13.23.(a) The Legislative Research Commission (LRC) shall study the trafficking of ivory and rhinoceros horn in the State. As part of its study, the LRC shall do all of the following:

(1) Identify ivory and rhinoceros horn products that have a substantial likelihood of being imported, sold, offered for sale, purchased, bartered, or intended for sale in the State.

(2) Examine actions other states have taken with regard to the trafficking of ivory and rhinoceros horns.

(3) Determine prohibitions and enforcement mechanisms that may be appropriate for the State, taking into account exceptions that may be warranted.

SECTION 13.23.(b) The LRC shall report its findings, together with any proposed legislation, to the 2018 Regular Session of the 2017 General Assembly upon its convening.

IN SITU NUTRIENT MANAGEMENT STRATEGIES

SECTION 13.24. Section 14.13(e) of S.L. 2016-94 reads as rewritten:

"**SECTION 14.13.(e)** The Department of Environmental Quality shall study alternative technologies for in situ approaches to nutrient management in Falls Lake and Jordan Lake. In its study, the Department shall consider in situ treatments, including algaecide and phosphorus-locking technologies, that have been certified by the United States Environmental Protection Agency for use in drinking water sources. Of the funds appropriated in this act to the Department of Environmental Quality, the sum of one million three hundred thousand dollars ($1,300,000) for the 2016-2017 fiscal year may be used ~~to implement~~only for permitting and implementation of a trial of these technologies. ~~If the Department decides to implement a trial, it shall enter into a contract for the trial by December 31, 2016.~~The Department shall begin any testing or sampling activities required to support permit applications for the trial by September 1, 2017. Any contract entered into under this subsection shall not be subject to Article 3 or Article 8 of Chapter 143 of the General Statutes. The study shall determine whether these treatments would provide improvements in water ~~quality and whether the improvements would be more cost-effective than more conventional nutrient mitigation strategies.~~quality. The Department shall submit an interim report no later than ~~March 1, 2017,~~September 1 of each year the study and trial required by this section are ongoing and a final report no later than ~~March 1, 2018,~~December 31, 2020, to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division. If the Department finds these strategies to be effective, it shall incorporate them into the Nutrient Strategies readoption required by subsection (d) of this section. Funds allocated by this subsection shall remain available until the conclusion of the study, and any funds unused at that time shall revert to the General Fund."

SUBPART XIII-A. WILDLIFE RESOURCES COMMISSION

MATTAMUSKEET LODGE REPAIRS

SECTION 13A.1. From funds available to it, the Wildlife Resources Commission shall repair the roof and stabilize the tower at the Mattamuskeet Lodge in Hyde County. The Commission shall complete the repairs required by this section no later than June 30, 2018.

WILDLIFE ENDOWMENT FUND CHANGES

SECTION 13A.2.(a) G.S. 143-250.1(f1) reads as rewritten:

"(f1) At all times during which the cash balance in the Wildlife Endowment Fund is equal to or greater than the sum of one hundred million dollars ($100,000,000), the Wildlife Resources Commission shall budget at least ~~fifty percent (50%)~~ twenty-five percent (25%) of the annual expendable interest from the Fund, as determined by the Board of Trustees of the Fund, to implement the conservation goals set forth in the Wildlife Resource Commission's strategic plan."

SECTION 13A.2.(b) G.S. 147-69.2(a) is amended by adding a new subdivision to read:

"(17k) The Wildlife Endowment Fund."

SECTION 13A.2.(c) G.S. 147-69.2(d) reads as rewritten:

"(d) The State Treasurer may invest funds deposited pursuant to ~~subdivisions (a)(17i) or (a)(17j)~~ subdivisions (17i), (17j), and (17k) of subsection (a) of this section in any of the investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars ($100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by the State Treasurer may be used to defray the costs of administering the funds and expenditures authorized under this section. Funds deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation Easement Endowment ~~Fund or~~ Fund, the Conservation Grant Fund, or the Wildlife Endowment Fund, as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment ~~Fund or~~ Fund, the Conservation Grant ~~Fund~~ Fund, or the Wildlife Endowment Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles."

MODIFY LICENSE FEES REQUIRED TO HUNT, FISH, OR TRAP

SECTION 13A.3. G.S. 113-270.1B(e) reads as rewritten:

"(e) The Wildlife Resources Commission shall adopt rules to establish fees for the hunting, fishing, trapping, and activity licenses issued and administered by the Wildlife Resources Commission. No rule to increase fees above January 1, 2015, levels may increase a fee in excess of the ~~average~~ total increase in the Consumer Price Index for All Urban Consumers over the ~~preceding five years.~~period of time since the last fee change.

The statutory fees for the hunting, fishing, trapping, and activity licenses issued and administered by the Wildlife Resources Commission shall expire when the rules adopted pursuant to this subsection become effective."

PART XIV. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

MILITARY BUFFERS

SECTION 14.2. The funds appropriated in this act to the Clean Water Management Trust Fund and the North Carolina Agricultural Development and Farmland Preservation Trust Fund for the purpose of military buffers shall only be expended on land that buffers a military facility from incompatible use encroachment.

CLARIFYING CHANGES TO DEPARTMENT OF NATURAL AND CULTURAL RESOURCES FUNDS

SECTION 14.3.(a) G.S. 121-5(e) reads as rewritten:

"(e) Archives and Records Management Fund. The Archives and Records Management Fund is established as a special revenue fund. The Fund consists of donations, gifts, devises, and the fees credited to it under Chapter 161 of the General Statutes. Revenue in the Fund may be used only to offset the Department's costs in providing essential records management and archival services for public records pursuant to Chapter 121 and Chapter 132 of the General Statutes."

SECTION 14.3.(b) G.S. 121-7.6(a) reads as rewritten:

"(a) Fund Established. – The North Carolina Transportation Museum Fund is created as a special ~~interestbearing,~~ interest-bearing, nonreverting enterprise fund in the Department of Natural and Cultural Resources. The Fund shall be used to pay all costs associated with the ~~operation~~ operation, interpretation, development, expansion, preservation, and maintenance of the North Carolina Transportation Museum."

SECTION 14.3.(c) G.S. 121-7.7(a) reads as rewritten:

"(a) Fund. – The State Historic Sites and Museums Fund is created as a special, interest-bearing revenue fund in the Division of State Historic Sites and the Division of State History Museums. The Fund consists of all receipts derived from the lease or rental of property or facilities, disposition of structures or products of the land, ~~private donations,~~ donations, gifts, devises, and admissions and fees collected at the State Historic Sites, State History Museums, and Maritime Museums. The revenues in the Fund may be used only for the operation, interpretation, maintenance, preservation, development, and expansion of the individual State Historic Site, State History Museum, and Maritime Museum where the receipts are generated. The respective Division and the staff from each State Historic Site, State History Museum, and Maritime Museum ~~will~~ shall determine how the funds ~~will~~ shall be used at that Historic Site, State History Museum, and Maritime Museum."

SECTION 14.3.(d) G.S. 143B-53.3(a) reads as rewritten:

"(a) Fund. – The Queen Anne's Revenge Project Special Fund is created as a special, interest-bearing revenue fund within the Department of Natural and Cultural Resources, Office of Archives and History. The Fund shall consist of all receipts derived from ~~private donations, grant funds,~~ donations, gifts, devises, and earned revenue. The monies in the Fund may be used only for contracted services, personal services and operations, conference and meeting expenses, travel, staff salaries, operations for laboratory needs, museum exhibits, and other administrative costs related to the Queen Anne's Revenge Project. The staff of the Office of Archives and History and the Department of Natural and Cultural Resources shall determine how the funds ~~will~~ shall be used for the purposes of the Queen Anne's Revenge Project, and those funds are hereby appropriated for those purposes."

SECTION 14.3.(e) G.S. 143B-79(7) reads as rewritten:

"(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 Natural and Cultural Resources, Division of Archives and History, appointed by the Secretary of Natural and Cultural Resources. Upon request of the Executive Mansion Fine Arts Committee, the review committee ~~will~~ shall view proposed items for disposition and shall make a recommendation to the North Carolina Historical Commission who ~~will~~ shall make a final decision. The Historical Commission ~~must~~ shall consider whether the disposition is in the best interest of the State of North Carolina. If any property is sold, the

net proceeds of each sale and any interest earned thereon 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~~ restoration, or repair of other property for use in the Executive Mansion."

SECTION 14.3.(f) G.S. 143B-87.2(a) reads as rewritten:

"(a) Fund. – The A+ Schools Special Fund is created as a special interest-bearing revenue fund in the Department of Natural and Cultural Resources, North Carolina Arts Council. The Fund shall consist of all receipts derived from ~~private donations, grant funds,~~ donations, gifts, devises, and earned revenue. The revenue in the Fund may be used only for contracted services, conference and meeting expenses, travel, staff salaries, and other administrative costs related to the A+ Schools program. The staff of the North Carolina Arts Council and the Department shall determine how the funds ~~will~~ shall be used for the purposes of the A+ Schools program."

SECTION 14.3.(g) G.S. 143B-135.56(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 special revenue fund consisting of ~~gifts and grants~~ donations, gifts, and devises to the Trust Fund and other monies appropriated to the Trust Fund by the General Assembly."

SECTION 14.3.(h) G.S. 143B-135.188 reads as rewritten:

"**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

…

(b) Fund. – The North Carolina Aquariums Fund is hereby created as a special fund. The North Carolina Aquariums Fund shall be used for the following purposes with respect to the aquariums and the pier operated by the Division of North Carolina Aquariums:

(1) Repair, renovation, expansion, maintenance, and educational exhibit construction. Funds used for repair, renovation, and expansion projects may be transferred to a capital projects fund to account for use of the funds for each project.

…

(c) Disposition of Receipts. – All receipts derived from the collection of admissions charges and other fees and the lease or rental of property or facilities shall be credited to the aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina aquariums' General Fund operating budget to the North Carolina Aquariums Fund an amount not to exceed the sum of the following:

…

(3) Any ~~private donations,~~ donations, gifts, and devises received by the North Carolina aquariums.

…."

SECTION 14.3.(i) G.S. 143B-135.209 reads as rewritten:

"**§ 143B-135.209. North Carolina Zoo Fund.**

(a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North Carolina Zoo Fund shall be used for the following types of projects at the North Carolina Zoological Park and to match private funds raised for these types of projects:

(1) Repair, renovation, expansion, maintenance, and educational exhibit construction. Funds used for repair, renovation, and expansion projects may be transferred to a capital projects fund to account for use of the funds for each project.

…

(b) Disposition of Receipts. – All receipts derived from the collection of admissions charges and other ~~fees and~~ fees, the lease or rental of property or facilities, and the disposition of products of the land or structures shall be credited to the North Carolina Zoological Park's

General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the North Carolina Zoological Park's General Fund operating budget to the North Carolina Zoo Fund an amount not to exceed the sum of one million five hundred thousand dollars ($1,500,000) and any ~~private donations,~~ donations, gifts, and devises received by the North Carolina Zoological Park.

…."

SECTION 14.3.(j) G.S. 143B-135.213 is amended by adding a new subsection to read:

"(c) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4), or any other law pertaining to surplus State property, the Council may dispose of any exhibit, exhibit component, or object from the collections of the North Carolina Zoological Park by sale, lease, or trade. A sale, lease, or trade under this subsection shall be conducted in accordance with generally accepted practices for zoos and aquariums that are accredited by the American Association of Zoos and Aquariums. After deducting the expenses attributable to the sale or lease, the net proceeds of any sale or lease shall be credited to the North Carolina Zoo Fund."

PROMOTE ACCESS TO AND EXCHANGE OF LIBRARY MATERIALS

SECTION 14.5. G.S. 125-2 reads as rewritten:

"**§ 125-2. Powers and duties of Department of Natural and Cultural Resources.**

The Department of Natural and Cultural Resources shall have the following powers and duties:

…

(10) To ~~plan and coordinate cooperative programs between the various types of libraries within the State of North Carolina, and to coordinate State development with regional and national cooperative library programs; and to assist nonprofit corporations in organization and operation for the purposes of cooperative programs.~~do the following:

a. Plan and coordinate cooperative programs between the various types of libraries within the State of North Carolina.

b. Coordinate State development with regional and national cooperative library programs.

c. Assist nonprofit corporations in the organization and operation of cooperative programs.

d. Enter into contracts to coordinate cooperative programs or to promote the access and exchange of library materials under this subdivision."

EXEMPTION FOR FOOD AND VENDING FACILITIES AT NORTH CAROLINA ZOO

SECTION 14.6.(a) Article 3 of Chapter 111 of the General Statutes is amended by adding a new section to read:

"**§ 111-47.4. Food service at North Carolina Zoological Park.**

Notwithstanding any other provision of this Article, the North Carolina Zoological Park may operate or contract for the operation of food or vending services at the North Carolina Zoological Park. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food and vending services operated by the North Carolina Zoological Park or a vendor with whom the North Carolina Zoological Park has contracted shall be credited to the North Carolina Zoo Fund."

SECTION 14.6.(b) This section becomes effective July 1, 2017, and applies to any contract for food or vending services at the North Carolina Zoological Park entered into on or after that date.

CORRECT DNCR SALARY AND BENEFIT BASE BUDGET EXPENDITURES

SECTION 14.7. Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management, after coordination with the Department of Natural and Cultural Resources and the Fiscal Research Division, shall adjust personal services line items, as appropriate, within the Division of Parks and Recreation, the North Carolina Aquariums, and the North Carolina Zoological Park within the Department of Natural and Cultural Resources to correct errors in the base budget. The line item adjustments shall be corrected as part of the 2017-2019 biennial budget certification process. The Department shall make corresponding adjustments in the BEACON system to reflect the updated source of funds as necessary.

SCIENCE MUSEUM FUNDING

SECTION 14.11. G.S. 143B-135.227(b1) reads as rewritten:

"(b1) Tier-Based Funding Preferences. – The Museum of Natural Sciences shall reserve seven hundred fifty thousand dollars ($750,000) for the purpose of awarding grants to museums located in development tier one counties and six hundred thousand dollars ($600,000) for museums located in development tier two counties. The development tier designation of a county shall be determined as provided in G.S. 143B-437.08. If, after the initial awarding of grants to all museum applicants who meet the eligibility criteria provided for in subsection (d) of this section, there are funds remaining in any development tier category, the Museum of Natural Sciences may reallocate those funds to another development tier category. The maximum amount of each grant awarded in any fiscal year shall be (i) seventy-five thousand dollars ($75,000) for a museum in a development tier one county; (ii) sixty thousand dollars ($60,000) for a museum in a development tier two county; and (iii) fifty thousand dollars ($50,000) for a museum in a development tier three county. For purposes of this subsection, a museum located in a rural census tract, as defined in G.S. 143B-472.127(a)(2), in a development tier two or development tier three county shall be subject to the maximum grant amount for a development tier one county."

YOUTH CONSERVATION CORPS

SECTION 14.12. Article 3 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-58.7. Contracts with Youth Conservation Corps.**

State departments, institutions, and agencies may contract with the North Carolina Youth Conservation Corps to perform trail construction and maintenance, invasive species removal, and other conservation projects in State parks, State forests, and other State-owned facilities where the projects provide direct public benefits to the citizens of the State and offer youth and young adults of the State a structured program that connects them to natural resources and teaches job skills, leadership, community service, and personal responsibility."

MAYO RIVER STATE PARK ACCESS

SECTION 14.13. Two hundred fifty thousand dollars ($250,000) of the nonrecurring funds available to the Parks and Recreation Trust Fund for the 2017-2018 fiscal year shall be held in a reserve at the Office of State Budget and Management to provide matching funds in the ratio of one State dollar for each dollar available from non-State sources for construction of an access bridge from real property owned by the State of North Carolina over the Mayo River for the purpose of addressing public safety issues and service vehicle

access to monitor, maintain, repair, or replace the existing sewer line traversing portions of Mayo River State Park.

CWMTF/PARTF FUNDS

SECTION 14.14. Five hundred forty-five thousand dollars ($545,000) of the nonrecurring funds available to the Clean Water Management Trust Fund for the 2017-2018 fiscal year and five hundred thousand dollars ($500,000) of the nonrecurring funds available to the Parks and Recreation Trust Fund for the 2017-2018 fiscal year shall be held in a reserve at the Office of State Budget and Management to provide matching funds for a Readiness and Environmental Protection Integration grant to purchase the Archers Creek tract on Bogue Banks in Carteret County. Funds allocated by this section but not encumbered at the end of the 2017-2018 fiscal year shall revert to the respective funds.

PART XV. DEPARTMENT OF COMMERCE

NER BLOCK GRANTS FOR 2018 AND 2019 PROGRAM YEARS/USE OF DEOBLIGATED FUNDS

SECTION 15.1.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2018, and June 30, 2019, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	$	1,037,500
02. Neighborhood Revitalization	10,000,000	
03. Economic Development	10,737,500	
04. Infrastructure	21,725,000	
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2018 Program Year	**$**	**43,500,000**
2019 Program Year	**$**	**43,500,000**

SECTION 15.1.(b) If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 15.1.(c) 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 15.1.(d) Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million thirty-seven thousand five hundred dollars ($1,037,500) may be used for State Administration; up to ten million dollars ($10,000,000) may be used for Neighborhood Revitalization; up to ten million seven hundred thirty-seven thousand five hundred dollars ($10,737,500) may be used for Economic Development; and up to twenty-one million seven hundred twenty-five thousand dollars ($21,725,000) may be used for infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 15.1.(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 15.1.(f) By September 1, 2017, and September 1, 2018, the Department of Commerce shall report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, the Joint Legislative Economic Development and Global Engagement Oversight Committee, 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 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 15.1.(g) For purposes of this section, eligible activities under the category of infrastructure in subsection (a) of this section shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure." 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 15.1.(h) Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year-to-year based upon the amount of State-appropriated funds allocated and the amount of eligible in-kind funds identified.

SECTION 15.1.(i) To allow the Department of Commerce and the Department of Environmental Quality to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

(1) All surplus federal administrative funds shall be divided equally between the Departments of Commerce and Environmental Quality and shall be used as provided in subdivisions (2) and (3) of this subsection.

(2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG economic development or neighborhood revitalization program category.

b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.

c. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

(3) All deobligated funds allocated to the Department of Environmental Quality and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:

a. To issue grants in the CDBG infrastructure program category.

b. For any other purpose consistent with the Department's administration of the CDBG program if an equal amount of State matching funds is available.

TRAVEL AND TOURISM BOARD TECHNICAL CORRECTION

SECTION 15.2. G.S. 143B-434.1(d) reads as rewritten:

"(d) The members of the Board shall serve the following terms: the Secretary of Commerce, the chief executive officer of the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b), and the Chair of the Travel and Tourism Coalition shall serve on the Board while they hold their respective offices. Each member of the Board appointed by the Governor shall serve during his or her term of office. The members of the Board appointed by the ~~General Assembly~~Speaker of the House of Representatives and the President Pro Tempore of the Senate shall serve two-year terms beginning on September 1 of ~~odd-numbered~~even-numbered years and ending on August 31. The first such term shall begin on September 1, 2016, or as soon thereafter as the member is appointed to the Board, and end on August 31, 2018. All other members of the Board shall serve a term which includes the portion of calendar year 2016 that remains following their appointment or designation and ends on August 31, 2017, and, thereafter, two-year terms which shall begin on September 1 of an ~~even-numbered~~ odd-numbered year and end on August 31. The first such two-year term shall begin on September 1, 2017, and end on August 31, 2019."

EDPNC REPORTING DATE CHANGE

SECTION 15.3.(a) G.S. 143B-431.01 reads as rewritten:

"**§ 143B-431.01. Department of Commerce – contracting of functions.**

…

(e) Mandatory Contract Terms. – Any contract entered into under this section ~~must~~ shall include all of the following:

…

(2) A provision requiring the nonprofit corporation to provide by ~~September 1~~ January 31 of each year, and more frequently as requested, a report to the Department on prior ~~State fiscal~~ calendar year program activities, objectives, and accomplishments and prior ~~State fiscal~~ calendar year itemized

expenditures and fund sources. The report shall also include all of the following:

…

(f) Report. – By ~~September 30~~ March 1 of each year, and more frequently as requested, the Department shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division on any performance for which the Department has contracted pursuant to this section. The report shall contain, at a minimum, each of the ~~following:~~following presented on a calendar year basis:

…."

SECTION 15.3.(b) To enable data comparison, portions of the report required pursuant to G.S. 143B-431.01(f) that contain references to prior submitted reports or data shall, where possible, be presented on a calendar year basis.

SECTION 15.3.(c) This section becomes effective October 1, 2017, and applies to the report due on or before March 1 of 2018 and subsequent years.

BUDGET CODE REORGANIZATION FOR COMMERCE

SECTION 15.5.(a) The Office of State Budget and Management shall establish a fund code for the International Recruitment Coordination Office (IRCO) in the budget for the Department of Commerce in Budget Code 14600 for the purpose of removing the IRCO from the Administrative Services fund code. Notwithstanding any other provision of law to the contrary, the nonrecurring funds appropriated to IRCO in fund code 1111 in the 2016-2017 fiscal year shall carry forward to the 2017-2018 fiscal year.

SECTION 15.5.(b) The Office of State Budget and Management shall reorganize the various economic development funds by moving the following funds within Budget Code 14602 (Commerce – Economic Development):

(1) Site and Building Development Fund.
(2) Job Maintenance and Capital Development Fund.
(3) Job Development Investment Grant Fund.
(4) One NC Fund.
(5) Film and Entertainment Grant Fund.
(6) The nonadministrative portion of the Main Street Solutions Fund.
(7) Downtown Revitalization and Economic Development Grants Fund.
(8) The nonadministrative portion of the Rural Grants Fund.

SECTION 15.5.(c) The Office of Budget and Management shall move the fund code for the Economic Development Partnership of North Carolina (14600-1114) to Budget Code 14602 (Commerce – Economic Development) and shall update the fund code accordingly.

SECTION 15.5.(d) The fund code changes authorized by this section shall be completed by September 30, 2017, but are effective from July 1, 2017, and shall be reflected in the base budget for the 2019-2021 fiscal biennium.

SITE AND BUILDING DEVELOPMENT FUND

SECTION 15.7.(a) Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-437.02B. Site and Building Development Fund.**

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

(1) Code. – Defined in G.S. 105-228.90.

(2) Department. – The Department of Commerce.

(3) Development plan. – A strategic analysis of potential qualified business facilities required by this section to be maintained by the Department and updated every four years.
(4) Fund. – The Site and Building Development Fund established in this section.
(5) Local government. – Any of the following:
a. A city as defined in G.S. 160A-1.
b. A county.
c. A consolidated city-county as defined in G.S. 160B-2.
(6) Local government unit. – The term includes a local government, a nonprofit economic development corporation, and any combination of local governments or nonprofit economic development corporations.
(7) Long-term lease. – A lease agreement with a maximum duration exceeding three years, including any extensions allowed by the lease agreement.
(8) Nonprofit economic development corporation. – A corporation meeting all of the following requirements:
a. Exempt from income tax under Section 501(c)(3) or Section 501(c)(6) of the Code.
b. Established to assist one or more local governments in reducing the burden of economic development efforts.
c. Acknowledged through a resolution of one or more local governments that contains all of the following:
1. Statement that the corporation is acting in support of the local government in economic development efforts.
2. Nonbinding pledge to repay the Fund if the corporation fails to make any required loan payments.
(9) Qualified business facilities. – Real property, improvements to real property, and planned improvements to real property. Improvements to real property include the following:
a. New buildings, renovations to buildings, and upfitting buildings.
b. Water lines, sewer lines, and other utility improvements.
c. Roads, grading, signage, and other access improvements.
d. Measures necessary for permitting, including services.
e. Any other measures necessary for the land to be marketable for immediate use in commercial operations, including necessary services.
(10) Sale. – Any transfer of ownership, including involuntary transfers.

(b) Fund Established. – The Site and Building Development Fund is created as a restricted reserve in the Department. The Fund does not revert but remains available to the Department for the purposes of this section.

(c) Use of the Fund. – The Department shall use the Fund for the following purposes:
(1) Loans to local government units for the acquisition and development of qualified business facilities in accordance with this section.
(2) Up to three percent (3%) of the funds available in the Fund for expenses directly related to the operation of the Fund and administering loans from the Fund.

(d) Application. – The Department shall require a local government unit to submit an application in order for a project to be considered for a loan from the Fund. The Department shall prescribe the form of the application, the application process, and the information to be provided, including all information necessary to evaluate the qualified business facility in accordance with this section.

(e) Selection. – The Department shall administer the selection of qualified business facilities to receive loans from the Fund. The Department shall develop written guidelines to identify and evaluate qualified business facilities. The Department shall issue written findings addressing any application approved for a loan from the Fund. The Department shall consider the following factors in approving applications for loans from the Fund:

(1) Consistency with the economic development goals of the State and of the area where the qualified business facility will be located.

(2) The priority recommendations in the development plan.

(3) Preference for qualified business facilities located in rural or less-developed areas of the State.

(4) Evaluation of the application to determine if the qualified business facilities are merited and appropriate for the proposed use.

(5) Necessity of a loan from the Fund for the completion of the qualified business facility.

(f) Development Plan. – The Department shall obtain a strategic analysis of potential qualified business facilities and an update to the analysis every four years. The Department may contract with another entity with demonstrated experience in site selection services for businesses and in evaluating sites for business recruitment purposes.

(g) Awards. – If the Department approves an application for a qualified business facility, the Department shall determine the amount of the loan from the Fund, the preferred form and details of the loan participation, and the safeguards to protect the State's investment.

(h) Maximum Award to Tier Three Counties. – The maximum outstanding loan balance from the Fund to qualified business facilities located in tier three counties, based on the designation assigned pursuant to G.S. 143B-437.08, shall be thirty percent (30%) of the difference between the cumulative total appropriations into the Fund and total expenses paid from the Fund.

(i) Loan Terms. – Loans from the Fund shall meet the following requirements:

(1) The loan is evidenced by a promissory note and secured by a first deed of trust on the qualified business facility.

(2) The maximum duration of a loan is 15 years.

(3) The loan is due upon the sale or long-term lease of the qualified business facility. Principal and accrued interest must be paid when the loan is due or more frequently.

(4) The interest rate of a loan is zero percent (0%) for tier one counties, one percent (1%) for tier two counties, and two percent (2%) for tier three counties, based on the designation assigned to counties pursuant to G.S. 143B-437.08.

(5) The loan agreement shall require the local government unit to obtain from any entity leasing or purchasing the qualified business facility the following:

a. An agreement that the entity will not use the qualified business facility for retail, professional office, sporting event, museum, or governmental purposes for at least five years after the lease or purchase.

b. A legal opinion based on a search of public records that the entity leasing or purchasing the qualified business facility has no debts related to unpaid taxes.

(j) Multiple Loans. – One or more financial institutions may hold a security interest on the qualified business facility with a priority equal to the security interest for the loan from the Fund if there is a written intercreditor agreement between the Department and other equal priority creditors that provides that, in the event of default, any loss is shared among the creditors in proportion to the amount loaned.

(k) Payments. – The Department shall be responsible for monitoring the loan and administering the repayment. The Department shall remit all amounts paid under this section to the Fund.

(*l*) Release. – The Department, at its discretion, may release property from the first deed of trust if adequate security remains for the outstanding balance of the loan from the Fund. The Department may use this authority to release property to restructure the terms of the loan and participate in financing transactions involving the qualified business facility.

(m) Limitation. – Nothing in this section constitutes or authorizes a guarantee or assumption by the State of any debt of any business or authorizes the taxing power or the full faith and credit of the State to be pledged.

(n) Notice of Guidelines. – At least 20 days before the effective date of any guidelines, the Department shall publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice. In addition, the Department shall accept written comments on the proposed guidelines during the 15 business days beginning on the first day the Department has completed the notice requirement of this subsection. Amendments to the guidelines to correct spelling, grammatical, or typographical errors do not require notice.

(o) Reports. – On September 1 of each year until the Fund has no assets, the Department shall submit a written report on the Fund to the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division and publish this report on its Web site. This report shall contain at least all of the following:

(1) A listing of each outstanding loan, including the date of loan, amount of loan, outstanding amount of loan, interest rate, maturity date, location of qualified business facility acting as security, brief property description, identity of local government unit receiving the loan, status of repayment, current use of the qualified business facility, and identification of loans made since the last report.

(2) Written findings addressing any application approved for a loan from the Fund since the last report, as required by subsection (e) of this section.

(3) Detailed information about any defaults and repayment since the last report.

(4) Information contained in the report required by G.S. 105-277.15A(g).

(p) Vacant Properties. – Awards granted pursuant to this section shall be contingent upon an agreement with the local government unit receiving the award that, for properties that (i) are unoccupied for 10 consecutive years and (ii) have satisfied the loan agreement entered into pursuant to this section, the local government unit shall enter into a memorandum of understanding with the federal government to sell or lease the subject property to the federal government to be used for military training in urban warfare."

SECTION 15.7.(b) G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

…

(29) The Department of Commerce in developing criteria and guidelines under G.S. 143B-437.02B."

SECTION 15.7.(c) The provisions of this section are not subject to the terms of G.S. 160A-20.

SECTION 15.7.(d) This section does not obligate the General Assembly to appropriate funds to implement it.

PROSPERITY ZONE REPORTING

SECTION 15.10.(a) For each Collaboration for Prosperity Zone established in G.S. 143B-28.1, the employees of the Department of Commerce in the zone shall submit a report on or before September 1 of each year to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division on the following criteria:

(1) Jobs anticipated to result from efforts of the employees, including the name and contact person of each company creating new jobs in the zone.

(2) The location of each project, including the development tier designation of the location.

(3) Project leads that were not submitted to the Department for possible discretionary incentives pursuant to Chapter 143B of the General Statutes.

(4) Proactive local government outreach to share information and planning services that are available.

(5) Coordination of regular meetings with Prosperity Zones agency representatives to increase collaboration of services and resources to local communities.

(6) Completion of strategic economic development plans, downtown revitalization project plans, implementation services, market studies, Geographical Information Systems (GIS) mapping, and assistance with development policies for local governments that can be measured for economic impact, including investment, business growth, and jobs as a result of the planning effort.

(7) Existing business expansion activities, service requests, and number of contacts and inquiries.

(8) New business location activities and number of contacts and inquiries.

SECTION 15.10.(b) The Department of Commerce shall develop performance metrics for Community Planners for the Collaboration for Prosperity Zones established in G.S. 143B-28.1 using the criteria listed in subsection (a) of this section. The Department of Commerce shall submit a report on or before September 1 of each year to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Economic Development and Global Engagement Oversight Committee, and the Fiscal Research Division detailing the performance metrics and the measurements observed for each Community Planner within the Collaboration for Prosperity Zones.

WASTEWATER FUNDING REPORT

SECTION 15.11. The Johnston County Research and Training Zone shall submit a report detailing its use of State funds appropriated by the General Assembly. The report shall be submitted to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division by September 1, 2017, and September 1 of each subsequent year State funds are received, and more frequently as requested, and shall include the information required by this section for the most recently ended fiscal year.

YOUTH WORKFORCE INVESTMENT PROGRAM CHANGES

SECTION 15.12.(a) The local Workforce Development Boards created pursuant to G.S. 143B-438.11 shall include in their State-developed criteria to be used in awarding grants for youth workforce investment activities pursuant to Section 129 of the federal Workforce

Innovation and Opportunity Act a competitive process that requires grant recipients to provide at least the following information as part of the application process and consideration of grant awards:

(1) The extent to which the organization specifically focuses on serving at-risk youth, including youth who are at risk of school dropout or at risk of school displacement due to suspension or expulsion.

(2) Whether the organization leverages community-based resources, including partnerships with organizations that provide mentoring services and private-sector employer involvement.

(3) The use of an evidence-based program model by the organization with a proven track record of success.

(4) The inclusion of rigorous, quantitative performance measures by the organization to confirm effectiveness of the program.

(5) The deployment of comprehensive support services to youth, including addressing behavioral issues, emphasizing academic and career growth, and enhancing parent and family engagement.

SECTION 15.12.(b) The local Workforce Development Boards shall coordinate with the NCWorks Commission to update the Workforce Innovation and Opportunity Act Unified State Plan, as needed, to reflect the inclusions to the State-developed criteria required by subsection (a) of this section.

SECTION 15.12.(c) On or before October 1 of each year, the local Workforce Development Boards shall submit a report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Education Oversight Committee, 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. The report shall also contain a list of grant recipients and the amount received by the grant recipients.

APPRENTICESHIPNC/TRANSFER STATE APPRENTICESHIP PROGRAM

SECTION 15.13.(a) All functions, powers, duties, obligations, resources, and appropriations vested in the Apprenticeship Program and the Apprenticeship Council are transferred to, vested in, and consolidated into the North Carolina Community Colleges System Office as a Type I transfer, as defined in G.S. 143A-6. The State Board of Community Colleges, the Community Colleges System Office, and the Office of State Budget and Management are authorized to take all other steps necessary to consolidate the Apprenticeship Program and the Apprenticeship Council into the Community Colleges System Office. Joint delivery of Apprenticeship and Community College workforce training programs shall ensure coordination of program delivery and appropriate classroom training supporting the needs of students and employers.

SECTION 15.13.(b) Chapter 94 of the General Statutes is repealed.

SECTION 15.13.(c) Chapter 115D of the General Statutes is amended by adding a new Article to read:

"Article 1A.

"ApprenticeshipNC.

"**§ 115D-11.5. Purpose.**

The purposes of this Article are to open to young people the opportunity to obtain training that will equip them for profitable employment and citizenship; to set up, as a means to this end, a program of voluntary apprenticeship under approved apprentice agreements providing facilities for their training and guidance in the arts and crafts of industry and trade, with parallel instruction in related and supplementary education; to promote employment opportunities for

young people under conditions providing adequate training and reasonable earnings; to relate the supply of skilled workers to employment demands; to establish standards for apprentice training; to coordinate workforce education and customized training tools to fill talent pipeline gaps, as appropriate, with local business and industry; to establish an Apprenticeship Council and apprenticeship committees and sponsors to assist in effectuating the purposes of this Article; to leverage the collaborative and regional structure of the community college service areas with the Collaboration for Prosperity Zones set out in G.S. 143B-28.1; to provide for a Director of ApprenticeshipNC within the Community Colleges System Office; to provide for reports to the legislature and to the public regarding the status of apprentice training in the State; to establish a procedure for the determination of apprentice agreement controversies; and to accomplish related ends.

"**§ 115D-11.6. Apprenticeship Council.**

The State Board of Community Colleges shall appoint an Apprenticeship Council composed of four representatives each from employer and employee organizations respectively and three representatives from the public at large. One State official designated by the Department of Public Instruction and one State official designated by the Department of Commerce shall be a member ex officio of the council, without vote. The terms of office of the members of the Apprenticeship Council shall be designated by the State Board. Any member appointed to fill a vacancy occurring prior to the expiration of the term of his or her predecessor shall be appointed for the remainder of the term. Each member of the Council not otherwise compensated by public moneys, shall be reimbursed for transportation and shall receive such per diem compensation as is provided generally for boards and commissions under the biennial maintenance appropriation acts for each day spent in attendance at meetings of the Apprenticeship Council. The State Board of Community Colleges shall annually appoint one member of the Council to act as its chair.

The Apprenticeship Council shall meet at the call of the State Board of Community Colleges and shall aid the State Board and the Community Colleges System Office in formulating policies for the effective administration of this Article. The Apprenticeship Council shall establish standards for apprentice agreements which in no case shall be lower than those prescribed by this Article, shall recommend rules and regulations to the State Board of Community Colleges as may be necessary to carry out the intent and purposes of this Article, and shall perform other functions as the State Board of Community Colleges may direct. Not less than once a year the Apprenticeship Council shall make a report through the Community Colleges System Office of its activities and findings to the legislature and to the public.

"**§ 115D-11.7. ApprenticeshipNC.**

The State Board of Community Colleges is hereby directed to appoint a Director of ApprenticeshipNC, which appointment shall be subject to the confirmation of the State Apprenticeship Council by a majority vote. Upon the recommendation of the Director, the State Board of Community Colleges may appoint and employ clerical, technical, and professional help as necessary to effectuate the purposes of this Article. The Director shall supervise clerical, technical, and professional staff appointed to administer the ApprenticeshipNC program.

"**§ 115D-11.8. Powers and duties of Director of ApprenticeshipNC.**

The Director, under the supervision of the President of the North Carolina Community College System or the President's designee and with the advice and guidance of the Apprenticeship Council, is authorized to administer the provisions of this Article; in cooperation with the Apprenticeship Council and apprenticeship committees and sponsors, to set up conditions and training standards for apprentice agreements, which conditions or standards shall in no case be lower than those prescribed by this Article; to act as secretary of the Apprenticeship Council; to approve for the Council any apprentice agreement that meets the standards established under this Article; to terminate or cancel any apprentice agreement in

accordance with the provisions of the agreement; to keep a record of apprentice agreements and their disposition; to issue certificates of completion of apprenticeship; and to perform other duties as are necessary to carry out the intent of this Article, including other on-the-job training necessary for emergency and critical civilian production. The administration and supervision of related and supplemental instruction for apprentices, coordination of instruction with job experiences, and the selection and training of teachers and coordinators for the instruction is the responsibility of State and local boards responsible for career and technical education.

"**§ 115D-11.9. Apprenticeship committees and program sponsors.**

(a) As used in this Article:

(1) "Apprenticeship agreement" means a written agreement between an apprentice and either his or her employer or an apprenticeship committee or sponsor acting as agent for employers, which agreement satisfies the requirements of G.S. 115D-11.11.

(2) "Apprenticeship committee" means those persons designated by the sponsor, and approved by the Apprenticeship Council, to act for it in the administration of the apprenticeship program. A committee may be "joint," i.e., it is composed of an equal number of representatives of the employer and of the employees represented by a bona fide collective bargaining agent and has been established to conduct, operate, or administer an apprenticeship program and enter into apprenticeship agreements with apprentices. A committee may be "unilateral" or "nonjoint" which shall mean a program sponsor in which employees or a bona fide collective bargaining agent is not a party.

(3) "ApprenticeshipNC" means the statewide apprenticeship program administered by the Community Colleges System Office in accordance with this Article.

(4) "Apprenticeship program" means a plan containing all terms and conditions for the qualification, recruitment, selection, employment, and training of apprentices, including such matters as the requirement for a written apprenticeship agreement.

(5) "Employer" means any person, firm, corporation, or organization employing an apprentice whether or not such person, firm, corporation, or organization is a party to an apprenticeship agreement with the apprentice.

(6) "Sponsor" means any person, firm, corporation, organization, association, or committee operating an apprenticeship program and in whose name the apprenticeship program is approved.

(b) An apprenticeship committee may be appointed by the Apprenticeship Council in any trade or group of trades in a city or trade area, whenever the apprentice training needs of the trade or group of trades justifies such establishment.

(c) The function of the apprenticeship committee, or sponsor when there is no apprenticeship committee, shall be to cooperate with school authorities in regard to the education of apprentices; in accordance with the standards set up by the apprenticeship committee for the same trade or group of trades, where a committee has been appointed, to work in an advisory capacity with employers and employees in matters regarding schedule of operations, application of wage rates, and working conditions for apprentices and to specify the number of apprentices which shall be employed locally in the trade under the apprenticeship agreements under this Article; to adjust apprenticeship disputes, subject to the approval of the Director; to ascertain the prevailing rate for journeymen in the city or trade area and specify the graduated scale of wages applicable to apprentices in the trade in that area; to ascertain employment needs in the trade or group of trades and specify the appropriate current ratio of apprentices to journeymen; and to make recommendations for the general good of apprentices

engaged in the trade or trades represented by the committee. An apprenticeship committee may appoint a representative and delegate to the representative the authority for implementation and performance of any standards adopted by the committee pursuant to any of the aforementioned functions.

"**§ 115D-11.10. Definition of an apprentice.**

The term "apprentice" means a person at least 16 years of age who is covered by a written apprenticeship agreement approved by the Apprenticeship Council, which apprenticeship agreement provides for not less than 2,000 hours of reasonably continuous employment for the person for his or her participation in an approved schedule of work experience and for organized, related supplemental instruction in technical subjects related to the trade. A minimum of 144 hours of related supplemental instruction for each year of apprenticeship is recommended. The required hours for apprenticeship agreements and the recommended hours for related supplemental instruction may be decreased or increased in accordance with standards adopted by the apprenticeship committee or sponsor, subject to approval of the State Board of Community Colleges.

"**§ 115D-11.11. Contents of agreement.**

Every apprentice agreement entered into under this Article shall contain:

(1) The names of the contracting parties.

(2) The date of birth of the apprentice.

(3) A statement of the trade, craft, or business which the apprentice is to be taught, and the time at which the apprenticeship will begin and end.

(4) A statement showing (i) the number of hours to be spent by the apprentice in work on the job and (ii) the number of hours to be spent in related and supplemental instruction, which is recommended to be not less than 144 hours per year. In no case shall the combined weekly hours of work and of required related and supplemental instruction of the apprentice exceed the maximum number of hours of work prescribed by law for a person of the age of the apprentice.

(5) A statement setting forth a schedule of the processes in the trade or industry division in which the apprentice is to be taught and the approximate time to be spent at each process.

(6) A statement of the graduated scale of wages to be paid the apprentice and whether the required school time shall be compensated.

(7) A statement providing for a period of probation of not more than 500 hours of employment and instruction extending over not more than four months, during which time the apprentice agreement shall be terminated by the Director at the request in writing of either party, and providing that after the probationary period the apprentice agreement may be terminated by the Director by mutual agreement of all parties or canceled by the Director for good and sufficient reason. The Council at the request of a joint apprentice committee may lengthen the period of probation.

(8) A provision that all controversies or differences concerning the apprentice agreement which cannot be adjusted locally in accordance with G.S. 115D-11.9 shall be submitted to the Director for determination.

(9) A provision that an employer who is unable to fulfill his or her obligation under the apprentice agreement may with the approval of the Director transfer the contract to any other employer; provided, that the apprentice consents and that the other employer agrees to assume the obligations of the apprentice agreement.

(10) Any additional terms and conditions as may be prescribed or approved by the Director not inconsistent with the provisions of this Article.

"**§ 115D-11.12. Approval of apprentice agreements; signatures.**

No apprentice agreement under this Article shall be effective until approved by the Director. Every apprentice agreement shall be signed by the employer, or by an association of employers or an organization of employees as provided in G.S. 115D-11.13, and by the apprentice, and if the apprentice is a minor, by either of the minor's parents, or by any person, agency, organization, or institution standing in loco parentis. Where a minor enters into an apprentice agreement under this Article for a period of training extending into his or her majority, the apprentice agreement shall likewise be binding for a period as may be covered during the apprentice's majority.

"**§ 115D-11.13. Rotation of employment.**

For the purpose of providing greater diversity of training or continuity of employment, any apprentice agreement made under this Article may in the discretion of the Director of ApprenticeshipNC be signed by an association of employers or an organization of employees instead of by an individual employer. In this case, the apprentice agreement shall expressly provide that the association of employers or organization of employees does not assume the obligation of an employer but agrees to use its best endeavors to procure employment and training for the apprentice with one or more employers who will accept full responsibility for all the terms and conditions of employment and training set forth in the agreement between the apprentice and employer association or employee organization during the period of each employment. The apprentice agreement in this case shall also expressly provide for the transfer of the apprentice, subject to the approval of the Director, to such employer or employers who shall sign in written agreement with the apprentice, and if the apprentice is a minor with his or her parent or guardian, as specified in G.S. 115D-11.12, contracting to employ the apprentice for the whole or a definite part of the total period of apprenticeship under the terms and conditions of employment and training set forth in the agreement entered into between the apprentice and employer association or employee organization.

"**§ 115D-11.14. Limitation.**

Nothing in this Article or in any apprentice agreement approved under this Article shall invalidate any apprenticeship provision in any collective agreement between employers and employees that sets up higher apprenticeship standards. None of the terms or provisions of this Article apply to any person, firm, corporation, or crafts unless, until, and only so long as the person, firm, corporation, or crafts voluntarily elects that the terms and provisions of this Article apply. Any person, firm, corporation, or crafts terminating an apprenticeship agreement shall notify the Director of ApprenticeshipNC."

SECTION 15.13.(d) Notwithstanding G.S. 115D-11.6, as enacted by this section, the current members serving on the Apprenticeship Council pursuant to G.S. 94-2 as of July 1, 2017, shall serve the remainder of their terms. Thereafter, as terms expire, or when a vacancy occurs prior to the expiration of a term, members of the Apprenticeship Council shall be appointed by the State Board of Community Colleges in accordance with G.S. 115D-11.6, as enacted by this section.

SECTION 15.13.(e) Within 90 days of the date this act becomes law, the Department of Commerce shall submit a Workforce Innovation and Opportunity Act State Plan amendment to the United States Department of Labor to designate the Community Colleges System Office as the State agency responsible for the administration of ApprenticeshipNC as provided for in this section.

JMAC ELIGIBILITY MODIFICATION

SECTION 15.14.(a) G.S. 143B-437.012 reads as rewritten:

"**§ 143B-437.012. Job Maintenance and Capital Development Fund.**

…

(d) Eligibility. – A business is eligible for consideration for a grant under this section if it satisfies the conditions of either subdivision ~~(1)~~(1), (1a), or (2) of this subsection and satisfies subdivision (4) of this subsection:

(1) The business is a major employer. A business is a major employer if the business meets the following requirements:

a. The Department certifies that the business has invested or intends to invest at least two hundred million dollars ($200,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a six-year period beginning with the time the investment commences.

b. The business employs at least 2,000 full-time employees or equivalent full-time contract 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 2,000 full-time employees or equivalent full-time contract employees at the project for the full term of the grant agreement.

c. The project is located in a development tier one area at the time the business applies for a grant.

(1a) The business previously received a grant as a major employer under this section and meets the following requirements:

a. The Department certifies that the business has invested or intends to invest at least two hundred million dollars ($200,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a 10-year period beginning with the time the investment commences. Amounts certified as invested under sub-subdivision a. of subdivision (1) of this subsection shall not be included in the amount required by this sub-subdivision.

b. The business employs at least 2,000 full-time employees or equivalent full-time contract 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 2,000 full-time employees or equivalent full-time contract employees at the project for the full term of the grant agreement.

c. The project is at the same location as that for which a grant was previously awarded under subdivision (1) of this subsection.

…

(4) All newly hired employees of the business must be citizens of the United States or have proper identification and documentation of their authorization to reside and work in the United States.

…

(n) Limitations. – The Department may enter into no more than ~~five~~ six agreements under this section. The total aggregate cost of all agreements entered into under this section may not exceed ~~seventy-nine million dollars ($79,000,000).~~one hundred thirty-nine million dollars ($139,000,000). The total annual cost of an agreement entered into under this section may not exceed six million dollars ($6,000,000)."

SECTION 15.14.(b) This section is effective when it becomes law.

EXTEND JDIG SUNSET

SECTION 15.15.(a) G.S. 143B-437.62 reads as rewritten:

"**§ 143B-437.62. Expiration.**

The authority of the Committee to award new grants expires January 1, ~~2019.~~2025."

SECTION 15.15.(b) This section is effective when it becomes law.

KEEP WELCOME CENTERS OPEN

SECTION 15.16. The Department of Commerce shall not close any welcome center in this State during the 2017-2019 fiscal biennium without authorization from the General Assembly.

INDUSTRIAL COMMISSION SERVICE OF PROCESS

SECTION 15.17. G.S. 97-86 reads as rewritten:

"**§ 97-86. Award conclusive as to facts; appeal; certified questions of law.**

The award of the Industrial Commission, as provided in G.S. 97-84, if not reviewed in due time, or an award of the Commission upon such review, as provided in G.S. 97-85, shall be conclusive and binding as to all questions of fact; but either party to the dispute may, within 30 days from the date of such award or within 30 days after receipt of notice to be sent by ~~registered mail~~ any class of U.S. mail that is fully prepaid or ~~certified mail~~ electronic mail of such award, but not thereafter, appeal from the decision of said Commission to the Court of Appeals for errors of law under the same terms and conditions as govern appeals from the superior court to the Court of Appeals in ordinary civil actions. The procedure for the appeal shall be as provided by the rules of appellate procedure.

The Industrial Commission of its own motion may certify questions of law to the Court of Appeals for decision and determination by said Court. In case of an appeal from the decision of the Commission, or of a certification by said Commission of questions of law, to the Court of Appeals, said appeal or certification shall operate on a supersedeas except as provided in G.S. 97-86.1, and no employer shall be required to make payment of the award involved in said appeal or certification until the questions at issue therein shall have been fully determined in accordance with the provisions of this Article. If the employer is a noninsurer, then the appeal of such employer shall not act as a supersedeas and the plaintiff in such case shall have the same right to issue execution or to satisfy the award from the property of the employer pending the appeal as obtains to the successful party in an action in the superior court.

When any party to an appeal from an award of the Commission is unable, by reason of his poverty, to make the deposit or to give the security required by law for said appeal, any member of the Commission or any deputy commissioner shall enter an order allowing said party to appeal from the award of the Commission without giving security therefor. The party appealing from the judgment shall, within 30 days from the filing of the appeal from the award, make an affidavit that he is unable by reason of his poverty to give the security required by law. The request shall be passed upon and granted or denied by a member of the Commission or deputy commissioner within 20 days from receipt of the affidavit specified above."

INDUSTRIAL COMMISSION LITIGATION EXPENSE CARRYFORWARD

SECTION 15.18.(a) The North Carolina Industrial Commission (Commission) may carry forward up to two hundred fifty thousand dollars ($250,000) of State funds appropriated in the 2016-2017 fiscal year for legal services. Any funds remaining after completion of the legal services for which the funds were appropriated shall be retained by the Commission.

SECTION 15.18.(b) Notwithstanding G.S. 147-17 and G.S. 114-2.3, the North Carolina Industrial Commission is authorized to use the funds carried forward under subsection (a) of this section to employ and supervise private counsel.

INDUSTRIAL COMMISSION CASE MANAGEMENT SYSTEMS

SECTION 15.19.(a) The Industrial Commission shall coordinate with the Department of Information Technology and other State agencies to replace the Industrial Commission's case management systems by assessing system requirements and to find the most cost-effective means of meeting those requirements.

SECTION 15.19.(b) Of the funds appropriated in this act to the Industrial Commission, the sum of three million dollars ($3,000,000) in nonrecurring funds for the 2017-2018 fiscal year shall be allocated for the purpose of replacing and maintaining the Industrial Commission's case management systems and related expenditures.

SECTION 15.19.(c) The Industrial Commission may retain the additional revenue up to one million two hundred thousand dollars ($1,200,000) of the fee charged to parties for the filing of compromise settlement agreements to be used for the purpose of replacing and maintaining the Industrial Commission's case management systems and related expenditures.

SECTION 15.19.(d) The funds in subsection (b) of this section shall not revert. The fee retention authorization in subsection (c) of this section shall expire on June 30, 2021.

SUBPART XV-A. COMMERCE – STATE AID

NC BIOTECHNOLOGY CENTER

SECTION 15A.1.(a) Of the funds appropriated in this act to the Department of Commerce, the sum of thirteen million six hundred thousand three hundred thirty-eight dollars ($13,600,338) for each fiscal year in the 2017-2019 biennium shall be allocated to the North Carolina Biotechnology Center (hereinafter "Center") for the following purposes:

(1) Job Creation: AgBiotech Initiative, Economic and Industrial Development, and related activities – two million nine hundred twenty-four thousand seventy-three dollars ($2,924,073).

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – eight million eight hundred thirteen thousand nineteen dollars ($8,813,019).

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – one million eight hundred sixty-three thousand two hundred forty-six dollars ($1,863,246).

SECTION 15A.1.(b) The Center shall prioritize funding and distribution of loans over existing funding and distribution of grants.

SECTION 15A.1.(c) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 15A.2. High Point Furniture Market Authority, North Carolina Biotechnology Center, Carolina Small Business Development Fund, and RTI International shall do the following for each year that State funds are expended:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research

Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

(2) Provide to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

CREATE DIVISIONS – ALCOHOL LAW ENFORCEMENT AND STATE CAPITOL POLICE IN DEPARTMENT OF PUBLIC SAFETY

CREATE DIVISION OF ALCOHOL LAW ENFORCEMENT IN THE DEPARTMENT OF PUBLIC SAFETY

SECTION 16.1.(a) The Alcohol Law Enforcement Branch of the State Bureau of Investigation shall be relocated as a Division of the Department of Public Safety.

SECTION 16.1.(b) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart F. Alcohol Law Enforcement Division.

"**§ 143B-990. Creation of Alcohol Law Enforcement Division of the Department of Public Safety.**

There is created the Alcohol Law Enforcement Division of the Department of Public Safety with the organization, powers, and duties defined in Article 1 of this Chapter, except as modified in this Part."

SECTION 16.1.(c) G.S. 143B-928 is repealed.

SECTION 16.1.(d) G.S. 18B-500 reads as rewritten:

"**§ 18B-500. Alcohol law-enforcement agents.**

(a) Appointment. – The Director of the ~~State Bureau of Investigation shall~~ Division of Alcohol Law Enforcement of the Department of Public Safety may appoint ~~alcohol law-enforcement agents and other enforcement personnel.~~ a sufficient number of assistants who shall be competent and qualified to do the work of the Division. The Director ~~may also appoint regular employees of the Commission as alcohol law-enforcement agents.~~ shall have the sole authority to make all personnel-related decisions regarding employees of the Division subject to the applicable provisions of Chapter 126 of the General Statutes. G.S. 143A-9 shall not function as a limitation upon the authority granted to the Director by this section. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the ~~Alcohol Law Enforcement Branch~~ Division for workers' compensation purposes while performing duties assigned or approved by the ~~Head~~ Director of the ~~Alcohol Law Enforcement Branch~~ Division or the ~~Head's~~ Director's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ABC ~~and lottery laws.~~laws, lottery laws, and Article 5 of Chapter 90 of the General Statutes (North Carolina Controlled Substances Act).

…

(g) Shifting of Personnel From One District to Another. – The ~~Head~~ Director of the Alcohol Law Enforcement ~~Branch,~~ Division, under rules adopted by the Department of Public Safety may, from time to time, shift the forces from one district to another or consolidate more than one district force at any point for special purposes. Whenever an agent of the Alcohol Law Enforcement ~~Section~~ Division is transferred from one district to another for the convenience of the State or for reasons other than the request of the agent, the Department shall be responsible for transporting the household goods, furniture, and personal apparel of the agent and members of the agent's household."

SECTION 16.1.(f) The Department of Public Safety shall continue to consolidate ALE and SBI Regions and Regional Offices in the same manner so that all district offices remain co-located.

SECTION 16.1.(g) G.S. 143B-919(c) reads as rewritten:

"**§ 143B-919. Investigations of lynchings, election frauds, etc.; services subject to call of Governor; witness fees and mileage for employees.**

…

(c) The State Bureau of Investigation is further authorized, upon request of the Governor or the Attorney General, to investigate the commission or attempted commission of the crimes defined in the following statutes:

(1) ~~All sections of~~ Article 4A of Chapter 14 of the General Statutes;
(1a) G.S. 14-43.11;
(2) G.S. 14-277.1;
(3) G.S. 14-277.2;
(4) G.S. 14-283;
(5) G.S. 14-284;
(6) G.S. 14-284.1;
(7) G.S. 14-288.2;
(8) G.S. 14-288.7;
(9) G.S. 14-288.8;
(10) G.S. 14-288.20;
(10a) G.S. 14-288.21;
(10b) G.S. 14-288.22;
(10c) G.S. 14-288.23;
(10d) G.S. 14-288.24;
(11) G.S. 14-284.2;
(12) G.S. 14-399(e);
(12a) G.S. 15A-287 and G.S. 15A-288;
(13) G.S. 130A-26.1;
(14) G.S. 143-215.6B;
(15) G.S. 143-215.88B; and
(16) G.S. 143-215.114B."

SECTION 16.1.(h) G.S. 143-651 reads as rewritten:

"**§ 143-651. Definitions.**

The following definitions apply in this Article:

…

~~(4a) Branch. – The Alcohol Law Enforcement Branch of the State Bureau of Investigation.~~

…

(7a) Division. – The Alcohol Law Enforcement Division of the Department of Public Safety.

…

(23b) Sanctioned amateur match. – Any match regulated by an amateur sports organization that has been recognized and approved by the ~~Branch.~~Division.

…."

SECTION 16.1.(i) The following statutes are amended by deleting the word "Branch" wherever it appears in uppercase and substituting "Division": G.S. 18B-101(5), 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, 18B-903, 18B-904, 18C-163(b), 19-2.1, 105-259(b)(15), and 143-652.1 through 143-656.

SECTION 16.1.(j) Notwithstanding any other provision of law, there shall be no transfer of positions to or from the Alcohol Law Enforcement Branch (Budget Code 14550, fund code 1401) and no changes to the total authorized budget of the Alcohol Law Enforcement Branch, as it existed on March 1, 2017, prior to the transfer of the Alcohol Law Enforcement Branch from the State Bureau of Investigation to the Department of Public Safety. Under no circumstances shall funds be expended from Budget Code 24555-2410 – Law Enforcement – ALE Federal Forfeiture – US DOJ or Budget Code 24555-2415 – Law Enforcement – ALE Federal Forfeiture – US Treasury prior to the transfer of the Alcohol Law Enforcement Branch to the Department of Public Safety, unless those expenditures were reported to the General Assembly on or before March 1, 2017. This subsection shall not apply to transfers of positions or changes to the total authorized budget of the Alcohol Law Enforcement Branch that are expressly required by the Committee Report described in Section 39.2 of this act.

CREATE DIVISION OF STATE CAPITOL POLICE IN THE DEPARTMENT OF PUBLIC SAFETY

SECTION 16.1.(k) The State Capitol Police Section of the State Highway Patrol shall be relocated as a Division of the Department of Public Safety.

SECTION 16.1.(*l*) Subpart B of Part 4 of Article 13 of Chapter 143B of the General Statutes reads as rewritten:

"Subpart B. State Capitol ~~Police.~~Police Division.

"**§ 143B-911. Creation of State Capitol Police ~~Section~~ Division; powers and duties.**

(a) ~~Section~~ Division Established. – ~~There is hereby established, within the State Highway Patrol of the Department of Public Safety,~~ There is created the State Capitol Police ~~Section, which shall be organized and staffed in accordance with applicable laws and regulations and within the limits of authorized appropriations. The Chief, special officers, and employees of the State Capitol Police Section are not considered members of the State Highway Patrol.~~Division of the Department of Public Safety with the organization, powers, and duties defined in Article 1 of this Chapter, except as modified in this Part.

(b) Purpose. – The State Capitol Police ~~Section~~ Division shall serve as a special police agency of the Department of Public Safety. The Chief of the State Capitol Police, appointed by the Secretary pursuant to G.S. 143B-602, with the approval of the Governor, may appoint as special police officers such reliable persons as ~~he~~ the Chief may deem necessary.

…."

SECTION 16.1.(m) G.S. 143B-602(8) reads as rewritten:

"**§ 143B-602. Powers and duties of the Secretary of Public Safety.**

The Secretary of Public Safety shall have the powers and duties as are conferred on the Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the Secretary by the Constitution and laws of this State. These powers and duties include the following:

…

(8) Other powers and duties. – The Secretary has the following additional powers and duties:

…

f. Appointing, with the Governor's approval, a special police officer to serve as Chief of the State Capitol Police ~~Section of the State Highway Patrol.~~Division.

…."

SECTION 16.1.(n) Notwithstanding any other provision of law, there shall be no transfer of positions to or from the State Capitol Police Section (Budget Code 14550, fund code 1402) and no changes to the total authorized budget of the State Capitol Police Section, as it existed on March 1, 2017, prior to the transfer of the State Capitol Police from the State Highway Patrol to the Department of Public Safety. This subsection shall not apply to transfers of positions or changes to the total authorized budget of the State Capitol Police that are expressly required by the Committee Report described in Section 39.2 of this act.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 16.2.(a) Notwithstanding any other provision of law, the Office of State Budget and Management shall not transfer any positions, personnel, or funds from the Department of Public Safety to any other State agency during the 2017-2019 fiscal biennium unless the transfer was included in the base budget for one or both fiscal years of the biennium. This subsection shall not apply to any of the following annual transfers to the Office of the Governor:

(1) Two hundred thirty-four thousand eight hundred ninety-one dollars ($234,891) for administrative support.

(2) Up to fifty thousand dollars ($50,000) for litigation expenses.

SECTION 16.2.(b) This section becomes effective July 1, 2017. If any transfers that violate this section are made prior to this section becoming effective, those transfers shall be undone within 15 days of this section becoming effective.

LAPSED SALARY REPORT

SECTION 16.3. The Department of Public Safety shall report on February 1 and August 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety. The report shall include the following:

(1) Amount of lapsed salary generated by fund code for the previous six months.

(2) An itemized accounting of the use of lapsed salary funds including:

a. Fund code.

b. Current certified budget.

c. Annual projected expenditure.

d. Annual projected shortfall.

e. Amount of lapsed salary funds transferred to date.

The August 1 report shall include an annual accounting of this information for the previous fiscal year.

PILOT PROJECT TO TREAT OPIATE OVERDOSE

SECTION 16.3A.(a) Pilot Project. – The Department of Public Safety, in conjunction with the City of Wilmington, shall develop and implement a pilot project to establish a Quick Response Team (QRT) to address the needs of opiate and heroin overdose victims who are not getting follow-up treatment. The QRT shall be staffed by firefighters, police officers, medics, behavioral health specialists, and other law enforcement as determined by the Department of Public Safety and the City of Wilmington. The Department of Public Safety and the City of Wilmington shall work together to develop the policy and procedures for the QRT. In doing so, all of the following shall be considered:

(1) Increase engagement and treatment with family counseling and recovery groups.
(2) Provide follow-up care to survivable overdose incidents with police or medics and licensed counselors.
(3) Provide short-term and long-term support to overdose victims and families.
(4) Provide follow-up within three to five days after an initial incident.
(5) Create a fatality review panel to analyze and keep track of the deaths of those served by QRT.

SECTION 16.3A.(b) Report. – The Department of Public Safety and the City of Wilmington shall report on the results of the pilot project to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2019.

GRANT REPORTING AND MATCHING FUNDS

SECTION 16.5.(a) The Department of Public Safety, the Department of Justice, and the Judicial Department shall each report by May 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If a department intends to continue the program beyond the end of the grant period, that department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

SECTION 16.5.(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 2017-2018 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2018-2019 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 Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the grants to be matched using these funds.

EXPAND CRIME VICTIMS' SERVICES

SECTION 16.6.(a) G.S. 15B-2 reads as rewritten:

"**§ 15B-2. Definitions.**

As used in this Article, the following definitions apply, unless the context requires otherwise:

(1) Allowable expense. – Reasonable charges incurred for reasonably needed products, services, and accommodations, including those for medical care, rehabilitation, medically-related property, and other remedial treatment and care.

Allowable expense includes a total charge not in excess of five thousand dollars ($5,000) for expenses related to funeral, cremation, and burial, including transportation of a body, but excluding expenses for flowers, gravestone, and other items not directly related to the funeral service.

Allowable expense for medical care, counseling, rehabilitation, medically-related property, and other remedial treatment and care of a victim shall be limited to sixty-six and two-thirds percent (66 2/3%) of the amount usually charged by the provider for the treatment or care. By accepting the

compensation paid as allowable expense pursuant to this subdivision, the provider agrees that the compensation is payment in full for the treatment or care and shall not charge or otherwise hold a claimant financially responsible for the cost of services in addition to the amount of allowable expense.

Allowable expense also includes:

a. A charge not in excess of three thousand dollars ($3,000) for counseling for immediate family members of children under the age of 18 who are victims of rape, sexual assault, or domestic violence.

b. A charge not in excess of three thousand dollars ($3,000) for family and/or grief counseling for immediate family members of homicide victims.

(2) Claimant. – Any of the following persons who claims an award of compensation under this Article:

…

f. An immediate family member applying for benefits for the purpose of obtaining family or grief counseling.

g. An immediate family member of an adolescent rape, sexual assault, or domestic violence victim for the purpose of obtaining counseling.

The claimant, however, may not be the offender or an accomplice of the offender who committed the criminally injurious conduct, except as provided in sub-subdivision e. of this subdivision.

…."

SECTION 16.6.(b) This section is effective when it becomes law.

GRANTS FOR LAW ENFORCEMENT CAMERAS

SECTION 16.7.(a) Funds appropriated in this act to the Department of Public Safety for grants for law enforcement cameras shall be used to provide matching grants to local and county law enforcement agencies to purchase and place into service body-worn or dashboard video cameras, as defined by G.S. 132-1.4, and for training and related expenses. These grant funds shall be administered by the Governor's Crime Commission, which shall develop guidelines and procedures for the administration and distribution of grants to those agencies. These guidelines and procedures shall include the following requirements and limitations:

(1) The maximum grant amount shall not exceed one hundred thousand dollars ($100,000).

(2) Recipient law enforcement agencies shall be required to provide one dollar ($1.00) of local funds for every one dollar ($1.00) of grant funds received.

(3) Grantees shall be required to have appropriate policies and procedures in place governing the operation of body-worn or dashboard cameras, as defined by G.S. 132-1.4, and the proper storage of images recorded with those cameras.

SECTION 16.7.(b) The Governor's Crime Commission shall submit a report on the grant funds distributed pursuant to this section during the 2017-2018 fiscal year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety no later than August 1, 2018.

SECTION 16.7.(c) Definition. – The term "body-worn camera" means an operational video camera, including a microphone or other mechanism for allowing audio capture, affixed to a law enforcement officer's uniform and positioned in a way that allows the video camera to capture interactions the law enforcement officer has with the public.

SUBPART XVI-A. GENERAL PROVISIONS [RESERVED]

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS

SECTION 16B.1.(a) Creation of Receipt-Supported Positions Authorized. – The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 16B.1.(b) Annual Report Required. – No later than September 1 of each fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on Justice and Public Safety the following information for the fiscal year in which the report is due:

(1) A list of all positions in the State Capitol Police. For each position listed, the report shall include at least the following information:
   a. The position type.
   b. The agency to which the position is assigned.
   c. The source of funding for the position.
(2) For each receipt-supported position listed, the contract and any other terms of the contract.

SECTION 16B.1.(c) Additional Reporting Required Upon Creation of Receipt-Supported Positions. – In addition to the report required by subsection (b) of this section, the State Capitol Police shall report the creation of any position pursuant to subsection (a) of this section to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Fiscal Research Division within 30 days of the position's creation. A report submitted pursuant to this section shall include at least the following information:

(1) The position type.
(2) The agency to which the position is being assigned.
(3) The position salary.
(4) The total amount of the contract.
(5) The terms of the contract.

SECTION 16B.1.(d) Format of Reports. – Reports submitted pursuant to this section shall be submitted electronically and in accordance with any applicable General Assembly standards.

USE OF SEIZED AND FORFEITED PROPERTY

SECTION 16B.2.(a) Seized and forfeited assets transferred to the Department of Justice or to the Department of Public Safety during the 2017-2019 fiscal biennium pursuant to applicable federal law shall be credited to the budget of the recipient department and shall result in an increase of law enforcement resources for that department. The Department of Public Safety and the Department of Justice shall each make the following reports to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and Senate Appropriations Committee on Justice and Public Safety:

(1) A report upon receipt of any assets.
(2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.
(3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 16B.2.(b) The General Assembly finds that the use of seized and forfeited assets transferred pursuant to federal law for new personnel positions, new projects,

acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice and Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16B.2.(c) Nothing in this section prohibits State 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.

SECTION 16B.2.(d) The Joint Legislative Oversight Committee on Justice and Public Safety shall study the impact on State and local law enforcement efforts of the receipt of seized and forfeited assets. The Committee shall report its findings and recommendations prior to the convening of the 2018 Regular Session of the 2017 General Assembly.

LIEUTENANT GOVERNOR EXECUTIVE PROTECTION DETAIL

SECTION 16B.4.(a) Article 4 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"**§ 20-189.1. Lieutenant Governor Executive Protection Detail.**

(a) Creation. – There is created within the Highway Patrol a Lieutenant Governor's Executive Protection Detail. The Lieutenant Governor shall submit the names of three sworn members in good standing of the North Carolina Highway Patrol to the Commander, and the Commander shall assign those officers to serve in the Lieutenant Governor's Executive Protection Detail. The Lieutenant Governor is authorized to remove any members of the detail, with or without cause. If the Lieutenant Governor removes a member of the detail, the Lieutenant Governor shall submit to the Commander the name of an officer to replace the member who has been removed and the Commander shall assign the replacement. Members of the Lieutenant Governor's Executive Protection Detail shall continue to be employed by the North Carolina Highway Patrol subject to the laws, rules, and regulations of the Highway Patrol. The North Carolina Highway Patrol shall provide vehicles necessary for the carrying out of the Detail's duties under this Article.

(b) Duties. – The members of the Lieutenant Governor's Executive Protection Detail shall protect the Lieutenant Governor and the Lieutenant Governor's immediate family and perform duties as assigned by the Lieutenant Governor relating to the protection of the Lieutenant Governor."

SECTION 16B.4.(b) This section is effective when this act becomes law.

STUDIES TO ENHANCE PUBLIC SAFETY/PED

SECTION 16B.5.(a) The Joint Legislative Program Evaluation Oversight Committee shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include the following:

(1) An evaluation of the Voice Interoperability Plan for Emergency Responders (VIPER) and FirstNet technologies. Specifically, the Program Evaluation Division shall:
   a. Examine the current state of VIPER and FirstNet technology and identify long-term future equipment needs and upgrades.
   b. Identify efficiencies and cost-sharing methods for ensuring sustainability of system operations and maintenance.
   c. Determine whether system functions are duplicated.
   d. Identify the most effective governance and operational financing structure to ensure equitable and reasonable cost-sharing and optimal system adoption by public safety agency stakeholders.

(2) An evaluation of the current security measures for the downtown Raleigh State Government complex and options to create cost-efficient and comprehensive security plans.

SECTION 16B.5.(b) The Program Evaluation Division shall submit the evaluation required under subdivision (a)(1) of this section to the Joint Legislative Program Evaluation Oversight Committee and to the Joint Legislative Oversight Committee on Justice and Public Safety no later than March 1, 2018.

SECTION 16B.5.(c) Pursuant to G.S. 132-1.7, the public security information collected by the Program Evaluation Division as a result of the evaluation required under subdivision (a)(2) of this section is not a public record. The Program Evaluation Division shall complete its evaluation no later than March 1, 2018. Notwithstanding G.S. 120-36.16(3), the Program Evaluation Division shall submit its evaluation, including findings and recommendations to the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The evaluation is not a public record as defined in G.S. 132-1.

SHP ELIGIBLE FOR PSAP GRANT/911 PROJECTS

SECTION 16B.7. G.S. 143B-1407 is amended by adding a new subsection to read:

"(f) Application to State Highway Patrol. – The State Highway Patrol is an eligible PSAP for purposes of applying to the 911 Board for a grant from the PSAP Grant and Statewide 911 Projects Account. This subsection applies to funds collected on or after July 1, 2017."

SUBPART XVI-C. DIVISION OF ADULT CORRECTION

USE OF CLOSED FACILITIES

SECTION 16C.1.(a) In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety shall consult with the county or municipality in which the facility is located, with elected State and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to this section. The Department of Public Safety may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

SECTION 16C.1.(b) The Department may convert closed facilities for the following purposes:

(1) Training needs.
(2) Behavior modification facilities.
(3) Transitional housing.

Sixty days prior to converting facilities to these purposes, the Department shall report to the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall include the justification for the conversion, operational requirements for the facility, and

available resources for staffing and operating the facility. If the proposed facility will require additional funding in the future, the report shall provide a five-year projection of those funding needs.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL EXPENSES

SECTION 16C.2. Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2017-2019 fiscal biennium to reimburse 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 reimbursement may not exceed forty dollars ($40.00) per day per prisoner awaiting transfer. The Department shall report annually by February 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

CENTER FOR COMMUNITY TRANSITIONS/ CONTRACT AND REPORT

SECTION 16C.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 2017-2019 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 Committee 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 CONSTRUCTION PROGRAM

SECTION 16C.4. Notwithstanding any other provision of law but subject to Article 3 of Chapter 148 of the General Statutes, during the 2017-2019 fiscal biennium, the State Construction Office may 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. State agencies utilizing the Inmate Construction Program shall reimburse the Division of Adult Correction of the Department of Public Safety for the cost of transportation, custody, and wages for the inmate crews.

STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM

SECTION 16C.5.(a) The North Carolina Sheriffs' Association shall report no later than the 15th day of each month to the Office of State Budget and Management and the Fiscal Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report shall include all of the following:

(1) The daily population, delineated by misdemeanant or DWI monthly housing.
(2) The cost of housing prisoners under the Program.
(3) The cost of transporting prisoners under the Program.
(4) Personnel costs.
(5) Inmate medical care costs.
(6) The number of counties that volunteer to house inmates under the Program.
(7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

SECTION 16C.5.(b) The North Carolina Sheriffs' Association shall report no later than October 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety 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.

SECTION 16C.5.(c) Of the funds appropriated in this act for the Statewide Misdemeanant Confinement Program:

(1) The sum of one million dollars ($1,000,000) shall be transferred to the North Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the Program and for administrative and operating expenses of the Association and its staff.
(2) The sum of two hundred twenty-five thousand dollars ($225,000) shall be allocated to the Division of Adult Correction for its administrative and operating expenses for the Program.

WESTERN YOUTH INSTITUTION ASSET REPORT

SECTION 16C.6. The Department of Public Safety (DPS) shall make every effort to ensure that equipment and other State resources in buildings that are scheduled for demolition or otherwise not being used are recovered for use elsewhere. DPS shall report by March 1, 2018, on assets salvaged from the Western Youth Institution prior to demolition. The report shall include the type of asset salvaged, the estimated value of the asset, where it was used, and the savings associated with relocating the asset to another facility.

ELIMINATE OBSOLETE PILOT PROGRAM

SECTION 16C.7. G.S. 143B-706 is repealed.

DOT CONTRACT FOR INMATE LITTER CREW

SECTION 16C.8. After the issuance of a request for information (RFI) and receipt of bids by the Department of Transportation for litter pickup on State highways and roads, the Department of Transportation shall first offer the contract to the Division of Adult Correction upon the same terms and conditions as the most favorable bid received by the Department of Transportation from a suitable contractor. The Division of Adult Correction shall have 30 days to accept or decline the offered contract.

WORKERS' COMPENSATION/PRISON INMATES

SECTION 16C.9.(a) G.S. 97-13 reads as rewritten:

"**§ 97-13. Exceptions from provisions of Article.**

(a) Employees of Certain Railroads. – This Article shall not apply to railroads or railroad employees nor in any way repeal, amend, alter or affect Article 8 of Chapter 60 or any section thereof relating to the liability of railroads for injuries to employees, nor upon the trial of any action in tort for injuries not coming under the provisions of this Article, shall any provision herein be placed in evidence or be permitted to be argued to the jury. Provided,

however, that the foregoing exemption to railroads and railroad employees shall not apply to employees of a State-owned railroad company, as defined in G.S. 124-11, or to electric street railroads or employees thereof; and this Article shall apply to electric street railroads and employees thereof and to this extent the provisions of Article 8 of Chapter 60 are hereby amended.

(b) Casual Employment, Domestic Servants, Farm Laborers, Federal Government, Employer of Less than Three Employees. – This Article shall not apply to casual employees, farm laborers when fewer than 10 full-time nonseasonal farm laborers are regularly employed by the same employer, federal government employees in North Carolina, and domestic servants, nor to employees of such persons, nor to any person, firm or private corporation that has regularly in service less than three employees in the same business within this State, except that any employer without regard to number of employees, including an employer of domestic servants, farm laborers, or one who previously had exempted himself, who has purchased workers' compensation insurance to cover his compensation liability shall be conclusively presumed during life of the policy to have accepted the provisions of this Article from the effective date of said policy and his employees shall be so bound unless waived as provided in this Article; provided however, that this Article shall apply to all employers of one or more employees who are employed in activities which involve the use or presence of radiation.

(c) Most Prisoners. – This Article shall not apply to prisoners being worked by the State or any subdivision thereof, except ~~to the following extent:~~ as provided in this subsection and subsection (c1) of this section. Whenever any prisoner assigned to the Division of Adult Correction of the Department of Public Safety shall suffer accidental injury or accidental death arising out of and in the course of the employment to which he had been assigned, if there be death or if the results of such injury continue until after the date of the lawful discharge of such prisoner to such an extent as to amount to a disability as defined in this Article, then such discharged prisoner or the dependents or next of kin of such discharged prisoner may have the benefit of this Article by applying to the Industrial Commission as any other employee; provided, such application is made within 12 months from the date of the discharge; and provided further that the maximum compensation to any prisoner or to the dependents or next of kin of any deceased prisoner shall not exceed thirty dollars ($30.00) per week and the period of compensation shall relate to the date of his discharge rather than the date of the accident. If any person who has been awarded compensation under the provisions of this subsection shall be recommitted to prison upon conviction of an offense committed subsequent to the award, such compensation shall immediately cease. Any awards made under the terms of this subsection shall be paid by the Department of Public Safety from the funds available for the operation of the Division of Adult Correction of the Department of Public Safety. The provisions of G.S. 97-10.1 and 97-10.2 shall apply to prisoners and discharged prisoners entitled to compensation under this subsection and to the State in the same manner as said section applies to employees and employers.

(c1) Certain Inmates. – The average weekly wage of inmates employed pursuant to the Prison Industry Enhancement Program shall be calculated pursuant to G.S. 97-2(5).

(d) Sellers of Agricultural Products. – This Article shall not apply to persons, firms or corporations engaged in selling agricultural products for the producers thereof on commission or for other compensation, paid by the producers, provided the product is prepared for sale by the producer."

SECTION 16C.9.(b) This section is effective when this act becomes law.

STATE REENTRY COUNCIL COLLABORATIVE

SECTION 16C.10. Part 1 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-604. State Reentry Council Collaborative.**

(a) The Secretary shall establish the State Reentry Council Collaborative (SRCC). The SRCC shall include up to two representatives from each of the following:

(1) The Division of Motor Vehicles.

(2) The Department of Health and Human Services.

(3) The Administrative Office of the Courts.

(4) The North Carolina Community College System.

(5) The Division of Adult Correction of the Department of Public Safety.

(6) Any other agency that the Secretary deems relevant.

(b) The Secretary, or the Secretary's designee, shall chair the SRCC which shall meet at least quarterly upon the call of the chair. The SRCC shall study the needs of ex-offenders who have been recently released from a correctional institution and to increase the effectiveness of local reentry councils.

(c) Beginning November 1, 2017, and annually thereafter, the SRCC shall report its findings and recommendations to the Joint Legislative Oversight Committee on Justice and Public Safety."

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES SECTIONS

SECTION 16C.11. Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2017-2019 fiscal biennium may be used by the Division of Adult Correction of the Department of Public Safety during the 2017-2019 fiscal biennium to provide training programs and equipment purchases for the Section of Community Corrections, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE

LIMIT USE OF COMMUNITY PROGRAM FUNDS

SECTION 16D.1.(a) Funds appropriated in this act to the Department of Public Safety for the 2017-2019 fiscal biennium for community program contracts that are not required for or used for community program contracts may be used only for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council funds to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 16D.1.(b) Funds appropriated by this act to the Department of Public Safety for the 2017-2019 fiscal biennium for community programs may not be used for staffing, operations, maintenance, or any other expenses of youth development centers or detention facilities.

SECTION 16D.1.(c) The Department of Public Safety shall submit an electronic report by October 1 of each year of the 2017-2019 fiscal biennium on all expenditures made in the preceding fiscal year from the miscellaneous contract line in Fund Code 1230 to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and the Fiscal Research Division. The report shall include all of the following: an itemized list of the contracts that have

been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 16D.2. Funds appropriated in this act to the Department of Public Safety for each fiscal year of the 2017-2019 fiscal biennium may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Public Safety regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Public Safety shall report to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2017-2018 fiscal year, the amount of funds anticipated for the 2018-2019 fiscal year, and the allocation of funds by program and purpose.

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 16D.3. G.S. 143B-852(a) reads as rewritten:

"(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~~ Oversight Committee on Justice and Public Safety and the Chairs of the ~~Senate and~~ House of Representatives Appropriations ~~Subcommittees~~Committee on Justice and Public Safety and the Senate Appropriations Committee 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."

SUBPART XVI-E. EMERGENCY MANAGEMENT AND NATIONAL GUARD

SEARCH AND RESCUE CHANGES

SECTION 16E.2. Article 6 of Chapter 166A of the General Statutes reads as rewritten:

"Article 6.

"~~Urban~~ State Search and Rescue.

"**§ 166A-65. Definitions.**

The following definitions apply in this Article:

(1) Contract response team. – ~~An urban~~ A search and rescue team, specialty rescue team, or incident support team.

(2) Incident support team. – A team of trained emergency response personnel, organized to provide coordination between governmental agencies and nongovernmental organizations as well as technical and logistical support to ~~urban~~ search and rescue teams and specialty rescue teams.

(2a) Search and rescue team. – A specialized team or group of teams, organized with capabilities equivalent to search and rescue teams established under the Federal Emergency Management Agency in order to assist in the removal of trapped victims during emergencies, including, but not limited to, collapsed structures, trench excavations, elevated locations, and other technical rescue situations.

(3) Secretary. – The Secretary of the Department of Public Safety.

(4) Specialty rescue team. – A specialized response team, organized to provide technical rescue assistance to first responders. The term includes, but is not limited to, a canine search and rescue or disaster response team, a cave search and rescue team, a collapse search and rescue team, a mine and tunnel search and rescue team, and a swift water or flood search and rescue team. A specialty rescue team shall be aligned with one or more of the search and rescue categories within the Federal Emergency Management Agency's national resource typing system.

(5) ~~Urban search and rescue team. A specialized team or group of teams, organized with capabilities equivalent to urban search and rescue teams established under the Federal Emergency Management Agency in order to assist in the removal of trapped victims during emergencies, including, but not limited to, collapsed structures, trench excavations, elevated locations, and in other technical rescue situations.~~

"**§ 166A-66. ~~Urban~~ State Search and Rescue Program.**

(a) The Secretary shall adopt rules establishing a program for ~~urban~~ search and rescue that relies on contracts with contract response teams. The program shall be administered by the Division of Emergency Management. To the extent possible, the program shall be coordinated with other emergency planning activities of the State. The program shall include contract response teams located strategically across the State that are available to provide 24-hour dispatch from the Division of Emergency Management Operations Center. The rules for the program shall include:

(1) Standards, including training, equipment, and personnel standards required to operate a contract response team.

(2) Guidelines for the dispatch of a contract response team to ~~an urban~~ a search and rescue team or specialty rescue team mission.

(3) Guidelines for the on-site operations of a contract response team.

(4) Standards for administration of a contract response team, including procedures for reimbursement of response costs.

(5) Refresher and specialist training for members of contract response teams.

(6) Procedures for recovering the costs of ~~an urban~~ a search and rescue team or specialty rescue team mission.

(7) Procedures for bidding and contracting for ~~urban~~ search and rescue team and specialty rescue team missions.
(8) Criteria for evaluating bids for ~~urban~~ search and rescue team and specialty rescue team missions.
(9) Delineation of the roles of the contract response team, local public safety personnel, the Division of Emergency Management's area coordinator, and other State agency personnel participating in ~~an urban~~ a search and rescue team or specialty rescue team mission.
(10) Procedures for the Division of Emergency Management to audit the contract response teams to ensure compliance with State and federal guidelines.

(b) Within available appropriations, the Division of Emergency Management shall spend the necessary funds for training, equipment, and other items necessary to support the operations of contract response teams. The Division of Emergency Management may also administer any grants of other funds made available for contract response teams, in accordance with applicable rules and regulations approved by the Director of the State Budget.

(c) In developing the ~~Urban~~ State Search and Rescue Program and adopting the rules required by this section, the Secretary shall consult with the ~~Urban~~ State Search and Rescue Team Advisory Committee established pursuant to G.S. 166A-69.

"**§ 166A-67. Contracts; equipment loans.**

(a) The Secretary may contract with any unit or units of local government for the provision of a contract response team to implement the ~~Urban~~ State Search and Rescue Program. Contracts are to be let consistent with the bidding and contract standards and procedures adopted pursuant to G.S. 166A-66(a)(7) and G.S. 166A-66(a)(8). In entering into contracts with units of local government, the Secretary may agree to provide any of the following:

(1) A loan of equipment.
(2) Reimbursement of personnel costs, including the cost of callback personnel, when a contract response team is authorized by the Department to respond to ~~urban~~ search and rescue team and specialty rescue team missions.
(3) Reimbursement for use of equipment and vehicles owned by the contract response team.
(4) Replacement of disposable materials and damaged equipment.
(5) Training expenses.
(6) Anything else agreed to by the Secretary and the contract response team.

(b) The Secretary shall not agree to provide reimbursement for standby time.

(c) Any contract entered into between the Secretary and a unit of local government for the provision of a contract response team shall specify that the members of the contract response team, when performing under the contract, shall not be employees of the State and shall not be entitled to benefits under the Teachers' and State Employees' Retirement System or for the payment by the State of federal Social Security, employment insurance, or workers' compensation.

(d) Contract response teams that have the use of a State vehicle may use the vehicle for local purposes. Where a State vehicle is used for purposes other than authorized contract response to ~~an urban~~ a search and rescue team and specialty rescue team mission, the contract response team shall be liable for repairs or replacements directly attributable to that use.

"**§ 166A-68. Immunity of contract response team personnel.**

Members of a contract response team shall be protected from liability under the provisions of G.S. 166A-19.60(a) while on ~~an urban~~ a search and rescue team or specialty rescue team mission pursuant to authorization from the Division of Emergency Management.

"**§ 166A-69. ~~Urban~~ State Search and Rescue Team Advisory Committee.**

(a) The ~~Urban~~ State Search and Rescue Team Advisory Committee is created. The Secretary shall appoint the members of the Committee and shall designate the Director or Deputy Director of the North Carolina Division of Emergency Management as the chair. In making appointments, the Secretary shall take into consideration the expertise of the appointees in the management of ~~urban~~ search and rescue or specialty response team missions. The Secretary shall appoint one representative from each of the following:

(1) The Division of North Carolina Emergency Management, who shall be the Director or Deputy Director of the North Carolina Division of Emergency Management and who shall serve as the chair.
(2) Each state ~~USAR~~ regional contract response team's Chief or Deputy Chief.
(3) The North Carolina Office of State Fire Marshal.
(4) The North Carolina Highway Patrol.
(5) The North Carolina National Guard.
(6) The North Carolina Association of Rescue and E.M.S., Inc.
(7) The North Carolina Association of Fire Chiefs.
(8) The North Carolina State Firefighters' Association.
(9) The North Carolina Emergency Management Association.

(b) The Advisory Committee shall meet on the call of the chair, or at the request of the Secretary, provided that the Committee shall meet no less than once every year. The Department of Public Safety shall provide space for the Advisory Committee to meet. The Department shall also provide the Advisory Committee with necessary support staff and supplies to enable the Committee to carry out its duties in an effective manner.

(c) Members of the Advisory Committee shall serve without pay, but shall receive travel allowance, lodging, subsistence, and per diem as provided by G.S. 138-5.

(d) The Contract Response Team Advisory Committee shall advise the Secretary on the establishment of the ~~Urban~~ State Search and Rescue Program. The Committee shall also evaluate and advise the Secretary of the need for additional contract response teams to serve the State."

PART XVII. DEPARTMENT OF JUSTICE

NO HIRING OF SWORN STAFF POSITIONS FOR NC STATE CRIME LAB

SECTION 17.1. The Department of Justice shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be construed to require the termination of sworn personnel or to affect North Carolina State Crime Laboratory personnel who are sworn and employed by the Laboratory as of the effective date of this section and who continue to meet the sworn status retention standards mandated by the North Carolina Criminal Justice Education and Standards Commission.

PED TO STUDY ALLOCATION OF ATTORNEYS BETWEEN THE ATTORNEY GENERAL'S OFFICE AND DEPARTMENTS

SECTION 17.3. The Joint Legislative Program Evaluation Oversight Committee shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include an evaluation of the allocation of attorneys in State Government, including the use of general counsel within State agencies, the use of private attorneys, and the use of attorneys in the Department of Justice. The Program Evaluation Division shall submit its evaluation to the Joint Legislative Program Evaluation Oversight Committee and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety no later than March 1, 2018.

SAMARCAND AS VENUE FOR SPECIALIZED INSTRUCTOR TRAINING

SECTION 17.6. The Criminal Justice Education and Training Standards Commission may authorize specialized instructor training courses offered by authorized instructors at the Samarcand Training Academy, and the Samarcand Training Academy is a permissible venue for such courses. The courses shall be limited to those that are certified by the North Carolina Criminal Justice Training and Standards Division and identified in the North Carolina Administrative Code under Title 12, Chapter 09, subchapter B, Section .0200. The courses shall include, but are not limited to, the following:

(1) 12 NCAC 09B .0226 – Specialized Firearms Instructor Training (Range).
(2) 12 NCAC 09B .0227 – Specialized Driver Instructor Training (Driving Track).
(3) 12 NCAC 09B .0232 – Specialized Subject Control Arrest Techniques Instructor Training (Mat Rooms).
(4) 12 NCAC 09B .0233 – Specialized Physical Fitness Instructor Training (Mat Rooms).
(5) 12 NCAC 09B .0417 – Specialized Explosives and Hazardous Materials Instructor Training.

SEXUAL ASSAULT EVIDENCE COLLECTION KITS

SECTION 17.7. Article 13 of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-270.10. Inventory and report of Sexual Assault Evidence Collection Kits.**

(a) Local Law Enforcement. – Each local law enforcement agency shall conduct an inventory of Sexual Assault Evidence Collection Kits (SAECKs) in its custody or control and report its findings to the Department of Justice, State Crime Laboratory, no later than January 1, 2018. The State Crime Laboratory shall compile the information and report its findings to the Joint Legislative Oversight Committee on Justice and Public Safety no later than April 1, 2018. The inventory report from each local law enforcement agency shall include all of the following:

(1) The total number of SAECKs in its custody or control that have not previously undergone forensic testing.
(2) Of the total number of SAECKs in its custody or control, the number that:
a. Are anonymous. For purposes of this section, the term "anonymous" means the identity of the victim of sexual assault is not associated with the SAECK because the victim has not reported the assault to law enforcement.
b. Represent a case that has been resolved in court, whether by conviction, dismissal, or another manner.
c. Were not submitted for forensic testing because the suspect admitted to the sexual act in question.
d. Were not submitted for forensic testing because the allegations were determined to be unfounded as a result of further investigation."

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES

IDS MATCH FOR GRANTS

SECTION 18A.1. Notwithstanding G.S. 143C-6-9, during the 2017-2019 fiscal biennium, 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, Indigent Defense Services shall report to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate

Appropriations Committee on Justice and Public Safety on the grants to be matched using these funds.

STANDARDS FOR INDIGENCY

SECTION 18A.3. The Administrative Office of the Courts, in conjunction with Indigent Defense Services, shall study and develop specific statewide standards for determining indigency for defendants. The study shall include a review of the practices of other states regarding determination of indigency, analysis of the cost-effectiveness of alternatives to the status quo, and implementation plans for the standards agreed upon. The standards may take local expenses and cost-of-living into account. The implementation plans should include procedures for auditing future indigency determinations to ensure that the new standards are working as intended. The Administrative Office of the Courts and Indigent Defense Services shall issue a report to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2018.

SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS

COLLECTION OF WORTHLESS CHECKS

SECTION 18B.1. 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, 2017, for the purchase or repair of office or information technology equipment during the 2017-2018 fiscal year and may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2018, for the purchase or repair of office or information technology equipment during the 2018-2019 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

GRANT FUNDS

SECTION 18B.2. 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) in each year of the 2017-2019 fiscal biennium 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 submit a report to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the grants to be matched using these funds.

THIRD-PARTY ACCESS TO COURT RECORDS ANNUAL REPORT

SECTION 18B.3.(a) G.S. 7A-109(e) reads as rewritten:

"**§ 7A-109. Record-keeping procedures.**

…

(e) If any contracts entered into under ~~G.S. 7A-109(d)~~subsection (d) of this section are in effect during any calendar year, the Director of the Administrative Office of the Courts shall submit to the ~~Joint Legislative Commission on Governmental Operations~~House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety not later than February 1 of the following year a report on all those contracts."

SECTION 18B.3.(b) This section is effective when it becomes law.

BUSINESS COURT REPORTS

SECTION 18B.4.(a) G.S. 7A-45.5 is repealed.

SECTION 18B.4.(b) G.S. 7A-343(8a) reads as rewritten:

"(8a) Prepare and submit a semiannual report on the activities of each North Carolina business court site to the Chief ~~Justice~~ Justice, the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety, the chairs of the of the Joint Legislative Oversight Committee on Justice and Public Safety, and ~~to each member~~ all other members of the General ~~Assembly.~~Assembly on February 1 and August 1. The ~~semiannual report required under this subdivision shall be separate from the report required under subdivision (8) of this section and shall include the total number of civil cases pending in each business court site over three years after being designated as a mandatory complex business case, motions pending over six months after being filed, and civil cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court.~~report shall include the following information for each business court site:

a. The number of new, closed, and pending cases for the previous three years.

b. The average age of pending cases.

c. The number of motions pending over six months after being filed.

d. The number of cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court.

The August 1 report shall include an accounting of all business court activities for the previous fiscal year, including the itemized annual expenditures."

SECTION 18B.4.(c) This section is effective when it becomes law.

DIGITAL FORENSICS INCLUDED IN COURT COSTS

SECTION 18B.5.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

…

(9a) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice to be used for laboratory purposes. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media.

(9b) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the general fund of the local law enforcement unit to be used for laboratory purposes. The cost shall be

assessed only in (i) cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media, and (ii) if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (9a) of this subsection.

…

(11) For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to ~~G.S. 20-139.1 or a~~G.S. 20-139.1, a forensic analysis pursuant to ~~G.S. 8-58.20~~G.S. 8-58.20, or a digital forensics analysis 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) or (9a) 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~~G.S. 20-139.1, a forensic analysis pursuant to ~~G.S. 8-58.20~~G.S. 8-58.20, or a digital forensics analysis 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 the local law ~~enforcement.~~enforcement 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 (8) or (9b) of this subsection.

…."

SECTION 18B.5.(b) This section is effective when it becomes law.

SUPREME COURT BICENTENNIAL CELEBRATION

SECTION 18B.8. Notwithstanding G.S. 7A-10(a), in honor of the court's bicentennial celebration, the court may, by rule, hold sessions in any location across the State. This section only applies to the calendar years 2018 through 2020.

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 18B.9.(a) G.S. 7A-60(a1) reads as rewritten:

"(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~~12
3B	Carteret, Craven, Pamlico	~~12~~13
4	Duplin, Jones, Onslow, Sampson	~~18~~20
5	New Hanover, Pender	~~18~~20
6	Bertie, Halifax, Hertford, Northampton	~~10~~11
7	Edgecombe, Nash, Wilson	~~18~~19
8	Greene, Lenoir, Wayne	14
9	Franklin, Granville, Vance, Warren	~~10~~11
9A	Person, Caswell	6
10	Wake	~~41~~42
11A	Harnett, Lee	~~9~~12
11B	Johnston	10
12	Cumberland	~~23~~25
13	Bladen, Brunswick, Columbus	~~13~~14
14	Durham	18
15A	Alamance	11
15B	Orange, Chatham	10
16A	Scotland, Hoke	7
16B	Robeson	12
16C	Anson, Richmond	6
17A	Rockingham	7
17B	Stokes, Surry	8
18	Guilford	~~32~~35
19A	Cabarrus	9
19B	Montgomery, Randolph	~~9~~10
19C	Rowan	8
19D	Moore	~~5~~6
20A	Stanly	5
20B	Union	~~10~~11
21	Forsyth	~~25~~26
22A	Alexander, Iredell	~~11~~12
22B	Davidson, Davie	~~11~~12
23	Alleghany, Ashe, Wilkes, Yadkin	~~8~~9
24	Avery, Madison, Mitchell, Watauga, Yancey	~~7~~8
25	Burke, Caldwell, Catawba	~~18~~21
26	Mecklenburg	58
27A	Gaston	~~14~~16
27B	Cleveland, Lincoln	~~11~~12
28	Buncombe	14
29A	McDowell, Rutherford	~~7~~8
29B	Henderson, Polk, Transylvania	~~8~~9
30	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain."	~~10~~12

SECTION 18B.9.(b) G.S. 7A-60(a2) is repealed.

SECTION 18B.9.(c) G.S. 7A-63 reads as rewritten:

"**§ 7A-63. Assistant district attorneys.**

Each district attorney shall be entitled to the number of full-time assistant district attorneys set out in this ~~Subchapter, such number to be developed by the General Assembly after consulting the workload formula established through the National Center for State Courts,~~ Subchapter to be appointed by the district attorney, to serve at the district attorney's pleasure. A vacancy in the office of assistant district attorney shall be filled in the same manner as the initial appointment. An assistant district attorney shall take the same oath of office as the district attorney, and shall perform such duties as may be assigned by the district attorney. The district attorney shall devote full time to the duties of the office and shall not engage in the private practice of law during his or her term."

SECTION 18B.9.(d) This section is effective when it becomes law.

ELIMINATE ACCESS TO CIVIL JUSTICE FUNDS

SECTION 18B.10.(a) G.S. 7A-304(a) reads as rewritten:

"**§ 7A-304. Costs in criminal actions.**

(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

…

(4) For support of the General Court of Justice, the sum of one hundred forty-seven dollars and fifty cents ($147.50) in the district court, including cases before a magistrate, and the sum of one hundred fifty-four dollars and fifty cents ($154.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of ~~one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and~~ ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

…."

SECTION 18B.10.(b) G.S. 7A-305(a) reads as rewritten:

"**§ 7A-305. Costs in civil actions.**

(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

…

(2) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) in the superior court and the sum of one hundred thirty dollars ($130.00) in the district court except that if the case is assigned to a magistrate the sum shall be eighty dollars ($80.00). If a case is designated as a mandatory complex business case under G.S. 7A-45.4, upon assignment to a Business Court Judge, the party filing the designation shall pay an additional one thousand one hundred dollars ($1,100) for support of the General Court of Justice. If a case is designated as a complex business case

under Rule 2.1 and Rule 2.2 of the General Rules of Practice for the Superior and District Courts, upon assignment to a Business Court Judge, the plaintiff shall pay an additional one thousand one hundred dollars ($1,100) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and~~ ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

SECTION 18B.10.(c) Article 37A of Chapter 7A of the General Statutes is repealed.

SECTION 18B.10.(d) This section is effective when it becomes law.

MODIFY EMERGENCY RECALL JUDGES

SECTION 18B.11.(a) G.S. 7A-45.2 reads as rewritten:

"**§ 7A-45.2. Emergency special judges of the superior court; qualifications, appointment, removal, and authority.**

(a) Any justice or judge of the appellate division of the General Court of Justice who:

(1) Retires under the provisions of the Consolidated Judicial Retirement Act, Article 4 of Chapter 135 of the General Statutes, or who is eligible to receive a retirement allowance under that act;

(2) Has not reached the mandatory retirement age specified in G.S. 7A-4.20;

(3) Has served at least five years as a superior court judge or five years as a justice or judge of the appellate division of the General Court of Justice, or any combination thereof, whether or not eligible to serve as an emergency justice or judge of the appellate division of the General Court of Justice; and

(4) Whose judicial service ended within the preceding 10 years; may apply to the Governor for appointment as an emergency special superior court judge in the same manner as is provided for application as an emergency superior court judge in G.S. 7A-53. If the Governor is satisfied that the applicant meets the requirements of this section and is physically and mentally able to perform the duties of a superior court judge, the Governor shall issue a commission appointing the applicant as an emergency special superior court judge until the applicant reaches the mandatory retirement age for superior court judges specified in G.S. 7A-4.20.

(b) Any emergency special superior court judge appointed as provided in this section shall:

(1) Have the same powers and duties, when duly assigned to hold court, as provided for an emergency superior court judge by G.S. 7A-48;

(2) Be subject to assignment in the same manner as provided for an emergency superior court judge by ~~G.S. 7A-46;~~G.S. 7A-46 and G.S. 7A-52(a);

(3) Receive the same compensation, expenses, and allowances, when assigned to hold court, as an emergency superior court judge as provided by G.S. 7A-52(b);

(4) Be subject to the provisions and requirements of the Canons of Judicial Conduct; and

(5) Not engage in the practice of law during any period for which the emergency special superior court judgeship is commissioned. However, this subdivision shall not be construed to prohibit an emergency special superior court judge appointed pursuant to this section from serving as a referee,

arbitrator, or mediator, during service as an emergency special superior court judge when the service does not conflict with or interfere with the emergency special superior court judge's judicial service in emergency status.

(c) Upon reaching mandatory retirement age for superior court judges as set forth in G.S. 7A-4.20, any emergency special superior court judge appointed pursuant to this section, whose commission has expired, may be recalled as a recalled emergency special superior court judge to preside over any regular or special session of the superior court under the following circumstances:

(1) The judge shall consent to the recall;

(2) The Chief Justice may order the recall;

(3) Prior to ordering recall, the Chief Justice shall be satisfied that the recalled judge is capable of efficiently and promptly discharging the duties of the office to which recalled;

(4) Jurisdiction of a recalled emergency special superior court judge is as set forth in G.S. 7A-48;

(5) Orders of recall and assignment shall be in writing and entered upon the minutes of the court to which assigned; and

(6) Compensation, expenses, and allowances of recalled emergency special superior court judges are the same as for recalled emergency superior court judges under G.S. 7A-52(b).

(7) The emergency special superior court judge is listed as active on the list described in G.S. 7A-52(a).

(d) Any former justice or judge of the appellate division of the General Court of Justice who otherwise meets the requirements of subsection (a) of this section to be appointed an emergency special superior court judge but has already reached the mandatory retirement age for superior court judges set forth in G.S. 7A-4.20 on retirement may, in lieu of serving as an emergency judge of the court from which he retired, apply to the Governor to be appointed as an emergency special superior court judge as provided in this section. If the Governor issues a commission to the applicant, the retired justice or judge is subject to recall as an emergency special superior court judge as provided in subsection (c) of this section.

(e) No justice or judge appointed as an emergency special superior court judge or subject to recall as provided in this section shall, during the period so appointed or subject to recall, contemporaneously serve as an emergency justice or judge of the appellate division of the General Court of Justice."

SECTION 18B.11.(b) G.S. 7A-52 reads as rewritten:

"**§ 7A-52. Retired district and superior court judges may become emergency judges subject to recall to active service; compensation for emergency judges on recall.**

(a) Judges of the district court and judges of the superior court who have not reached the mandatory retirement age specified in G.S. 7A-4.20, but who have retired under the provisions of G.S. 7A-51, or under the Uniform Judicial Retirement Act after having completed five years of creditable service, may apply as provided in G.S. 7A-53 to become emergency judges of the court from which they retired. From the commissioned emergency district, superior, and special superior court judges, the Chief Justice of the Supreme Court shall create two lists of active emergency judges and two lists of inactive emergency judges. For emergency superior and special superior court judges, the active list shall be limited to a combined total of 15 emergency judges; all other emergency superior and special superior court judges shall be on an inactive list. For emergency district court judges, the active list shall be limited to 35 emergency judges; all other emergency district court judges shall be on an inactive list. There is no limit to the number of emergency judges on either inactive list. In the Chief Justice's discretion, emergency judges may be added or removed from their respective

active and inactive lists, as long as the respective numerical limits on the active lists are observed. The Chief Justice is requested to consider geographical distribution in assigning emergency judges to an active list but may utilize any factor in determining which emergency judges are assigned to an active list. The Chief Justice of the Supreme Court may order any emergency district, superior, or special superior court judge on an active list judge of the district or superior court who, in his opinion, is competent to perform the duties of a judge of the court from which such judge retired to hold regular or special sessions of the court from which the judge retired such court, as needed. Order of assignment shall be in writing and entered upon the minutes of the court to which such emergency judge is assigned.

(a1) An emergency judge of the superior court may be recalled to active service by the Chief Justice and assigned to hear and decide complex business cases if, at the time of the judge's retirement, all of the following conditions are met:

(1) The judge is a special superior court judge who is retiring from a term to which the judge was appointed pursuant to G.S. 7A-45.1.

(2) The judge is retiring from a term for which the judge was assigned by the Chief Justice to hear and decide complex business cases as a business court judge pursuant to G.S. 7A-45.3.

(3) The judge's nomination to serve a successive term in the same office is pending before the General Assembly, or was not acted upon by the General Assembly prior to adjournment sine die.

(4) If confirmed and appointed to the successive term of office for which nominated, the judge would reach mandatory retirement age before completing that term of office.

An emergency judge assigned to hear and decide complex business cases pursuant to this subsection shall be designated by the Chief Justice as a senior business court judge and shall be eligible to serve in that capacity for five years from the issuance date of the judge's commission under G.S. 7A-53 or until the judge's commission expires, whichever occurs first. Order of assignment shall be in writing and entered upon the minutes of the court to which such emergency judge is assigned. An emergency judge assigned to hear and decide complex business cases shall not be counted in the combined total of active emergency superior and special superior court judges described in subsection (a) of this section.

(b) In addition to the compensation or retirement allowance the judge would otherwise be entitled to receive by law, each emergency judge of the district or superior court who is assigned to temporary active service by the Chief Justice shall be paid by the State the judge's actual mileage and any necessary lodging and meal expenses, plus four hundred dollars ($400.00) for each day of active service rendered upon recall, and each emergency judge designated as a senior business court judge pursuant to subsection (a1) of this section shall be paid by the State the judge's actual expenses, plus five hundred dollars ($500.00) for each day of active service rendered upon recall as a senior business court judge. No day of active service rendered by an emergency judge pursuant to assignment under subsection (a) of this section shall overlap with a day of active service rendered pursuant to assignment under subsection (a1) of this section. No recalled retired trial judge shall receive from the State total annual compensation for judicial services in excess of that received by an active judge of the bench to which the judge is recalled. Emergency judges on an inactive list shall not receive reimbursement for continuing legal or judicial education."

SECTION 18B.11.(c) G.S. 7A-57 reads as rewritten:

"**§ 7A-57. Recall of active and emergency trial judges who have reached mandatory retirement age.**

Superior and district court judges retired because they have reached the mandatory retirement age, and emergency superior and district court judges whose commissions have expired because they have reached the mandatory retirement age, may be recalled to preside

over regular or special sessions of the court from which retired under the following circumstances:

(1) The judge must consent to the recall.

(2) The Chief Justice is authorized to order the recall.

(3) Prior to ordering recall, the Chief Justice shall be satisfied that the judge is capable of efficiently and promptly discharging the duties of the office to which recalled.

(4) Jurisdiction of a recalled retired superior court judge is as set forth in G.S. 7A-48, and jurisdiction of a recalled retired district court judge is as set forth in G.S. 7A-53.1.

(5) Orders of recall and assignment shall be in writing and entered upon the minutes of the court to which assigned.

(6) Compensation of recalled retired trial judges is the same as for recalled emergency trial judges under G.S. 7A-52(b).

(7) Recalled emergency judges who served as a senior business court judge and whose commission expired upon reaching the mandatory retirement age may be recalled by the Chief Justice and assigned to hear and decide complex business cases as a senior business court judge for up to five years from the issuance date of their commission under G.S. 7A-53.

(8) The emergency judge is listed as active on the list described in G.S. 7A-52(a). This does not apply to an emergency judge who qualifies under subdivision (7) of this section."

SECTION 18B.11.(d) The Administrative Office of the Courts shall report annually to the Joint Legislative Oversight Committee on Justice and Public Safety by August 1 on the preceding fiscal year's activities. The report shall include:

(1) An updated list of all active superior court and district court emergency judges.

(2) A list of all cases where an emergency court judge was assigned, including what districts the cases were located in and the reason for the assignment.

(3) A list of all expenses broken down by the daily fee for emergency judges, travel for service to assignment, and travel for continuing judicial education.

(4) A list of on-bench time for all emergency judges.

SECTION 18B.11.(e) This section is effective when it becomes law.

MAGISTRATE POSITION TRANSFER

SECTION 18B.12. The following positions, #60006073 and #60006074, are transferred to Wilkes County.

PART XIX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

MILITARY AFFAIRS COMMISSION

SECTION 19.1.(a) Section 24.1(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 24.1.(a)** The Department of Military and Veterans Affairs is established as a new executive department. All functions, powers, duties, and obligations vested in the following agencies are transferred to, vested in, and consolidated within the Department of Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:

(1) The following components of the Department of Administration:

a. The Veterans' Affairs Commission.

b. The Governor's Jobs for Veterans Committee.

c. The Division of Veterans Affairs.

~~(2) The North Carolina Military Affairs Commission in the Office of the Governor.~~"

SECTION 19.1.(b) G.S. 143B-1310 reads as rewritten:

"**§ 143B-1310. Commission established; purpose; transaction of business.**

(a) Establishment. – There is established the North Carolina Military Affairs Commission. The Commission shall be ~~established within~~ assigned to the Department of Military and Veterans ~~Affairs.~~Affairs solely for purposes of G.S. 143B-14(a). As authorized by G.S. 143B-14(b), the Commission shall exercise all its powers, duties, and functions independently. Notwithstanding G.S. 143B-14(d), the Secretary of Military and Veterans Affairs shall not perform any of the Commission's management functions. Consistent with G.S. 143B-14(a), the Department of Military and Veterans Affairs shall provide the following administrative services to the Commission:

(1) Noticing and providing space for meetings of the Commission and its committees.

(2) Taking minutes of the Commission's meetings.

(3) Reimbursing per diem, subsistence, and travel expenses pursuant to G.S. 143B-1311(h).

(4) Serving as a liaison among the committees of the Commission.

(5) Any other administrative services requested by the Commission.

(b) Purpose. – The Commission shall provide advice, counsel, and recommendations to the General Assembly, the Secretary of Military and Veterans Affairs, and other State agencies on initiatives, programs, and legislation that will continue and increase the role that North Carolina's military installations, the National Guard, and Reserves play in America's defense strategy and the economic health and vitality of the State. The Commission is authorized to do all of the ~~following, as delegated by the Secretary of Military and Veterans Affairs:~~following:

…."

SECTION 19.1.(c) G.S. 143B-1211 reads as rewritten:

"**§ 143B-1211. Powers and duties of the Department of Military and Veterans Affairs.**

It shall be the duty of the Department of Military and Veterans Affairs to do all of the following:

…

(12) Provide administrative, organizational, and funding support to ~~the NC Military Affairs Commission and~~ the Governor's Working Group for Veterans.

(12a) Provide administrative services to the North Carolina Military Affairs Commission pursuant to G.S. 143B-1310(a).

…."

SECTION 19.1(d) G.S. 143B-1217 reads as rewritten:

"**§ 143B-1217. Military Presence Stabilization Fund.**

The Military Presence Stabilization Fund is established as a special fund in the Department of Military and Veterans Affairs. Funds in the Military Presence Stabilization Fund shall be used to fund actions designed to make the State less vulnerable to closure pursuant to federal Base Realignment and Closure and related initiatives. The Secretary of Military and Veterans ~~Affairs may~~Affairs, in consultation with the North Carolina Military Affairs Commission, shall allocate funds in the Fund for this purpose."

SECTION 19.1.(e) Notwithstanding G.S. 143B-1214 and G.S. 143B-1217, the funds appropriated in this act to the Military Presence Stabilization Fund for the 2017-2018 fiscal year may be used for the following purposes:

(1) Up to the sum of two hundred thousand dollars ($200,000) may be used to provide grants to local communities or military installations. These funds shall only be used for actual project expenses and shall not be used to pay

for lobbying the North Carolina General Assembly, salaries, travel, or other administrative costs. The North Carolina Military Affairs Commission shall establish the guidelines for applying for these grants.

(2) Administrative expenses and reimbursements for members of the North Carolina Military Affairs Commission.

(3) Federal advocacy and lobbying support.

(4) Updates to strategic planning analysis and strategic plan.

(5) Economic impact analyses.

(6) Public-public/public-private (P4) initiatives.

(7) Identification and implementation of innovated measures to increase the military value of installations.

(8) Fully fund the position at the North Carolina Economic Development Center.

SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS

SECTION 19.2.(a) G.S. 143B-1224 reads as rewritten:

"**§ 143B-1224. Definitions.**

As used in this Part the terms defined in this section shall have the following meaning:

…

(7) "Veteran" means a person who served as a member of the Armed Forces in active federal service during a period of war and who was either separated from the Armed Forces under honorable conditions ~~other than dishonorable.~~or who is currently serving in a second or subsequent enlistment. A person who was separated from the Armed Forces under honorable conditions ~~other than dishonorable~~ and whose death or disability was incurred (i) as a direct result of armed conflict or (ii) while engaged in extra-hazardous service, including such service under conditions simulating war, ~~shall also be deemed~~ is also a "veteran" and ~~such~~ the death or disability ~~shall be considered~~ is wartime service-connected."

SECTION 19.2.(b) G.S. 143B-1226 reads as rewritten:

"**§ 143B-1226. Classes or categories of eligibility under which scholarships may be awarded.**

(a) Scholarship Consideration. – A child, as defined in this Part, who falls within the provisions of any eligibility class described ~~below~~ in subsection (b) of this section shall, upon proper ~~application~~ application, be considered for a scholarship, subject to the provisions and limitations set forth for the class under which the child is ~~considered:~~considered. A child may be considered for a scholarship under more than one eligibility class as long as the child falls within the provisions, and is subject to the limitations, of each class for which the child is being considered. A child may be awarded only one scholarship as provided in G.S. 143B-1225(a)(3).

(b) Scholarship Eligibility Classes. –

(1) Class I-A: Under this class a scholarship shall be awarded to any child whose veteran parent

…."

SECTION 19.2.(c) Of the funds appropriated in this act to the Department of Military and Veterans Affairs for the 2017-2019 fiscal biennium, the sum of one million four hundred thousand dollars ($1,400,000) in recurring funds shall be used to increase the allowances for room and board at State educational institutions for all eligible classes or categories under which scholarships may be awarded under G.S. 143B-1226. These funds shall not be used to supplant any other funds and may only be used to increase the allowances for room and board at State educational institutions.

PART XX. OFFICE OF ADMINISTRATIVE HEARINGS

OAH/LAWSUIT FUNDS

SECTION 20.1. The Department of Public Instruction shall transfer the sum of fifty thousand dollars ($50,000) to the Office of Administrative Hearings to be allocated to the Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred in the defense of *North Carolina State Board of Education v. The State of North Carolina and The Rules Review Commission,* Wake County Superior Court, File No. 14 CVS 14791 (filed November 7, 2014). These funds shall not revert at the end of the 2017-2018 fiscal year but shall remain available during the 2018-2019 fiscal year for expenditure in accordance with the provisions of this section.

PART XXI. TREASURER

ADD CERTAIN CANCERS AS OCCUPATIONAL DISEASES TO LINE-OF-DUTY DEATH BENEFITS FOR FIREFIGHTERS

SECTION 21.1. G.S. 143-166.2(c) reads as rewritten:

"**§ 143-166.2. Definitions.**

…

(c) The term "killed in the line of duty" shall apply to any law-enforcement officer, firefighter, rescue squad worker who is killed or dies as a result of bodily injuries sustained or of extreme exercise or extreme activity experienced in the course and scope of his official duties while in the discharge of his official duty or duties. When applied to a senior member of the Civil Air Patrol as defined in this Article, "killed in the line of duty" shall mean any such senior member of the North Carolina Wing-Civil Air Patrol who is killed or dies as a result of bodily injuries sustained or of extreme exercise or extreme activity experienced in the course and scope of his official duties while engaged in a State requested and approved mission pursuant to Article 13 of Chapter 143B of the General Statutes. For purposes of this Article, when a law enforcement officer, firefighter, rescue squad worker, or senior Civil Air Patrol member dies as the direct and proximate result of a myocardial infarction suffered while on duty or within 24 hours after participating in a training exercise or responding to an emergency situation, the law enforcement officer, firefighter, rescue squad worker, or senior Civil Air Patrol member is presumed to have been killed in the line of duty. For the purposes of this Article, when a firefighter dies as a direct and proximate result of any of the following cancers that are occupationally related to firefighting, that firefighter is presumed to have been killed in the line of duty:

(1) Mesothelioma.
(2) Testicular cancer.
(3) Intestinal cancer.
(4) Rectal cancer.
(5) Oral cavity cancer.
(6) Multiple myeloma cancer."

PART XXII. DEPARTMENT OF INSURANCE

INSURANCE REGULATORY CHARGE

SECTION 22.1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2018 calendar year.

DEPARTMENT OF INSURANCE END SUPPORT OF EIGHT OFFICE OF STATE CONSTRUCTION ENGINEER POSITIONS IN DEPARTMENT OF ADMINISTRATION

SECTION 22.2. Section 7 of S.L. 2009-474, as amended by Section 20.3 of S.L. 2012-142, is repealed.

ALLOW ADAPTIVE BEHAVIOR TREATMENT COVERED BY A HEALTH BENEFIT PLAN TO BE PROVIDED OR SUPERVISED BY A BOARD CERTIFIED BEHAVIOR ANALYST

SECTION 22.3.(a) G.S. 58-3-192(a)(1) reads as rewritten:

"**§ 58-3-192. Coverage for autism spectrum disorder.**

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

(1) Adaptive behavior treatment. – Behavioral and developmental interventions that systematically manage instructional and environmental factors or the consequences of behavior that have been shown to be clinically effective through research published in peer reviewed scientific journals and based upon randomized, quasi-experimental, or single subject designs. Both of the following requirements must be met:

a. The intervention must be necessary to (i) increase appropriate or adaptive behaviors, (ii) decrease maladaptive behaviors, or (iii) develop, maintain, or restore, to the maximum extent practicable, the functioning of an individual.

b. The treatment must be ordered by a licensed physician or licensed psychologist and the treatment must be provided or supervised by one of the following ~~licensed~~ professionals, so long as the services or supervision provided is commensurate with the ~~licensed~~ professional's training, experience, and scope of practice:

1. A licensed psychologist or psychological associate.
2. A licensed psychiatrist or developmental pediatrician.
3. A licensed speech and language pathologist.
4. A licensed occupational therapist.
5. A licensed clinical social worker.
6. A licensed professional counselor.
7. A licensed marriage and family therapist.
8. A board certified behavior analyst."

SECTION 22.3.(b) This section becomes effective July 1, 2017, and applies to insurance contracts issued, renewed, or amended on or after that date.

ALLOW THE STATE FIRE MARSHAL TO INVESTIGATE ARSON

SECTION 22.4.(a) G.S. 58-79-1 reads as rewritten:

"**§ 58-79-1. Fires investigated; reports; records.**

The Director of the State Bureau of Investigation, through the State Bureau of Investigation, the State Fire Marshal, and the chief of the fire department, or chief of police where there is no chief of the fire department, in municipalities and towns, and the county fire marshal and the sheriff of the county and the chief of the rural fire department where such fire occurs outside of a municipality, are hereby authorized to investigate the cause, origin, and circumstances of every fire occurring in such municipalities or counties in which property has been destroyed or damaged, and shall specially make investigation whether the fire was the result of carelessness or design. A preliminary investigation shall be made by the chief of fire department or chief of police, where there is no chief of fire department in municipalities, and by the county fire marshal and the sheriff of the county or the chief of the rural fire department

where such fire occurs outside of a municipality, and must be begun within three days, exclusive of Sunday, of the occurrence of the fire, and the Director of the State Bureau of Investigation, through the State Bureau of Investigation, shall have the right to supervise and direct the investigation when he deems it expedient or necessary.

The officer making the investigation of fires shall forthwith notify the Director of the State Bureau of Investigation, and must within one week of the occurrence of the fire furnish to the Director of the State Bureau of Investigation a written statement of all facts relating to the cause and origin of the fire, the kind, value and ownership of the property destroyed, and such other information as is called for by the forms provided by the Director of the State Bureau of Investigation. Departments capable of submitting the required information by the utilization of computers and related equipment, by means of an approved format of standard punch cards, magnetic tapes or an approved telecommunications system, may do so in lieu of the submission of the written statement as provided for in this section. The Director of the State Bureau of Investigation shall keep in his office a record of all reports submitted pursuant to this section. These reports shall at all times be open to public inspection."

SECTION 22.4.(b) This section is effective when this act becomes law.

PART XXIII. STATE BOARD OF ELECTIONS [RESERVED]

PART XXIV.GENERAL ASSEMBLY

PED STUDY/MEASURABILITY ASSESSMENT OF DEPARTMENT OF ADMINISTRATION ADMINISTRATIVE ACTIVITIES AND PROGRAMS

SECTION 24.1. The Program Evaluation Division (hereinafter "Division") is directed to conduct measurability assessments, as provided in Chapter 143E of the General Statutes, and efficiency evaluations of programs and administrative activities of the Department of Administration (hereinafter "Department") to improve Department accountability reporting and to recommend potential cost-savings. Prior to conducting measurability assessments and efficiency evaluations, the Division shall consult with the State Auditor, who shall recommend potential programs or potentially high-cost Department activities that, with changes, may produce cost-savings. Taking into account the recommendations of the State Auditor and the results of the measurability assessments, the Division may select a contractor through a noncompetitive bid process to assist the Division in identifying potential cost-savings. The State Auditor shall review draft findings and recommendations and shall provide a written response to be included in the Division's report. By March 30, 2018, the Division shall report its findings and recommendations to the Joint Legislative Program Evaluation Oversight Committee, Joint Legislative Education Oversight Committee, and Joint Legislative Oversight Committee on General Government and, upon request, to other committees.

STUDY RATES AND TRANSFERS/PUBLIC ENTERPRISES

SECTION 24.3.(a) The General Assembly finds that the ability of a city or county to efficiently and effectively provide public enterprise services, particularly water and sewer services, is challenged by that local government opting to use revenues of the public enterprise for purposes other than:

(1) Paying the costs of operating the public enterprise.
(2) Making debt service payments.
(3) Investing in improvements to the infrastructure of that public enterprise.
(4) Reimbursing the unit of local government for actual direct services provided to the public enterprise.

SECTION 24.3.(b) The General Assembly further finds that any excess net revenues should be used to lower rates, advance fund debt service, and fund infrastructure improvements of that public enterprise.

SECTION 24.3.(c) The Legislative Research Commission shall study the issues raised in this section and make recommendations to the General Assembly on:

(1) Fee and charge setting by units of local government in the operation of a water or sewer system, including collection rates of those fees and charges.

(2) Proper accounting controls to ensure transparency in budgeting and accounting for expenditures and interfund transfers of public enterprise services by units of local government.

(3) Legislation that may be necessary to ensure proper funding of infrastructure maintenance and improvements for the provision of water and sewer services, including whether regionalization could facilitate financially healthy systems with lower fees and charges to customers.

(4) Legislation that may be necessary to ensure that units of local government monitor aging water and sewer infrastructure to ensure proper maintenance and repair, including how this responsibility impacts the financial health of the public enterprise.

SECTION 24.3.(d) In making the study provided by this section, the Legislative Research Commission shall consult with the Local Government Commission, the School of Government, the Department of Environmental Quality, the North Carolina League of Municipalities, the North Carolina County Commissioners Association, and others.

SECTION 24.3.(e) The Legislative Research Commission shall make an interim report to the 2017 Regular Session of the General Assembly prior to its reconvening in 2018 and shall make a final report to the 2019 Regular Session of the General Assembly.

SECTION 24.3.(f) This section is effective when this act becomes law.

PART XXV. OFFICE OF THE GOVERNOR [RESERVED]

PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT

SYMPHONY CHALLENGE GRANT

SECTION 26.2.(a) Of the funds appropriated in this act to the Office of State Budget and Management, Special Appropriations, the sum of two million dollars ($2,000,000) in recurring funds for the 2017-2018 fiscal year and two million dollars ($2,000,000) in recurring funds for the 2018-2019 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 nine million dollars ($9,000,000) in non-State funds each year of the 2017-2019 fiscal biennium. The North Carolina Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

SECTION 26.2.(b) For the 2017-2018 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of nine million dollars ($9,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2017-2018 fiscal year.

SECTION 26.2.(c) For the 2018-2019 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars ($600,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the North Carolina Symphony shall receive the sum of seven hundred thousand dollars ($700,000).

(3) Upon raising an additional sum of three million dollars ($3,000,000) in non-State funding for a total amount of nine million dollars ($9,000,000) in non-State funds, the North Carolina Symphony shall receive the final sum of seven hundred thousand dollars ($700,000) in the 2018-2019 fiscal year.

RESULTS FIRST PROJECT

SECTION 26.3.(a) The General Assembly finds and declares that a nationally recognized cost-benefit analysis model will allow the General Assembly to direct public resources to cost-effective programs that deliver the best outcomes for residents. The Office of State Budget and Management shall receive periodic updates that incorporate new research and enhancements identified through work in participating states and practical technical assistance to implement this cutting-edge approach for identifying policy and budget options. The General Assembly also intends to provide necessary assistance for State agencies to align their individual efforts and resources to achieve statewide priority outcomes.

SECTION 26.3.(b) The Office of State Budget and Management may consult and work with staff from the Pew-MacArthur Results First Initiative to implement a cost-benefit analysis model for use in crafting policy and budget decisions. The goal of the project is to obtain a model that will help the State invest in policies and programs that can be shown to work.

State agencies shall provide any information requested by the Office of State Budget and management for purposes of implementing this project. Local government and non-State entities that receive State funds may also be required to provide information to their funding agency or to the Office of State Budget and Management for purposes of implementing this project.

SECTION 26.3.(c) The Office of State Budget and Management shall file an interim report with the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on General Government, and the Joint Legislative Program Evaluation Oversight Committee by April 8, 2018, on progress in implementing the cost-benefit analysis model and an annual report by October 1 of each year. The reports may include recommendations for legislation.

OSBM INCLUDE EXISTING DOA POSITIONS IN BASE BUDGET

SECTION 26.4. The Office of State Budget and Management shall include in the Department of Administration's base budget for the 2019-2021 fiscal biennium on a recurring basis the following existing positions in the Office of State Construction:

Position	Title
60013374	Engineer
60013375	Engineer

60089843	Engineer
60089845	Engineer
65009250	Engineering Technician
65009251	Engineering Technician
65009252	Engineering Technician
65009253	Engineering Technician

OSBM INCLUDE RECEIPT-SUPPORTED POSITIONS IN BASE BUDGET FOR GENERAL ASSEMBLY

SECTION 26.5. The Office of State Budget and Management shall include in the base budget for the North Carolina General Assembly, Budget Code 11000, for the 2019-2021 fiscal biennium on a recurring basis the receipt-supported positions in fund codes 1120 and 1211.

AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND RENOVATION PROJECTS WITH FUNDS AVAILABLE

SECTION 26.6. G.S. 143C-8-7 reads as rewritten:

"**§ 143C-8-7. When a State agency may begin a capital improvement project.**

(a) No State agency may expend funds for the construction or renovation of any capital improvement project except as needed to comply with this Article or otherwise authorized by the General Assembly. Funds that become available by gifts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private grants, receipts becoming a part of special funds by act of the General Assembly, or any other funds available to a State agency or institution may be utilized for advanced planning through the working drawing phase of capital improvement projects, upon approval of the Director of the Budget.

(b) A State agency may undertake repairs and renovations projects, upon approval of the Director of the Budget, so long as each project satisfies the following:

(1) Total project costs do not exceed five hundred thousand dollars ($500,000).

(2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

(3) The project is paid for with funds available to the agency.

(c) A constituent institution of The University of North Carolina, upon approval of the Director of the Budget, may undertake repairs and renovations projects so long as each project satisfies the following:

(1) Total project costs do not exceed one million dollars ($1,000,000).

(2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

(3) The project is paid for with funds available to the constituent institution.

(d) Projects undertaken pursuant to subsection (b) and (c) of this section shall be reported to the Joint Legislative Oversight Committee on Capital Improvements on a quarterly basis. A report under this subsection shall include information about all of the following for each project:

(1) The facility at which the project is being undertaken.

(2) The nature and scope of the project.

(3) The source of funds for the project.

(4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls within."

PART XXVII. STATE AUDITOR [RESERVED]

PART XXVIII. HOUSING FINANCE AGENCY

HFA/WORKFORCE HOUSING LOAN PROGRAM ESTABLISHED

SECTION 28.1. Chapter 122A of the General Statutes is amended by adding a new section to read as follows:

"**§ 122A-5.15. Workforce Housing Loan Program.**

(a) The North Carolina Housing Finance Agency shall establish and administer the Workforce Housing Loan Program for the purpose of making loans for qualified low-income housing development in the State. Funds appropriated to the North Carolina Housing Trust Fund for the Workforce Housing Loan Program shall be used by the Agency only as provided in this section.

(b) The following definitions apply in this section:

(1) Code. – As defined in G.S. 105-228.90.

(2) Qualified North Carolina low-income housing development. – A qualified low-income project or building that is allocated a federal tax credit under section 42(h)(1) of the Code.

(3) Qualified residential unit. – A housing unit that meets the requirements of section 42 of the Code.

(c) A taxpayer allocated a federal low-income housing tax credit under section 42 of the Code to construct or substantially rehabilitate a qualified North Carolina low-income housing development is eligible for a loan under the Workforce Housing Loan Program if the taxpayer satisfies the loan criteria established by the Agency. The loan criteria shall support the financing of similar types of developments as provided in G.S. 105-129.42 and shall be developed in partnership with developers of low-income housing in the State who receive a federal low-income housing tax credit under section 42 of the Code. The Agency shall take into consideration all eligible sources of funding for each development project, including whether there are other eligible sources of funding available for the development project. No loan made to a taxpayer under this section shall exceed two million dollars ($2,000,000) if the low-income housing development is located in a low-income county, as designated by the Agency; one million five hundred dollars ($1,500,000) in a moderate-income county, as designated by the Agency; and two hundred fifty thousand dollars ($250,000) in a high-income county, as designated by the Agency.

(d) By February 1 of each year, the Agency shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the number of loans made under this section, the amount of each loan, and whether the low-income housing development is located in a low-, moderate-, or high-income county, as designated by the Agency."

PART XXIX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]

PART XXX. OFFICE OF LT. GOVERNOR [RESERVED]

PART XXXI. DEPARTMENT OF ADMINISTRATION

TRANSFER THE HUMAN RELATIONS COMMISSION

SECTION 31.1.(a) The North Carolina Human Relations Commission is hereby transferred from the Department of Administration to the Civil Rights Division of the Office of Administrative Hearings. This transfer shall have all of the elements of a Type I transfer, as described in G.S. 143A-6.

SECTION 31.1.(b) The Office of State Budget and Management, the Office of Administrative Hearings, and the Department of Administration shall work together to identify unexpended and unencumbered funds from the 2016-2017 fiscal year to pay for one-time start-up costs, including office space retrofitting, directly associated with the transfer.

SECTION 31.1.(c) Article 60 of Chapter 7A of the General Statutes is amended by adding a new section, G.S. 7A-761, entitled "North Carolina Human Relations Commission," and (i) G.S. 143B-391 is recodified as subsection (a) of G.S. 7A-761, and (ii) subsections (a) through (d) of G.S. 143B-392 are recodified as subsections (b) through (e) of G.S. 7A-761.

SECTION 31.1.(d) G.S. 7A-761, as enacted by subsection (c) of this section, reads as rewritten:

"**§ 7A-761. North Carolina Human Relations Commission.**

(a) There is hereby created the North Carolina Human Relations Commission of the ~~Department of Administration.~~Civil Rights Division of the Office of Administrative Hearings. The North Carolina Human Relations Commission shall have the following functions and duties:

(1) To study problems concerning human relations;
(2) To promote equality of opportunity for all citizens;
(3) To promote understanding, respect, and goodwill among all citizens;
(4) To provide channels of communication among the races;
(5) To encourage the employment of qualified people without regard to race;
(6) To encourage youths to become better trained and qualified for employment;
(7) To receive on behalf of the ~~Department of Administration~~Civil Rights Division of the Office of Administrative Hearings and to recommend expenditure of gifts and grants from public and private donors;
(8) To enlist the cooperation and assistance of all State and local government officials in the attainment of the objectives of the Commission;
(9) To assist local good neighborhood councils and biracial human relations committees in promoting activities related to the functions of the Commission enumerated above;
(10) To advise the ~~Secretary of Administration~~Chief Administrative Law Judge upon any matter the ~~Secretary~~ Chief Administrative Law Judge may refer to it;
(11) To administer the provisions of the State Fair Housing Act as outlined in Chapter 41A of the General Statutes;
(12) To administer the provisions of Chapter 99D of the General Statutes.

(b) The Human Relations Commission of the ~~Department of Administration~~Civil Rights Division of the Office of Administrative Hearings shall consist of 22 members. The Governor shall appoint one member from each of the 13 congressional districts, plus five members at large, including the chairperson. The Speaker of the North Carolina House of Representatives shall appoint two members to the Commission. The President Pro Tempore of the Senate shall appoint two members to the Commission. The terms of four of the members appointed by the Governor shall expire June 30, 1988. The terms of four of the members appointed by the Governor shall expire June 30, 1987. The terms of four of the members appointed by the Governor shall expire June 30, 1986. The terms of four of the members appointed by the Governor shall expire June 30, 1985. The terms of the members appointed by the Speaker of the North Carolina House of Representatives shall expire June 30, 1986. The terms of the members appointed by the Lieutenant Governor shall expire June 30, 1986. The initial term of office of the person appointed to represent the 12th Congressional District shall commence on January 3, 1993, and expire on June 30, 1996. At the end of the respective terms of office of the initial members of the Commission, the appointment of their successors shall be for terms of four years. No member of the commission shall serve more than two consecutive terms. A member having served two consecutive terms shall be eligible for reappointment one year after the expiration of his second term. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be filled in the manner of the original appointment for the unexpired term.

(c) Members of the Commission shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5.

(d) A majority of the Commission shall constitute a quorum for the transaction of business.

(e) All clerical and support services required by the Commission shall be supplied by the ~~Secretary of the Department of Administration.~~Office of Administrative Hearings."

SECTION 31.1.(e) G.S. 143-422.3 reads as rewritten:

"**§ 143-422.3. Investigations; conciliations.**

The Human Relations Commission in the ~~Department of Administration~~ Civil Rights Division of the Office of Administrative Hearings shall have the authority to receive charges of discrimination from the Equal Employment Opportunity Commission pursuant to an agreement under Section 709(b) of Public Law 88-352, as amended by Public Law 92-261, and investigate and conciliate charges of discrimination. Throughout this process, the agency shall use its good offices to effect an amicable resolution of the charges of discrimination."

SECTION 31.1.(f) G.S. 143-422.13 reads as rewritten:

"**§ 143-422.13. Investigations; conciliations.**

The Human Relations Commission in the ~~Department of Administration~~Civil Rights Division of the Office of Administrative Hearings shall have the authority to receive, investigate, and conciliate complaints of discrimination in public accommodations. Throughout this process, the Human Relations Commission shall use its good offices to effect an amicable resolution of the complaints of discrimination. This Article does not create, and shall not be construed to create or support, a statutory or common law private right of action, and no person may bring any civil action based upon the public policy expressed herein."

COUNCIL FOR WOMEN/DOMESTIC VIOLENCE GRANTS

SECTION 31.2.(a) G.S. 50B-9 reads as rewritten:

"**§ 50B-9. Domestic Violence Center Fund.**

(a) The Domestic Violence Center Fund is established within the State Treasury. The fund shall be administered by the Department of Administration, North Carolina Council for Women, and shall be used to make grants to centers for victims of domestic violence and to The North Carolina Coalition Against Domestic Violence, Inc. This fund shall be administered in accordance with the provisions of the Executive Budget Act. The Department of Administration shall make quarterly grants to each eligible domestic violence center and to The North Carolina Coalition Against Domestic Violence, Inc. Effective July 1, 2017, and each fiscal year thereafter, the Department of Administration shall send the contracts to grantees within 10 business days of the date the Current Operations Appropriations Act, as defined in G.S. 143C-1-1, is certified for that fiscal year.

(b) Each grant recipient shall receive the same amount. To be eligible to receive funds under this section, a domestic violence center must meet the following requirements:

(1) It shall have been in operation on the preceding July 1 and shall continue to be in operation.

(2) It shall offer all of the following services: a hotline, transportation services, community education programs, daytime services, and call forwarding during the night and it shall fulfill other criteria established by the Department of Administration.

(3) It shall be a nonprofit corporation or a local governmental entity.

(c) The North Carolina Council for Women shall report on the quarterly distributions of the grants from the Domestic Violence Center Fund to the House and Senate chairs of the General Government Appropriations Committee within five business days of distribution. The report shall include the date, amount, and recipients of the fund disbursements. The report shall

also include any eligible programs which are ineligible to receive funding during the relative reporting cycle as well as the reason of the ineligibility for that relative reporting cycle."

SECTION 31.2.(b) The Department of Information Technology shall review the grants management process of the North Carolina Council for Women and Youth Involvement Office and provide a report on online grants management options for the Domestic Violence and Sexual Assault grants programs to the chairs of the Joint Legislative Oversight Committee on General Government prior to or on April 1, 2018.

PART XXXII. DEPARTMENT OF REVENUE

CRIMINAL RECORD CHECKS FOR THE DEPARTMENT OF REVENUE

SECTION 32.1. Subpart D of Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read as follows:

"**§ 143B-967. Criminal record checks for the Department of Revenue.**

(a) The Department of Public Safety shall, upon request, provide to the Department of Revenue from the State and National Repositories of Criminal Histories the criminal history of any of the following individuals:

(1) A current or prospective permanent or temporary employee.

(2) A contractor with the Department.

(3) An employee or agent of a contractor with the Department.

(4) Any other individual otherwise engaged by the Department who will have access to federal tax information.

(b) Along with the request, the Department of Revenue shall provide to the Department of Public Safety the fingerprints of the individual whose record is being sought, a form signed by the individual consenting to the criminal record check and use of fingerprints and other identifying information required by the State and National Repositories, and any additional information required by the Department of Public Safety. The individual's fingerprints shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Revenue shall keep all information obtained pursuant to this section confidential.

(c) The Department of Public Safety may charge a fee to offset the cost incurred by it to conduct a criminal record check under this section. The fee shall not exceed the actual cost of locating, editing, researching, and retrieving the information."

DOR TAX FRAUD ANALYTICS

SECTION 32.2.(a) Of the funds appropriated in this act to the Department of Revenue, the sum of four million four hundred thousand dollars ($4,400,000) in nonrecurring funds for the 2017-2018 fiscal year shall be used to continue and expand the Department's tax fraud analysis contract. These funds shall be used as follows:

(1) $1,300,000 to expand and enhance eNC3.

(2) $2,000,000 to pay for fraud detection analytics.

(3) $1,100,000 for hosting infrastructure.

SECTION 32.2.(b) The Department of Revenue shall continue to coordinate with the Government Data Analytics Center (GDAC) and utilize the subject matter expertise and technical infrastructure available through existing GDAC public-private partnerships for fraud detection analytics and infrastructure.

PART XXXIII. OFFICE OF STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 33.1.(a) During the 2017-2019 fiscal biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors shall be deposited in Special Reserve Account 24172 as required by G.S. 147-86.22(c).

SECTION 33.1.(b) Of the funds appropriated in this act from the Special Reserve Account 24172, and for each year of the 2017-2019 fiscal biennium, five hundred thousand dollars ($500,000) of the funds shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 33.1.(c) All funds available in Special Reserve Account 24172 on June 30 of each year of the 2017-2019 fiscal biennium shall revert to the General Fund on that date.

SECTION 33.1.(d) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited in Special Reserve Account 24172 and the disbursement of that revenue.

PART XXXIV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 34.1.(a) Subsections (b) and (c) of Section 35.2 of S.L. 2016-94 are repealed.

SECTION 34.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2019-2020	$ 2,277.7 million
For Fiscal Year 2020-2021	$ 2,374.9 million
For Fiscal Year 2021-2022	$ 2,403.4 million
For Fiscal Year 2022-2023	$ 2,427.3 million

SECTION 34.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2019-2020	$ 1,619.9 million
For Fiscal Year 2020-2021	$ 1,654.6 million
For Fiscal Year 2021-2022	$ 1,675.6 million
For Fiscal Year 2022-2023	$ 1,701.8 million

SECTION 34.1.(d) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop a four-year revenue forecast. The first fiscal year in the four-year revenue forecast shall be the 2023-2024 fiscal year. The four-year revenue forecast developed under this subsection shall be used (i) to develop the four-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

CONTINGENCY FUNDS

SECTION 34.2.(a) Section 29.2(a)(1) of S.L. 2015-241, as amended by Section 35.19 of S.L. 2016-94, is repealed.

SECTION 34.2.(b) Of the funds appropriated in this act to the Department of Transportation, twelve million dollars ($12,000,000) for each fiscal year of the 2017-2019 fiscal biennium shall be allocated statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, railroad infrastructure, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subsection shall be approved by the Secretary of Transportation.

SECTION 34.2.(c) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to subsection (b) of this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

REPAIRS AND RENOVATIONS

SECTION 34.3. There is appropriated from the Highway Fund to the Department of Transportation for the 2017-2019 fiscal biennium the following amounts for repairs and renovations:

Repairs and Renovations – Highway Fund	**2017-2018**	**2018-2019**
Chilled Water Piping and Insulation Replacement	$612,700	$0
Statewide: Small Office Renovations/Additions	700,000	700,000
Statewide: Roof Repairs and Replacements	1,500,000	1,500,000
Statewide: Demolition of Obsolete or Condemned Buildings	500,000	500,000
Update Ductwork in Transportation Main Building	300,000	0
New Chiller for the Highway Building Complex	0	325,000
Statewide: Water and Sewer Upgrades	1,500,000	1,500,000
Upfit First Floor of Highway Building and Annex With Generator	0	825,000
TOTAL REPAIRS AND RENOVATIONS – HIGHWAY FUND	**$5,112,700**	**$5,350,000**

DOT/FUNDING FOR ANALYTICS SERVICES

SECTION 34.4. In addition to the funding appropriated in this act to continue and enhance the Department of Transportation's contract for transportation analytics services, the Secretary of the Department of Transportation may use up to the sum of two million dollars ($2,000,000) from funds available for the 2017-2018 fiscal year to cover costs incurred for obtaining additional analytics services to improve the efficiency and operations of the Department.

DOT/CONSULTATION ON TRANSPORTATION PROJECTS WITH AFFECTED UTILITY PROVIDERS

SECTION 34.4A.(a) G.S. 136-11.1 reads as rewritten:

"**§ 136-11.1. ~~Local~~Prior consultation on transportation projects.**

Prior to any action of the Board on a transportation project, the Department shall inform all ~~municipalities and counties~~municipalities, counties, and utility providers affected by a planned transportation project and request each ~~affected municipality or county~~ to submit within 45 days a written resolution expressing their views on the project. A municipality or county may designate a Transportation Advisory Committee to submit its response to the Department's

request for a resolution. Upon receipt of a written resolution from all affected ~~municipalities and counties~~parties or their designees, or the expiration of the 45-day period, whichever occurs first, the Board may take action. The Department and the Board shall consider, but shall not be bound by, the views of the affected ~~municipalities and counties~~parties or their designees on each transportation project. The failure of ~~a county or municipality~~an affected party to express its views within the time provided shall not prevent the Department or the Board from taking action. The Department shall not be required to send notice under this section if it has already received a written resolution from the affected ~~county or municipality~~party on the planned transportation project. "Action of the Board", as used in this section, means approval by the Board of: the Transportation Improvement Program and amendments to the Transportation Improvement Program; the Secondary Roads Paving Program and amendments to the Secondary Roads Paving Program; and individual applications for access and public service road projects, contingency projects, small urban projects, and spot safety projects that exceed two hundred fifty thousand dollars ($250,000). The 45-day notification provision may be waived upon a finding by the Secretary of Transportation that emergency action is required. Such findings must be reported to the Joint Legislative Transportation Oversight Committee."

SECTION 34.4A.(b) This section is effective when it becomes law and applies to transportation projects planned on or after that date.

DOT PROPERTY ACQUISITIONS/APPRAISAL WAIVER VALUATION

SECTION 34.5.(a) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-19.6. Appraisal waiver valuation.**

(a) Intent. – It is the intent of the General Assembly to provide the Department of Transportation with the resources and flexibility necessary to accelerate the time in which projects are completed while maintaining fairness to affected property owners and other citizens of this State. It is the belief of the General Assembly that providing the Department with the flexibility allowed under subsection (b) of this section will help toward achieving this intent. Therefore, the Department is encouraged to utilize the flexibility provided in subsection (b) of this section for all acquisitions of land in which the value of the acquisition is estimated at ten thousand dollars ($10,000) or less.

(b) Permissive Exception to Appraisal. – When the Department acquires land, and except as otherwise required by federal law, an appraisal is not required if the Department determines that the anticipated value of the proposed acquisition is estimated at forty thousand dollars ($40,000) or less, based on a review of data available to the Department at the time the Department begins the acquisition process. If the Department determines that an appraisal is unnecessary, the Department may prepare an appraisal waiver valuation instead of an appraisal. The Department may contract with a qualified third party to prepare an appraisal waiver valuation. Any person performing an appraisal waiver valuation must have a sufficient understanding of the local real estate market to be qualified to perform the appraisal waiver valuation.

(c) Construction. – Nothing in subsection (b) of this section shall be construed as superseding or altering any provision of federal law requiring the Department to obtain an appraisal of a property the Department is attempting to acquire."

SECTION 34.5.(b) G.S. 146-22.2 reads as rewritten:

"**§ 146-22.2. Appraisal of property to be acquired by State.**

(a) ~~Where~~Except as otherwise provided in G.S. 136-19.6, where an appraisal of real estate or an interest in real estate is required by law to be made before acquisition of the property by the State or an agency of the State, the appraisal shall be made by a real estate appraiser licensed or certified by the State under Article 5 of Chapter 93A of the General Statutes.

~~(b) The provisions of subsection (a) of this section shall not apply to appraisals of real estate or an interest in real estate made by personnel within the Department of Transportation when the appraisal is anticipated to be less than ten thousand dollars ($10,000). In the event that the real estate or interest in real estate is in fact appraised at ten thousand dollars ($10,000) or more, the Department of Transportation must comply with the provisions of subsection (a) of this section.~~"

SECTION 34.5.(c) The Department of Transportation, in consultation with the North Carolina Appraisal Board, the North Carolina Chapter of the Appraisal Institute, and the North Carolina Association of Realtors, shall develop a process for performing appraisal waiver valuations authorized under G.S. 136-19.6, as enacted by subsection (a) of this section. By December 31, 2017, the Department shall submit a report to the Joint Legislative Transportation Oversight Committee on the development of the appraisal waiver valuation process. The report required under this subsection shall include an explanation of how the appraisal waiver valuation process developed by the Department conforms with the provisions of Chapter 93E of the General Statutes.

SECTION 34.5.(d) This section becomes effective May 15, 2018, and applies to acquisitions on or after that date.

ESTABLISHMENT OF ADVANCE RIGHT-OF-WAY ACQUISITION ACCOUNT

SECTION 34.6.(a) Article 14 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-186. Use of credit reserve; Advance Right-of-Way Acquisition Account.**

(a) Definitions. – For purposes of this section, the following definitions apply:

(1) Credit reserve in the Highway Trust Fund. – Consists of all of the following:

a. The unreserved credit balance in the Highway Trust Fund on the last day of the fiscal year to the extent the balances exceed the amount estimated for that date in the Current Operations Appropriations Act for the following fiscal year.

b. The unencumbered and unexpended balances on the last day of the fiscal year for the Central and program administration.

c. The remaining balance for (i) any open project that has been inactive for two or more years after construction of the project has been completed or (ii) any project that is not obligated during the first two fiscal years in which funds are appropriated.

(2) Protective purchase. – Occurs when there is an imminent threat of development of property located within a planned transportation project area established by the Department and the development could affect the Department's ability to construct the project by significantly increasing future right-of-way costs, relocations, and disruption of persons and businesses in the planned transportation project area.

(3) Undue hardship. – Occurs when a planned transportation project area established by the Department causes a property owner remaining on a property located within the planned transportation project area to experience a hardship based on health, safety, or financial reasons beyond what is experienced by other property owners within the planned transportation project area and the property owner is unable to sell the property at fair market value within a time period that is typical for properties not impacted by the planned project.

(b) Establishment of Account. – There is established within the Highway Trust Fund an Advance Right-of-Way Acquisition Account. The Account shall be under the control and

direction of the Department of Transportation. The Account shall consist of both of the following:

(1) The credit reserve in the Highway Trust Fund on the last day of the fiscal year to the extent the balance in the Account does not exceed twenty-five million dollars ($25,000,000).

(2) Any State or federal funds appropriated, allocated, or otherwise transferred to the Account.

(c) Uses. – The funds in the Account shall be used only to advance funds to a project for the acquisition of right-of-way prior to the project being programmed in the State Transportation Improvement Program. Funds advanced pursuant to this subsection may be used for the cost of the right-of-way and any costs incurred in acquiring the right-of-way. Funds advanced pursuant to this subdivision, including any fees or interest, shall be repaid in the first year the project utilizing the acquired right-of-way is programmed for right-of-way in the State Transportation Improvement Program. Funds shall not be advanced to a project pursuant to this subsection unless the project meets all of the following requirements:

(1) The right-of-way must be identified as a future right-of-way in (i) a corridor protection map adopted pursuant to Article 2E of this Chapter, (ii) the most recently adopted State Transportation Improvement Program, or (iii) both a corridor protection map adopted pursuant to Article 2E of this Chapter and the most recently adopted State Transportation Improvement Program.

(2) The Department determines it is in the best interest of the public to acquire the right-of-way (i) as a protective purchase or (ii) to remove an undue hardship.

(3) For Turnpike projects only, a Record of Decision or a Finding of No Significant Impact must have been issued.

(d) Fees and Interest. – Except for Turnpike projects, the Department shall not charge fees or interest on funds advanced pursuant to subsection (c) of this section. For Turnpike projects, the Department shall condition the advancement of funds pursuant to subsection (c) of this section on the establishment of any security and the payment of any fees and interest rates the Department may deem necessary.

(e) Repayment. – Funds advanced pursuant to subsection (c) of this section, including any fees or interest, shall be repaid in the first year the project utilizing the acquired right-of-way is programmed for right-of-way in the State Transportation Improvement Program.

(f) Remaining Credit Reserve. – The Director of the Budget shall allocate any portion of the credit reserve in the Highway Trust Fund not used in accordance with subdivision (1) of subsection (b) of this section to the Strategic Transportation Investments fund in the Highway Trust Fund. The funds shall be used only to accelerate the completion of projects with sections included in the most recently adopted State Transportation Improvement Program. The use of the funds described in this subsection shall be subject to the requirements of Article 14B of this Chapter. To the extent the funds described in this subsection are not already appropriated, they are hereby appropriated to be used for the purpose set forth in this subsection."

SECTION 34.6.(b) G.S. 136-189.11 reads as rewritten:

"**§ 136-189.11. Transportation Investment Strategy Formula.**

…

(b) Funds Excluded From Formula. – The following funds are not subject to this section:

…

(12) Funds advanced pursuant to G.S. 136-186.

…

(e) Authorized Formula Variance. – The Department may vary from the Formula set forth in this section if it complies with the following:

…

(2) Calculation of variance. – Each year the Secretary shall calculate the amount of Regional Impact and Division Need funds allocated in that year to each division and region, the amount of funds obligated, and the amount the obligations exceeded or were below the allocation. In calculating the amount of funds obligated, the Secretary shall include any amount used as repayment for funds advanced pursuant to G.S. 136-186. In the first variance calculation under this subdivision following the end of fiscal year 2015-2016, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous year. In the first variance calculation under this subdivision following the end of fiscal year 2016-2017, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous two fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2017-2018, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous three fiscal years. In the first variance calculation under this subdivision following the end of fiscal year 2018-2019, the target amounts obtained according to the Formula set forth in this section shall be adjusted to account for any differences between allocations and obligations reported for the previous four fiscal years. The new target amounts shall be used to fulfill the requirements of subdivision (1) of this subsection for the next update of the Transportation Improvement Program. The adjustment to the target amount shall be allocated by Distribution Region or Division, as applicable.

…."

ROAD IMPROVEMENTS ADJACENT TO SCHOOLS

SECTION 34.6A.(a) G.S. 136-18(29a) reads as rewritten:

"(29a) To coordinate with all public and private entities planning schools to provide written recommendations and evaluations of driveway access and traffic operational and safety impacts on the State highway system resulting from the development of the proposed sites. All public and private entities shall, upon acquiring land for a new school or prior to beginning construction of a new school, relocating a school, or expanding an existing school, request from the Department a written evaluation and written recommendations to ensure that all proposed access points comply with the criteria in the current North Carolina Department of Transportation "Policy on Street and Driveway Access". The Department shall provide the written evaluation and recommendations within a reasonable time, which shall not exceed 60 days. This subdivision applies to improvements that are not located on the school property. The Department shall have the power to grant final approval of any project design under this subdivision. To facilitate completion of the evaluation and recommendations within the required 60 days, in lieu of the evaluation by the Department, schools may engage their own independent traffic engineer. The resulting evaluation and recommendations from the independent traffic engineer shall also fulfill any similar requirements

imposed by a unit of local government. This subdivision shall not be construed to require the public or private entities planning schools to meet the recommendations made by the ~~Department,~~ Department or the independent traffic engineer, except those highway improvements that are required for safe ingress and egress to the State highway ~~system.~~system, pursuant to subdivision (29) of this section, and that are physically connected to a driveway on the school property. The total cost of any improvements to the State highway system provided by a school pursuant to this subdivision, including those improvements pursuant to subdivision (29) of this section, shall be reimbursed by the Department. Any agreement between a school and the Department to make improvements to the State highway system shall not include a requirement for acquisition of right-of-way by the school, unless the school is owned by an entity that has eminent domain power. Nothing in this subdivision shall preclude the Department from entering into an agreement with the school whereby the school installs the agreed upon improvements and the Department provides full reimbursement for the associated costs incurred by the school, including design fees and any costs of right-of-way or easements. The term "school," as used in this subdivision, means any facility engaged in the educational instruction of children in any grade or combination of grades from kindergarten through the twelfth grade at which attendance satisfies the compulsory attendance law and includes charter schools authorized under G.S. 115C-218.5. The term "improvements," as used in this subdivision, refers to all facilities within the right-of-way required to be installed to satisfy the road cross-section requirements depicted upon the approved plans. These facilities shall include roadway construction, including pavement installation and medians; ditches and shoulders; storm drainage pipes, culverts, and related appurtenances; and, where required, curb and gutter; signals, including pedestrian safety signals; street lights; sidewalks; and design fees. Improvements shall not include any costs for public utilities."

SECTION 34.6A.(b) Chapter 160A of the General Statutes is amended by adding a new section to read:

"**§ 160A-307.1. Limitation on city requirements for street improvements related to schools.**

A city may only require street improvements related to schools that are required for safe ingress and egress to the municipal street system and that are physically connected to a driveway on the school site. The required improvements shall not exceed those required pursuant to G.S. 136-18(29). G.S. 160A-307 shall not apply to schools. A city may only require street improvements related to schools as provided in G.S. 160A-372. The cost of any improvements to the municipal street system shall be reimbursed by the Department of Transportation. For purposes of this section, the Department of Transportation shall have the power to grant final approval of any project design for which it provides reimbursement. Any agreement between a school and a city to make improvements to the municipal street system shall not include a requirement for acquisition of right-of-way by the school, unless the school is owned by an entity that has eminent domain power. Any right-of-way costs incurred by a school for required improvements pursuant to this section shall be reimbursed by the Department of Transportation. The term "school," as used in this section, means any facility engaged in the educational instruction of children in any grade or combination of grades from kindergarten through the twelfth grade at which attendance satisfies the compulsory attendance law and includes charter schools authorized under G.S. 115C-218.5."

SECTION 34.6A.(c) Any rule or policy adopted by the Department of Transportation that does not comply with the provisions of this section shall be null, void, and without effect.

SECTION 34.6A.(d) The Department of Transportation may adopt temporary rules to implement the provisions of this section. Any temporary rules adopted in accordance with this section shall remain in effect until permanent rules that replace the temporary rules become effective.

ECONOMIC DEVELOPMENT & SMALL CONSTRUCTION

SECTION 34.7.(a) Economic Development. – Of the funds appropriated in this act to the Department of Transportation, and beginning in the 2017-2018 fiscal year, the sum of six million dollars ($6,000,000) in recurring funds 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 subsection shall be jointly approved by the Secretary of Transportation and the Secretary of Commerce in accordance with the guidelines and procedures developed under subsection (c) of Section 34.7 of S.L. 2013-360, as amended by Section 34.29 of S.L. 2014-100.

SECTION 34.7.(b) Small Construction Projects. – Of the funds appropriated in this act to the Department of Transportation, and beginning in the 2017-2018 fiscal year, the sum of twenty-four million dollars ($24,000,000) in recurring funds shall be used for construction projects that are high impact and low cost. The funds shall be allocated equally among the 14 Highway Divisions. Members of the Board of Transportation are prohibited from accessing and using the funds allocated under this subsection. Projects funded under this subsection include intersection improvement projects, minor widening projects, and operational improvement projects. The Department shall develop a quantitative, evidence-based formula to use in selecting projects to receive funding under this subsection. At a minimum, the Department shall consider all of the following in developing the formula required by this subsection:

(1) The average daily traffic volume of a roadway and whether the proposed project will generate additional traffic.
(2) Any restrictions on a roadway.
(3) Any safety issues with a roadway.
(4) The condition of the lanes, shoulders, and pavement on a roadway.
(5) The site distance and radius of any intersection on a roadway.

SECTION 34.7.(c) Report. – The Department shall develop a report detailing (i) the formula developed under subsection (b) of this section, (ii) the types of projects funded under this section, and (iii) the total amount of funding allocated to each project funded under this section. The Department shall submit the report required under this subsection to the Joint Legislative Transportation Oversight Committee by March 1, 2018.

SECTION 34.7.(d) Conforming Repeal. – Section 29.2(a)(1) of S.L. 2015-241, as amended by Section 35.19 of S.L. 2016-94, is repealed.

DOT/DISPOSITION OF SETTLEMENT FUNDS

SECTION 34.7A. G.S. 114-2.4A(c) reads as rewritten:

"(c) Exception. – Subsections (b) and (e) of this section shall not apply to:

(1) Funds received by the Department of Health and Human Services to the extent those funds represent the recovery of previously expended Medicaid funds.
(2) Funds received by the Escheat Fund and benefit plans administered by the Department of State Treasurer.

(3) Funds received by the Department of Transportation to the extent those funds represent the recovery of funds previously expended by the Department of Transportation."

RURAL PROJECT DEVELOPMENT

SECTION 34.8.(a) Matching Funds for Certain MPOs and RPOs. – Article 17 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-214. Matching funds for federal State Planning and Research Program Grants.**

The Department of Transportation shall annually allocate funds to qualifying Metropolitan Planning Organizations and Rural Transportation Planning Organizations to be used to fund a portion of the local match required for federal State Planning and Research Program funds under 23 U.S.C. § 505. A Metropolitan Planning Organization is only eligible for funding under this section if it has a population of 500,000 or less, as determined by the most recent census. The funds shall be allocated as follows:

(1) For a Metropolitan Planning Organization or Rural Transportation Planning Organization that includes at least one representative from a development tier one area, as determined under G.S. 143B-437.08, the Department shall allocate an amount equal to fifteen percent (15%) of the total local match required.

(2) For a Metropolitan Planning Organization or Rural Transportation Planning Organization that does not qualify under subdivision (1) of this section, but includes at least one representative from a development tier two area, as determined under G.S. 143B-437.08, the Department shall allocate an amount equal to ten percent (10%) of the total local match required.

(3) The Department shall not allocate any funds under this section to a Metropolitan Planning Organization or Rural Transportation Planning Organization that does not qualify under this section."

SECTION 34.8.(b) Establish Corridor Development Unit. – The Department shall establish a Corridor Development Unit within, and under the direction of, the Division of Planning and Programming of the Department. The Corridor Development Unit shall work with organizations that receive funding under subsection (a) of this section to develop detailed corridor studies on highway projects prior to submitting the project for inclusion and prioritization in a long-term transportation planning document. The studies required under this subsection shall include an identification of each segment of a highway project, cost estimates for each segment, and an identification of logical termini for each segment.

SECTION 34.8.(c) Report. – The Department shall develop a report for each fiscal year of the 2017-2019 fiscal biennium on the usage of federal State Planning and Research Program funds allocated in accordance with G.S. 136-214, as enacted by subsection (a) of this section, for that fiscal year. The Department shall submit the reports, including any legislative recommendations for improving the development of rural transportation projects, to the Joint Legislative Transportation Oversight Committee by (i) April 1, 2018, for the first report and (ii) April 1, 2019, for the second report.

EXPAND USE OF PAVEMENT PRESERVATION PROGRAM FUNDS

SECTION 34.9. G.S. 136-44.17(b) reads as rewritten:

"(b) Eligible Activities or Treatments. – Applications eligible for funding under the pavement preservation program include the following preservation activities or treatments for asphalt pavement structures:

…

(14) Pavement markers and markings."

USE OF SINGLE CHIP SEAL TREATMENT ON SECONDARY ROADS

SECTION 34.9A. G.S. 136-44.3A(f) reads as rewritten:

"(f) Authorized Use of Single Chip Seal Treatment on Secondary ~~Roads.~~Roads. – The Department may use single chip seal treatments on secondary roads only under any of the following conditions:

(1) The secondary road has a daily traffic volume of less than ~~15,000~~10,000 vehicles. Single chip treatments used under this subdivision shall be capped with a final riding surface of sand or material of equivalent size to fill voids to create a smooth riding surface.

(2) The single chip seal treatment is used in combination with a slurry seal, microsurfacing, or resurfacing treatment.

(3) The condition of the secondary road requires a rough surface to improve traction, such as a secondary road in a mountainous community or another area with low skid resistance."

CODIFY BRIDGE PROGRAM LAW

SECTION 34.10.(a) Subsection (a) of Section 34.18 of S.L. 2014-100, as amended by Section 29.6 of S.L. 2015-241, is repealed.

SECTION 34.10.(b) Article 5 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-76.2. Bridge program.**

(a) Establishment. – The Department of Transportation shall rename the "system preservation program" the "bridge program."

(b) Permissible Uses. – Funds appropriated, allocated, credited, or otherwise transferred to the bridge program established under subsection (a) of this section may only be used for improvements to culverts associated with a component of the State highway system, bridge preservation, and improvements to structurally deficient and functionally obsolete bridges. No more than ten percent (10%) of the funds described in this subsection may be used for improvements to culverts associated with a component of the State highway system, and the funds may only be used for culverts that are 54 inches or greater in size and rated by the Department as in poor condition.

(c) Outsourcing. – All projects funded under the bridge program established under subsection (a) of this section, with the exception of inspection, pre-engineering, contract preparation, contract administration and oversight, and planning activities, shall be outsourced to private contractors."

SECTION 34.10.(c) G.S. 119-18(b) reads as rewritten:

"(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied first to the costs of administering this Article and Subchapter V of Chapter 105 of the General Statutes. The remainder of the proceeds shall be credited on a monthly basis to the Highway Fund to be used for the bridge ~~program under the Department of Transportation in the highway maintenance program.~~program established under G.S. 136-76.2."

HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM/REVISE PERIODS AND CONSOLIDATE WITH OTHER IMPROVEMENT PROGRAMS

SECTION 34.11.(a) G.S. 136-44.3A reads as rewritten:

"**§ 136-44.3A. Highway Maintenance Improvement Program.**

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

…

(4) Highway Maintenance Improvement Program Needs Assessment. – A report of the amount of funds needed, the number of affected lane miles, and the percentage of the primary and secondary system roads that are rated to need

a resurfacing or pavement preservation treatment within the Highway Maintenance Improvement Program's ~~three-year~~ five-year time period but are not programmed due to funding constraints.

…

(c) Highway Maintenance Improvement Program. – After the annual inspection of roads within the State highway system, each highway division shall determine and report to the Chief Engineer on the need for rehabilitation, resurfacing, or pavement preservation treatments. The Chief Engineer shall establish a ~~three-year~~ five-year priority list for each highway division based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall establish a ~~three-year~~ five-year improvement schedule, sorted by county, for rehabilitation, resurfacing, and pavement preservation treatment activities. The schedule shall be based on the amount of funds appropriated to the contract resurfacing program and the pavement preservation program in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program for all ~~three~~ five years of the Highway Maintenance Improvement Program. State funding for the Highway Maintenance Improvement Program shall be limited to funds appropriated from the State Highway Fund.

…."

SECTION 34.11.(b) G.S. 136-44.3A(c), as amended by subsection (a) of this section, reads as rewritten:

"(c) Highway Maintenance Improvement Program. – After the annual inspection of roads within the State highway system, each highway division shall determine and report to the Chief Engineer on (i) the need for rehabilitation, resurfacing, or pavement preservation ~~treatments.~~treatments, (ii) the need for bridge and general maintenance, and (iii) projected changes to the condition of pavement on primary and secondary roads for each year over a five-year period. The Chief Engineer shall establish a five-year priority list for each highway division based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall establish a five-year improvement schedule, sorted by county, for rehabilitation, resurfacing, and pavement preservation treatment activities. The schedule shall be based on the amount of funds appropriated to the contract resurfacing program and the pavement preservation program in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program for all five years of the Highway Maintenance Improvement Program. State funding for the Highway Maintenance Improvement Program shall be limited to funds appropriated from the State Highway Fund."

SECTION 34.11.(c) By January 1, 2020, and for the purpose of forming a consolidated report of all maintenance activities, the Department of Transportation shall merge the Bridge Maintenance Improvement Program and the General Maintenance Improvement Program into the Highway Maintenance Improvement Program established under G.S. 136-44.3A.

SECTION 34.11.(d) Subsection (b) of this section becomes effective January 1, 2020, and applies beginning with the report due April 1, 2020. Subsection (a) of this section becomes effective July 1, 2017, and applies to priority lists and improvement schedules submitted on or after that date. The remainder of this section becomes effective July 1, 2017.

REVISE CONTENT OF TRANSPORTATION IMPROVEMENT PROGRAM SCHEDULE

SECTION 34.12. G.S. 143B-350(f)(4) reads as rewritten:

"(4) To approve a schedule of all major transportation improvement projects and their anticipated cost. This schedule is designated the Transportation Improvement Program. The Board shall publish the schedule in a format that is easily reproducible for distribution and make copies available for distribution in accordance with the process established for public records in

Chapter 132 of the General Statutes. ~~The document that contains the Transportation Improvement Program, or a separate document that is published at the same time as the Transportation Improvement Program, shall include the anticipated funding sources for the improvement projects included in the Program and a list of any changes made from the previous year's Program, and the reasons for the changes.~~"

STI/REGIONAL AND DIVISION WEIGHTING

SECTION 34.12A.(a) G.S. 136-189.11(d)(2)a. reads as rewritten:

"(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this section shall be used for Regional Impact Projects and allocated by population of Distribution Regions based on the most recent estimates certified by the Office of State Budget and Management:

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Regional Impact Projects involving highways that address cost-effective needs from a region-wide perspective and promote economic growth. Local input is defined as the rankings identified by the Department's ~~Transportation~~ Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. ~~Transportation~~ Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for selection of Regional Impact Projects shall be based ~~thirty percent (30%) on local input~~ ten percent (10%) on the rankings identified by the Division Engineers, twenty percent (20%) on the rankings identified by the Metropolitan Planning Organizations and the Rural Transportation Planning Organizations, and seventy percent (70%) on consideration of a numeric scale of 100 points based on the following quantitative criteria:

…."

SECTION 34.12A.(b) G.S. 136-189.11(d)(3)a. reads as rewritten:

"(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this section shall be allocated in equal share to each of the Department divisions, as defined in G.S. 136-14.1, and used for Division Need Projects.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Division Need Projects involving highways that address cost-effective needs from a Division-wide perspective, provide access, and address safety-related needs of local communities. Local input is defined as the rankings identified by the Department's ~~Transportation~~ Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. ~~Transportation~~ Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and

public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for selection of Division Need Projects shall be based ~~fifty percent (50%) on local input~~ fifteen percent (15%) on the rankings identified by the Department's Division Engineers, thirty-five percent (35%) on the rankings identified by the Metropolitan Planning Organizations and the Rural Transportation Planning Organizations, and fifty percent (50%) on consideration of a numeric scale of 100 points based on the following quantitative criteria, except as provided in sub-subdivision b. of this subdivision:
…."

SECTION 34.12A.(c) G.S. 136-189.11(d)(4)b. reads as rewritten:

"(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

…

b. Local input shall include rankings of projects identified by the Department's ~~Transportation~~ Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. ~~Transportation~~ Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g)."

TRANSPORTATION MEGAPROJECT FUNDING/BLUE RIBBON COMMITTEE ON TRANSPORTATION INFRASTRUCTURE FUNDING

TRANSPORTATION MEGAPROJECT FUNDING

SECTION 34.12B.(a) Establishment of the Megaproject Fund. – Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 14C.

"Megaproject Fund.

"**§ 136-189.12. Creation of the Megaproject Fund.**

(a) An account designated as the Megaproject Fund is hereby created within the Highway Trust Fund. The Megaproject Fund shall not be funded using (i) the proceeds of any fee charged by the Division of Motor Vehicles, (ii) the proceeds of any tax imposed under Article 5A of Chapter 105 of the General Statutes, or (iii) the proceeds of any tax imposed under Part 3 of Article 36C of Chapter 105 of the General Statutes.

(b) The amounts deposited to the Megaproject Fund shall be used as provided in this Article, notwithstanding any provision of Article 14B of this Chapter to the contrary. The provisions of Article 14B of this Chapter shall not apply to the application of the Megaproject Fund.

"**§ 136-189.13. Use of the Megaproject Fund.**

The Department of Transportation shall use the Megaproject Fund to fund transportation projects, selected by a workgroup overseen by the Department, of statewide or regional significance that exceed two hundred million dollars ($200,000,000) in total project cost. The workgroup selecting projects under this section shall establish project selection criteria based on the provisions of this Article.

"**§ 136-189.14. Reports by the Department of Transportation.**

The Department of Transportation shall develop, and update annually, a report containing a completion schedule for all projects to be funded from the Megaproject Fund, including the selection criteria and reasoning used for each project. The annual update shall indicate the projects, or portions thereof, that were completed during the preceding fiscal year, any changes in the original completion schedules, and the reasons for the changes. The report shall also include the Department's anticipated schedule for future projects. The Department shall submit the report and the annual updates to the Joint Legislative Transportation Oversight Committee by November 1 of each year."

SECTION 34.12B.(b) Exclusion from Transportation Investment Strategy Formula. – G.S. 136-189.11(b) is amended by adding a new subdivision to read:

"(b) Funds Excluded From Formula. – The following funds are not subject to this section:

…

(11) Funds appropriated or transferred to the Megaproject Fund, in accordance with Article 14C of this Chapter."

SECTION 34.12B.(c) Establishment of Workgroup and Megaproject Selection Criteria. – The Department of Transportation shall establish a workgroup for the purposes of developing megaproject selection criteria and selecting projects in accordance with G.S. 136-189.13, as enacted by subsection (a) of this section. The megaproject selection criteria shall:

(1) Address large-scale, significant transportation needs of the State.
(2) Provide for interstate and intrastate connectivity between urban and rural areas and between rural areas.
(3) Encourage economic development in both urban and rural areas of the State.
(4) Improve existing major highway corridors by increasing capacity and relieving congestion.
(5) Provide for infrastructure improvements and rail and highway connectivity to the State ports.
(6) Encourage delivery of projects in the most effective, efficient, and expeditious manner.

SECTION 34.12B.(d) Membership. – The workgroup shall consist of the following members:

(1) A representative from the workgroup established under G.S. 136-189.11(h).
(2) A representative from the North Carolina Association of Municipal Planning Organizations.
(3) A representative from the North Carolina Association of Rural Planning Organizations.
(4) A representative from the North Carolina League of Municipalities.
(5) A representative from the North Carolina Association of County Commissioners.
(6) A representative from the North Carolina Metropolitan Mayors Coalition.
(7) A representative from the North Carolina Council of Regional Governments.

SECTION 34.12B.(e) Selection of Members; Cochairs. – The Department of Transportation shall select the members listed in subsection (d) of this section. The cochairs of the workgroup shall be the members listed in subdivisions (2) and (3) of subsection (d) of this section.

SECTION 34.12B.(f) Meetings. – The Department of Transportation shall establish and convene the workgroup required under this section within 30 days of the effective date of this section. Within the three-month period from the date the workgroup is convened, the workgroup shall hold at least three meetings. One meeting shall set forth the goals and

objectives of the workgroup, a second meeting shall discuss the progress made in meeting its goals and objectives, and a third meeting shall present the outcomes achieved from the workgroup process, including a presentation on the selection criteria established by the workgroup. Additional meetings shall be on the call of the cochairs. Each member may be represented by a designee, who shall have the same voting powers as the member. The workgroup shall meet in offices provided by the Department of Transportation. In addition, the Department of Transportation shall provide the necessary secretarial and clerical staff and supplies to help the workgroup accomplish its goals and objectives.

SECTION 34.12B.(g) Quorum. – A quorum of the workgroup shall consist of a majority of the workgroup's total membership.

SECTION 34.12B.(h) Reports. – No later than 45 days from the date the workgroup is convened, the workgroup shall provide a report to the Joint Legislative Transportation Oversight Committee on its progress in creating the megaproject selection criteria. Prior to the end of the three-month period from the date the workgroup is convened, the workgroup shall provide a report to the Joint Legislative Transportation Oversight Committee on the megaproject selection criteria created by the workgroup.

BLUE RIBBON COMMITTEE ON TRANSPORTATION INFRASTRUCTURE FUNDING

SECTION 34.12B.(i) Establishment. – There is established a Blue Ribbon Committee on Transportation Infrastructure Funding.

SECTION 34.12B.(j) Membership. – The Committee shall be composed of 20 members, as follows:

(1) Ten members appointed by the Speaker of the House of Representatives, as follows:
   a. Six members of the House of Representatives.
   b. Two members representing the public.
   c. One member representing small business in the State.
   d. One member representing large business in the State.

(2) Ten members appointed by the President Pro Tempore of the Senate, as follows:
   a. Six members of the Senate.
   b. Two members representing the public.
   c. One member representing small business in the State.
   d. One member representing large business in the State.

SECTION 34.12B.(k) Finding and Purpose. – The General Assembly finds that the State has significant transportation infrastructure needs and insufficient revenue to meet those needs. Therefore, the Committee shall study all of the following:

(1) Options available, including debt instruments, revenue changes, local government participation, and tolling, to increase funding for the transportation infrastructure needs of the State.

(2) New revenue sources available to fund the Megaproject Fund established under G.S. 136-189.12, as enacted by subsection (a) of this section.

(3) Any other matters the Committee deems relevant to accomplishing the purpose set forth in this subsection.

SECTION 34.12B.(*l*) Officers; Vacancies. – The Speaker of the House of Representatives shall designate one Representative as cochair and the President Pro Tempore of the Senate shall designate one Senator as cochair. Any vacancy on the Committee shall be filled by the appointing authority.

SECTION 34.12B.(m) Compensation; Powers; Meeting. – Members of the Committee shall receive per diem, subsistence, and travel allowances in accordance with

G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.4. The Committee shall meet upon the call of the cochairs. A quorum of the Committee shall be 10 members. The Committee may meet in the Legislative Building or the Legislative Office Building. With approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Committee in its work. The House of Representatives' and the Senate's Directors of Legislative Assistants shall assign clerical staff to the Committee, and the expenses relating to the clerical employees shall be borne by the Committee.

SECTION 34.12B.(n) Report; Termination. – The Committee may make an interim report of its findings and recommendations to the 2018 Regular Session of the 2017 General Assembly and shall make a final report of its findings and recommendations to the 2019 General Assembly prior to its convening. The Committee shall terminate on the convening of the 2019 General Assembly or upon the filing of its final report, whichever occurs first.

DOT/FUNDING FOR PRELIMINARY ENGINEERING

SECTION 34.12C. G.S. 136-66.8 reads as rewritten:

"**§ 136-66.8. Agreements with units of local government to expedite projects.**

(a) Agreements Authorized. – The Department of Transportation may enter into agreements with units of local government for either of the ~~purpose of expediting~~ following purposes:

(1) Expediting transportation projects currently programmed in the Transportation Improvement ~~Plan.~~Program.

(2) Funding preliminary engineering for projects not currently programmed in the Transportation Improvement Program but programmed in the immediately preceding Transportation Improvement Program.

(b) Form of Project Agreements. – The agreements ~~affected~~ authorized by subdivision (1) of subsection (a) of this section shall be between the Department of Transportation and units of local government. The agreements may authorize units of local government to construct projects scheduled in the Transportation Improvement ~~Plan~~ Program more than two years from the date of the agreement. The units of local government shall fund one hundred percent (100%) of the project at current prices. In a future year, when the project is funded from State and federal sources, the units of local government shall be reimbursed an appropriate share of the funds, at the future programmed project funding amount, as identified and scheduled in the Transportation Improvement ~~Plan.~~Program.

(b1) Form of Preliminary Engineering Agreement. – The agreements authorized by subdivision (2) of subsection (a) of this section shall be between the Department of Transportation and units of local government. The units of local government shall fund one hundred percent (100%) of the preliminary engineering funding at current prices. In a future year, when the project is funded from State and federal sources, the units of local government shall be reimbursed for the amount expended in accordance with the agreement.

(c) Report. – The Department of Transportation shall annually report to the Joint Legislative Transportation Oversight Committee by December ~~1, 2006,~~ 1 on any agreements executed with units of local government pursuant to this section."

REMOVE LIMITS ON LIGHT RAIL FUNDING

SECTION 34.12D.(a) Section 35.12(b) of S.L. 2016-94 is repealed.

SECTION 34.12D.(b) G.S. 136-189.10 reads as rewritten:

"**§ 136-189.10. Definitions.**

The following definitions apply in this Article:

…

(2) Division needs projects. – Includes only the following:

…

e. Public transportation service not included in subdivision (3) or (4) of this section. This sub-subdivision includes commuter rail, intercity rail, and light rail. ~~Nothing in this sub-subdivision shall be construed as authorizing total State funding in excess of the maximum established in sub-subdivision g. of subdivision (3) of this section for commuter rail and light rail projects.~~

…

(3) Regional impact projects. – Includes only the following:

…

g. Public transportation service that spans two or more counties and that serves more than one municipality. Programmed funds pursuant to this sub-subdivision shall not exceed ten percent (10%) of any distribution region allocation. This sub-subdivision includes commuter rail, intercity rail, and light rail. ~~Total State funding for a commuter rail or light rail project shall not exceed ten percent (10%) of the estimated total project costs used during the prioritization scoring process. The State shall not be responsible or liable for any project costs in excess of the maximum established under this sub-subdivision. Any agreement entered into by the State to fund a commuter rail or light rail project shall include language setting out the limitations set forth in this sub-subdivision.~~

…."

DOT/OUTSOURCING AND PROJECT DELIVERY REPORTS

SECTION 34.13. Article 1 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-12.3. Outsourcing and project delivery reports.**

(a) Intent. – It is the intent of the General Assembly to take all steps necessary to assist the Department of Transportation in accelerating project delivery and reducing costs incurred by the State. The General Assembly finds that shifting more control over projects to each of the Highway Divisions can assist in achieving this intent. Further, the General Assembly encourages each Highway Division to increase its outsourcing of preconstruction activities to private contractors to sixty percent (60%) of the total cost of preconstruction activities performed by the Highway Division, with the belief that increased outsourcing will also assist in achieving this intent. Therefore, in order to assess the results from shifting project control and increasing the use of outsourcing, and to determine what adjustments may be necessary to improve upon the results, the General Assembly finds that reports are necessary to collect baseline data to establish appropriate targets.

(b) Outsourcing Report. – For each Highway Division, the Department shall provide a detailed biannual report on all payments made to private contractors for preconstruction activities. In order to compare internal costs incurred with payments made to private contractors, and except as otherwise provided in this subsection, the Department shall include project-specific expenses incurred by division, regional, or central staff. The Department shall not include expenses incurred for central business units that support and oversee outsourcing functions. The information in the first report submitted under this subsection shall be used to establish a baseline to use for setting future preconstruction outsourcing targets. The Department shall submit the reports required under this subsection to the Joint Legislative Transportation Oversight Committee by September 1 and March 1 of each year.

(c) Project Delivery Report. – For each Highway Division, the Department shall provide a detailed annual report in accordance with the following requirements:

(1) The report shall detail the progress of the following types of projects in the State Transportation Improvement Program current for the period covered by the report:

a. Bridge projects with a cost in excess of ten million dollars ($10,000,000).

b. Interstate highway projects.

c. Rural highway projects.

d. Urban highway projects.

(2) For each project, the report shall indicate the status of all of the following phases:

a. Planning a design in progress.

b. Right-of-way acquisition in progress.

c. Project let for construction.

d. Construction substantially complete and traffic using facility.

(3) For each project, and as applicable, the report shall include an indication and explanation for project stages that are delayed during the period covered by the report and the delay has been for more than one year.

(4) For each project, the report shall include the planned and actual completion date for any required environmental documentation.

(5) The Department shall submit the report required under this subsection to the Joint Legislative Transportation Oversight Committee by March 1 of each year.

(d) Combined Report. – The Department may combine the reports required to be submitted by March 1 under subsections (b) and (c) of this section into a single report.

(e) Consultation Required. – If a Highway Division fails to meet the established preconstruction outsourcing target in two consecutive reports submitted under subsection (b) of this section, or if a report submitted under subsection (c) of this section identifies a Highway Division as having three or more project stages delayed for more than one year, the Division Engineer of the Highway Division identified in the report shall consult with the Joint Legislative Transportation Oversight Committee. The Division Engineer shall submit a request for consultation to (i) all members of the Committee, (ii) the chairs of the House of Representatives Appropriations Committee on Transportation if the General Assembly is in session at the time consultation is required under this subsection, (iii) the chairs of the Senate Appropriations Committee on the Department of Transportation if the General Assembly is in session at the time consultation is required under this subsection, and (iv) the Fiscal Research Division of the General Assembly. The request for consultation shall consist of a written report providing an explanation for the failure or delay and a plan for remedying the failure or delay. If the Committee does not hold a meeting to hear the consultation required by this subsection within 90 days after the consultation request has been submitted, the consultation requirement is satisfied."

BOARD OF TRANSPORTATION/STUDY FEE STRUCTURE FOR SERVICES PERFORMED BY THE HIGHWAY DIVISION

SECTION 34.14.(a) Study. – The Board of Transportation shall study the existing fee structure for services performed by Highway Division personnel. For each type of service performed by Highway Division personnel, the Board shall identify, for each of the three fiscal years immediately preceding the effective date of this section, (i) the number of times a fee was charged for a service performed and (ii) the number of times a fee could have been charged for a service performed. The study shall identify the service performed, the amount of the fee that

was or could have been charged, the cost incurred by the Department of Transportation from performing the service, and, if applicable, the reason for not charging the fee.

SECTION 34.14.(b) Report. – The Board shall submit its findings, including any legislative recommendations, to the Joint Legislative Transportation Oversight Committee by January 1, 2018.

ALIGN DOT'S PROGRAM FOR PARTICIPATION BY DISADVANTAGED MINORITY-OWNED AND WOMEN-OWNED BUSINESSES WITH FEDERAL LAW

SECTION 34.15.(a) G.S. 136-28.4 reads as rewritten:

"**§ 136-28.4. State policy concerning participation by disadvantaged minority-owned and women-owned businesses in transportation contracts.**

…

(b1) Based upon the findings of the Department's 2014 study entitled "North Carolina Department of Transportation Disparity Study, 2014," hereinafter referred to as "Study", the program design shall, to the extent reasonably practicable, incorporate narrowly tailored remedies identified in the Study, and the Department shall implement a comprehensive antidiscrimination enforcement policy. As appropriate, the program design shall be modified by rules adopted by the Department that are consistent with findings made in the Study and in subsequent studies conducted in accordance with subsection (b) of this section. As part of this program, the Department shall review its budget and establish ~~aspirational goals~~ a combined aspirational goal every three years, not a mandatory ~~goals,~~ goal, in ~~percentages,~~ the form of a percentage, for the overall participation in contracts by disadvantaged minority-owned and women-owned businesses. ~~These aspirational goals~~ This aspirational goal for disadvantaged minority-owned and women-owned businesses shall be established consistent with federal ~~methodology,~~methodology and ~~they~~ shall not be applied rigidly on specific contracts or projects. Instead, the Department shall establish ~~contract-specific goals or project-specific goals~~ a contract-specific goal or project-specific goal for the participation of such firms in a manner consistent with availability of disadvantaged minority-owned and women-owned businesses, as appropriately defined by its most recent ~~Study, for each disadvantaged minority-owned and women-owned business category that has demonstrated significant disparity in contract utilization.~~Study. Nothing in this section shall authorize the use of quotas. Any program implemented as a result of the Study conducted in accordance with this section shall be narrowly tailored to eliminate the effects of historical and continuing discrimination and its impacts on such disadvantaged minority-owned and women-owned businesses without any undue burden on other contractors. The Department shall give equal opportunity for contracts it lets without regard to race, religion, color, creed, national origin, sex, age, or handicapping condition, as defined in G.S. 168A-3, to all contractors and businesses otherwise qualified.

…

~~(e) This section expires August 31, 2017.~~"

SECTION 34.15.(b) The Department of Transportation shall develop a plan to establish and implement the combined goal required under subsection (a) of this section. The Department shall submit its plan, including any legislative recommendations, to the Joint Legislative Transportation Oversight Committee by February 1, 2018. The Department shall implement its plan developed under this subsection by April 1, 2018.

SECTION 34.15.(c) G.S. 136-28.4(b1), as amended by subsection (a) of this section, becomes effective April 1, 2018. The remainder of this section is effective when it becomes law.

"DOT REPORT" PROGRAM REVISIONS

SECTION 34.16.(a) G.S. 136-18.05 reads as rewritten:

"**§ 136-18.05. Establishment of "DOT Report" Program.**

…

(b) Establishment and Components. – To achieve the intent set forth in subsection (a) of this section, the Department shall establish and implement the "DOT Report" Program (Program). The Program shall include the following components:

(1) Responsiveness. – The Department shall structure the Program to gather citizen input and shall commit to quickly addressing structural problems and other road hazards on State-maintained roads. Citizens may report potholes, drainage issues, culvert blockages, guardrail repairs, damaged or missing signs, malfunctioning traffic lights, highway debris, or shoulder damage to the Department of Transportation by calling a toll-free telephone number designated by the Department or submitting an online work request through a Web site link designated by the Department. Beginning January 1, 2016, upon receiving a citizen report in accordance with this subdivision, the Department shall either address the reported problem or identify a solution to the reported problem. Excluding potholes, which shall be repaired within two business days of the date the report is received, the Department of Transportation shall properly address (i) safety-related citizen reports no later than 10 business days after the date the report is received and (ii) non-safety-related citizen reports no later than 15 business days after the date the report is received. The Department shall determine, in its discretion, whether a citizen report is safety-related or non-safety-related. The Department shall transmit information received about potholes or other problems on roads not maintained by the State to the appropriate locality within two business days of receiving the citizen report. The Department shall provide a monthly report to all of the following on the number of citizen reports received under this subdivision for the month immediately preceding the monthly report, the number of citizen reports fully addressed within the time frames set forth in this subdivision for the month immediately preceding the monthly report, the number of citizen reports addressed outside of the time frames set forth in this subdivision for the month immediately preceding the monthly report, and the number of citizen reports not fully addressed for the month immediately preceding the report:

a. The Joint Legislative Transportation Oversight Committee.

b. The Fiscal Research Division of the General Assembly.

c. The chairs of the House of Representatives Appropriations Committee on Transportation.

d. The chairs of the Senate Appropriations Committee on the Department of Transportation.

(1a) Efficiency. – The Department shall adopt procedures in all stages of the construction process to streamline project delivery, including consolidating environmental review processes, expediting multiagency reviews, accelerating right-of-way acquisitions, and pursuing design build and other processes to collapse project stages. By December 1, 2015, the Department shall establish a baseline unit pricing structure for transportation goods used in highway maintenance and construction projects and set annual targets for three years based on its unit pricing. In forming the baseline unit prices and future targets, the Department shall collect data from each Highway Division on its expenditures on transportation goods during the 2015-2016 fiscal year. Beginning January 1, 2016, no Highway Division shall exceed a ten percent (10%) variance over a baseline unit price set for that year in accordance with

this subdivision. The Department of Transportation shall institute quarterly tracking to monitor pricing variances. The ten percent (10%) maximum variance set under this subdivision is intended to account for regional differences requiring varying product mixes. If a Highway Division exceeds the unit pricing threshold, the Department shall report to the Joint Legislative Transportation Oversight Committee, the Fiscal Research Division of the General Assembly, the chairs of the House of Representatives Appropriations Committee on Transportation, and the chairs of the Senate Appropriations Committee on the Department of Transportation no later than the fifteenth day following the end of the quarter on why the variance occurred and what steps are being taken to bring the Highway Division back into compliance. In order to drive savings, unit pricing may be reduced annually as efficiencies are achieved.

…."

SECTION 34.16.(b) Section 29.14(b) of S.L. 2015-241 is repealed.

STATE INFRASTRUCTURE BANK

SECTION 34.16A.(a) Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 21.

"State Infrastructure Bank.

"**§ 136-277. Creation of the State Infrastructure Bank.**

(a) Creation. – The Department of Transportation shall have such powers as are necessary to establish, administer, and receive federal funds for a transportation infrastructure banking program authorized by the Intermodal Surface Transportation Efficiency Act of 1991, Pub. L. 102-240, as amended, the National Highway System Designation Act of 1995, Pub. L. 104-59, as amended, and any other federal law authorizing and governing the use of federal funds for a transportation infrastructure banking program.

(b) Federal Financial Assistance. – The Department is authorized to apply for, receive, administer, and comply with all conditions and requirements related to federal financial assistance necessary to fund the infrastructure banking program.

(c) Use of Funds; Conditions and Repayment. – Except as otherwise prohibited under federal law, the infrastructure banking program established under subsection (a) of this section may utilize available federal and State funds for the purpose of providing loans or other financial assistance to governmental units, including toll authorities, to finance the costs of transportation projects. Loans or other financial assistance provided under this subsection shall be subject to repayment and conditioned upon the establishment of any security and the payment of any fees and interest rates deemed necessary by the Department. Governmental units may apply for loans and execute debt instruments payable to the State in order to obtain loans or other financial assistance provided for in this subsection. The Department shall require that applicants pledge as security for the obligations revenues derived from operation of the benefited facilities or systems, other sources of revenue, or their faith and credit, or any combination thereof. The faith and credit of the governmental units shall not be pledged or be deemed to have been pledged unless the requirements of Article 4 of Chapter 159 of the General Statutes have been met. The Department is authorized to apply a municipality's share of funds allocated under G.S. 136-41.1 or G.S. 136-44.20 as necessary to ensure repayment of funds advanced under this subsection.

(d) Account; Nonreversion of Funds. – The Department shall establish jointly, with the State Treasurer, a separate infrastructure banking account within the Highway Fund with necessary fiscal controls and accounting procedures. Funds credited to this account shall not

revert, and interest and other investment income shall accrue to the account and may be used to provide loans and other financial assistance as provided under this section.

(e) Rules. – The Department may establish such rules and policies as are necessary to establish and administer the infrastructure banking program.

(f) Debt Instruments. – The State Treasurer, with the assistance of the Local Government Commission, shall develop and adopt appropriate debt instruments for use under this section. The Local Government Commission shall develop and adopt appropriate procedures for the delivery of debt instruments to the State without any public bidding therefor.

(g) Review and Approval of Loans. – The State Infrastructure Bank Oversight Board established in G.S. 136-278 shall review and approve all proposed loans and other financial assistance to applicants under this section. In addition, the Local Government Commission shall review and approve proposed loans to applicants under this section pursuant to the provisions of Articles 4 and 5 of Chapter 159 of the General Statutes, as if the issuance of bonds was proposed, so far as those provisions are applicable.

(h) Outstanding Debt. – Loans authorized by this section shall be outstanding debt for the purpose of Article 10 of Chapter 159 of the General Statutes.

"**§ 136-278. Establishment of State Infrastructure Bank Oversight Board.**

(a) Establishment. – The State Infrastructure Bank Oversight Board (Board) is established and shall be responsible for reviewing and approving loans or other financial assistance provided under G.S. 136-277.

(b) Members. – The Board shall consist of the following voting members:

(1) The Secretary of the Department of Transportation.

(2) The Secretary of the Department of Commerce.

(3) The State Treasurer.

(4) The State Auditor.

(5) The State Budget Officer.

(c) Terms. – The members set forth in subsection (b) of this section shall serve terms coinciding with their respective offices.

(d) Officers. – The Board shall elect from its members a chair and vice-chair of the Board.

(e) Meetings. – The Board shall meet on the call of the chair or any two members but shall meet at least once every six months. Each member may be represented by a designee, who shall have the same voting powers as the member. The Board shall meet in offices provided by the Department of Transportation. In addition, the Department of Transportation shall provide the necessary secretarial and clerical staff and supplies to help the Board accomplish its objectives.

(f) Guidelines. – The Board shall develop guidelines, consistent with the requirements of G.S. 136-277, for reviewing and approving loans or other financial assistance provided under G.S. 136-277. The Board shall publish the guidelines established under this subsection on the Board's Web site, or, if the Board does not have its own Web site, on the Department of Transportation's Web site.

(g) Quorum. – A quorum of the Board shall consist of a majority of the Board's total membership.

(h) Reports. – The Board shall report on its activities quarterly to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Transportation Oversight Committee.

(i) Compensation. – Members shall serve without compensation but may receive travel and subsistence in accordance with G.S. 138-6."

SECTION 34.16A.(b) G.S. 136-18(12a) is repealed.

SECTION 34.16A.(c) G.S. 143C-6-11(k) reads as rewritten:

"(k) The Department of Transportation shall do all of the following:

(1) Utilize cash flow financing to the extent possible to fund transportation projects with the goal of reducing the combined average daily cash balance of the Highway Fund and the Highway Trust Fund to an amount equal to between fifteen and twenty percent (15-20%) of the total appropriations for the current fiscal year from those funds. In projecting cash balances in future years, the Department shall use the estimated cash flow as specified in the Current Operations Appropriation Act. Any federal funds on ~~hand~~hand, and any funds in the infrastructure banking account established under G.S. 136-277, shall not be considered as cash for the purposes of this subsection. The target amount shall include an amount necessary to make all municipal-aid funding requirements of the Department.

…."

STATE AID TO MUNICIPALITIES/NO FUNDS IF MUNICIPALITY FAILS TO FILE STATEMENT AND STUDY HOW TO ACCOUNT FOR SEASONAL POPULATION SHIFTS

SECTION 34.17.(a) G.S. 136-41.3 reads as rewritten:

"**§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.**

(a) Uses of Funds. – ~~The~~Except as otherwise provided in this subsection, the funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said cities and towns primarily for the resurfacing of streets within the corporate limits of the municipality but may also be used for the purposes of maintaining, repairing, constructing, reconstructing or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality or for meeting the municipality's proportionate share of assessments levied for such purposes, or for the planning, construction and maintenance of bikeways, greenways, or sidewalks. The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall not be expended for the construction of a sidewalk into which is built a mailbox, utility pole, fire hydrant, or other similar obstruction that would impede the clear passage of pedestrians on the sidewalk.

…

(b1) Failure to File. – A municipality that fails to timely file the statement required under subsection (b) of this section shall be ineligible to receive funds under G.S. 136-41.1 or G.S. 136-41.2 until the municipality files the statement required under subsection (b) of this section. No interest shall accrue on funds withheld in accordance with this subsection. Upon receiving the statement required under subsection (b) of this section, the Department of Transportation shall allocate to the municipality the total amount of funds withheld in accordance with this subsection. This subsection does not apply to a municipality whose failure to timely file the statement required under subsection (b) of this section is due to a natural disaster.

…."

SECTION 34.17.(b) Study. – The Department of Transportation shall study how to adjust the formula in G.S. 136-41.1(a) to account for seasonal shifts in municipal populations. The Department of Transportation shall report its findings, including any legislative recommendations, to the Joint Legislative Transportation Oversight Committee by December 1, 2017.

REPEAL THE MAP ACT

SECTION 34.18.(a) Article 2E of Chapter 136 of the General Statutes is repealed.

SECTION 34.18.(b) G.S. 47-30(*l*) reads as rewritten:

"(*l*) This section does not apply to the registration of highway right-of-way plans provided for in G.S. 136-19.4 or ~~G.S. 136-89.184, nor to the registration of roadway corridor official maps provided for in Article 2E of Chapter 136 of the General Statutes.~~G.S. 136-89.184."

SECTION 34.18.(c) G.S. 105-277.9 is repealed.

SECTION 34.18.(d) G.S. 105-277.9A is repealed.

SECTION 34.18.(e) Subsection (m) of G.S. 105-296 is repealed.

SECTION 34.18.(f) G.S. 160A-458.4 is repealed.

SECTION 34.18.(g) Subsection (c) of G.S. 161-14 is repealed.

SECTION 34.18.(h) Subsections (c) and (d) of this section are effective for taxes imposed for taxable years beginning on or after July 1, 2017. The remainder of this section is effective when it becomes law and applies to maps filed before, on, or after that date.

DOT/INCREASE CONSOLIDATION AND COORDINATION OF PUBLIC TRANSPORTATION SYSTEMS

SECTION 34.18A.(a) G.S. 136-44.20 reads as rewritten:

"**§ 136-44.20. Department of Transportation designated agency to administer and fund public transportation programs; authority of political subdivisions.**

…

(e) The Department of Transportation is authorized to annually allocate funds to qualifying public transportation systems to be used to consolidate or coordinate with other public transportation systems to maximize resources, gain efficiencies, and increase access to public transportation. In order to be eligible for funding under this subsection, a public transportation system must submit a plan for consolidation or coordination with another public transportation system. The plan must include a time line for completion and an estimated cost for completion. The Department is not required to provide the full amount of the estimated cost identified in the plan. The Department shall disburse the funds no later than 30 days from the date it approves the plan. The amount allocated under this subsection to a public transportation system shall not exceed two hundred thousand dollars ($200,000) annually. Beginning December 1, 2017, the Department shall provide an annual report to the Joint Legislative Transportation Oversight Committee identifying for the year preceding the report (i) each public transportation system provided funding under this subsection, (ii) the amount of funds disbursed to each public transportation system, and (iii) the purpose or purposes for which each public transportation system has used the funds."

SECTION 34.18A.(b) By September 1, 2017, the Department of Transportation shall establish criteria for approving plans submitted to the Department under G.S. 136-44.20(e), as enacted by subsection (a) of this section. No later than 10 days from the date the Department establishes the criteria required under this subsection, the Department shall publish the criteria on the Department's Web site.

SECTION 34.18A.(c) Notwithstanding any provision of G.S. 136-44.20(e), as enacted by subsection (a) of this section, to the contrary, and for the report due under G.S. 136-44.20(e) on December 1, 2017, the Department shall provide the required information only for the period from the effective date of this section to December 1, 2017.

FUNDING FOR AIRPORT IMPROVEMENTS AND DEBT SERVICE

SECTION 34.19.(a) 2017-2018 Allocations. – Of the funds appropriated from the Highway Fund to the Department of Transportation for capital improvements at commercial airports, the following sums in nonrecurring funds for the 2017-2018 fiscal year, which are based on the economic output of commercial airports, shall be allocated by the Department as follows:

(1) Twenty-one million two hundred eighty-two thousand one hundred thirty-one dollars ($21,282,131) to the Raleigh-Durham International Airport.
(2) Two million two thousand five hundred thirty-eight dollars ($2,002,538) to the Albert J. Ellis Airport.
(3) Four million six hundred ninety-two thousand six hundred eighty-nine dollars ($4,692,689) to the Asheville Regional Airport.
(4) One million five hundred twelve thousand six hundred twenty-eight dollars ($1,512,628) to the Coastal Carolina Regional Airport.
(5) One million three hundred fifty-nine thousand one hundred seventy-eight dollars ($1,359,178) to the Concord Regional Airport.
(6) Two million six hundred thirty-nine thousand three hundred ten dollars ($2,639,310) to the Fayetteville Regional Airport.
(7) Sixteen million four hundred ninety-six thousand twenty-four dollars ($16,496,024) to the Piedmont Triad International Airport.
(8) Eight hundred seventy-three thousand two hundred thirty-nine dollars ($873,239) to the Pitt-Greenville Airport.
(9) Thirteen million seven hundred seventy-two thousand two hundred sixty-two dollars ($13,772,262) to the Wilmington International Airport.
(10) Twelve million five hundred thousand dollars ($12,500,000) to the Charlotte Douglas International Airport.

SECTION 34.19.(b) 2018-2019 Allocation to RDU. – Of the funds appropriated from the Highway Fund to the Department of Transportation for capital improvements at commercial airports, and beginning in the 2018-2019 fiscal year, the sum of thirty-one million two hundred eighty-two thousand one hundred thirty-one dollars ($31,282,131) in recurring funds shall be allocated by the Department to the Raleigh-Durham International Airport.

SECTION 34.19.(c) 2018-2019 Allocations to Other Airports. – Of the funds appropriated from the Highway Fund to the Department of Transportation for capital improvements at commercial airports, the following sums in nonrecurring funds for the 2018-2019 fiscal year shall be allocated as follows:

(1) One million six hundred twenty-nine thousand seven hundred twenty-nine dollars ($1,629,729) to the Albert J. Ellis Airport.
(2) Three million eight hundred nineteen thousand fifty-nine dollars ($3,819,059) to the Asheville Regional Airport.
(3) One million two hundred thirty-one thousand twenty-five dollars ($1,231,025) to the Coastal Carolina Regional Airport.
(4) One million one hundred six thousand one hundred forty-two dollars ($1,106,142) to the Concord Regional Airport.
(5) Two million one hundred forty-seven thousand nine hundred fifty-four dollars ($2,147,954) to the Fayetteville Regional Airport.
(6) Thirteen million four hundred twenty-four thousand nine hundred eighty-seven dollars ($13,424,987) to the Piedmont Triad International Airport.
(7) Seven hundred ten thousand six hundred seventy dollars ($710,670) to the Pitt-Greenville Airport.
(8) Eleven million two hundred eight thousand three hundred three dollars ($11,208,303) to the Wilmington International Airport.
(9) Twelve million five hundred thousand dollars ($12,500,000) to the Charlotte Douglas International Airport.

SECTION 34.19.(d) Permissible Uses. – Each airport receiving funds under this section may use the funds allocated to it under this section to (i) fund improvements to the

airport and (ii) pay debt service or related financing costs and expenses on revenue bonds or notes issued by the airport.

SECTION 34.19.(e) Report. – The Department of Transportation shall provide a report on the use or uses by each airport of funds allocated to the airport under this section. The Department shall submit the report required under this subsection by March 1, 2019, to the Joint Legislative Transportation Oversight Committee.

REVISE USE OF TAXES COLLECTED ON AVIATION GASOLINE AND JET FUEL

SECTION 34.21.(a) G.S. 105-164.44M reads as rewritten:

"**§ 105-164.44M. Transfer to Division of Aviation.**

The net proceeds of the tax collected on aviation gasoline and jet fuel under G.S. 105-164.4 must be transferred within 75 days after the end of each fiscal year to the Highway Fund. This amount is annually appropriated from the Highway Fund to the Division of Aviation of the Department of Transportation for prioritized capital improvements to ~~public~~ general aviation airports ~~and~~ for time-sensitive aviation capital improvement projects for economic development purposes."

SECTION 34.21.(b) This section becomes effective January 1, 2018, and applies to sales made on or after that date.

AVIATION/TECHNICAL CORRECTION

SECTION 34.21A. G.S. 63-47 reads as rewritten:

"**§ 63-47. Enforcement of regulations of ~~Civil Aeronautics~~ Federal Aviation Administration.**

In the general public interest and safety, the safety of persons receiving instructions concerning or operating, using or traveling in aircraft, and of persons and property on the ground, and in the interest of aeronautical progress, the public officers of the State, counties and cities shall enforce the rules and regulations of the ~~Civil Aeronautics~~ Federal Aviation Administration."

RAIL DIVISION/FIVE-YEAR SPENDING PLAN FOR FRRCSI

SECTION 34.23. The Rail Division of the Department of Transportation shall develop a five-year spending plan for the funds in the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund. The Rail Division shall submit its five-year spending plan to the Joint Legislative Transportation Oversight Committee by December 1, 2017.

RAIL DIVISION/REPORT REQUIRED PRIOR TO ENTERING INTO CERTAIN CONTRACTS

SECTION 34.24.(a) In addition to any other requirements provided by State or federal law, the Rail Division of the Department of Transportation shall submit a report to the Joint Legislative Transportation Oversight Committee prior to entering into a contract with a duration of five or more years and requiring an estimated expenditure of State funds in an amount totaling or exceeding one million five hundred thousand dollars ($1,500,000). The report shall (i) identify the total cost of the proposed contract, (ii) identify the duration of the proposed contract, (iii) identify the other party or parties to the proposed contract, and (iv) identify any other terms of the proposed contract that are deemed relevant by the Rail Division.

SECTION 34.24.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date. This section expires June 30, 2022.

GLOBAL TRANSPARK/STRATEGIC PLAN AND MARKETING

SECTION 34.26.(a) Strategic Plan; Report. – By January 1, 2018, the Global TransPark Authority shall establish and implement a strategic plan for the Global TransPark. The Global TransPark Authority may use a portion of funds appropriated to it in this act to establish and implement the strategic plan required under this subsection. The Global TransPark Authority shall submit a report to the Joint Legislative Transportation Oversight Committee by January 15, 2018, detailing the strategic report established and implemented as required by this subsection.

SECTION 34.26.(b) Marketing. – The Global TransPark Authority shall utilize and contract with an outside vendor to provide marketing services for the Global TransPark. The Global TransPark Authority shall identify and contract with an outside vendor in accordance with this subsection by February 1, 2018. The Global TransPark Authority shall submit a report to the Joint Legislative Transportation Oversight Committee by February 15, 2018, providing details as to the contract entered into in accordance with this subsection, including an identification of the outside vendor and the total cost of the contract to the State.

SECTION 34.26.(c) Web Site. – The Communications Office of the Department of Transportation shall manage the Web site for the Global TransPark, including providing regular updates on the Web site as to, at a minimum, (i) achievements of the Global TransPark, (ii) business opportunities available at the Global TransPark, and (iii) events held at the Global TransPark.

GLOBAL TRANSPARK/LENOIR COUNTY ECONOMIC DEVELOPMENT

SECTION 34.26A. The Global TransPark Authority shall allow the use of available space at Global TransPark by the Lenoir County Economic Development. The Global TransPark Authority shall enter into a memorandum of understanding with the County of Lenoir setting forth the terms governing the use of the available space by the Lenoir County Economic Development. The memorandum of understanding required under this section must be in place before any upfitting or other renovations to Global TransPark may be completed to accommodate the use of available space by the Lenoir County Economic Development.

NORTH CAROLINA STATE PORTS AUTHORITY/FUNDS FOR DEBT SERVICE AND CAPITAL PROJECTS

SECTION 34.27.(a) G.S. 136-176 reads as rewritten:

"**§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust Fund.**

…

(b) ~~Funds~~ Except as otherwise provided in this section, funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A sum, in the amount appropriated by law, may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the Trust Fund shall be allocated and used as specified in G.S. 136-189.11.

The Department must administer funds allocated under this section in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due.

…

(b3) Funds appropriated to the North Carolina State Ports Authority from the Highway Trust Fund may only be used (i) to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the State Ports Authority and (ii) for capital projects. An appropriation to the State Ports Authority from the Highway Trust Fund constitutes an agreement by the State to pay the funds appropriated to the State Ports Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the appropriation of funds to the State Ports Authority, the enactment of this subsection, and the issuance of bonds or notes by the State Ports Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending an appropriation made to the State Ports Authority at any time to decrease or eliminate the amount annually appropriated to the State Ports Authority. Funds appropriated to the State Ports Authority for the purposes described in this subsection are not subject to the formula set forth in G.S. 136-189.11.

…."

SECTION 34.27.(b) G.S. 136-189.11(b) reads as rewritten:

"(b) Funds Excluded From Formula. – The following funds are not subject to this section:

…

(11) Funds appropriated to the North Carolina State Ports Authority for the purposes described in G.S. 136-176(b3)."

STATE PORTS AUTHORITY/ROAD AND RAIL CONNECTIVITY

SECTION 34.27A. Consistent with the provisions of Article 14B of Chapter 136 of the General Statutes, the North Carolina State Ports Authority shall take all steps necessary to begin implementation of any plans completed by the Ports Authority to increase road and rail connectivity to the Ports of Wilmington and Morehead City.

STATE PORTS AUTHORITY/FUNDING FOR DREDGING

SECTION 34.28. Of the funds appropriated to the North Carolina State Ports Authority for the purposes described in G.S. 136-176(b3), as enacted by Section 34.27 of this act, up to fifteen million dollars ($15,000,000) in nonrecurring funds for the 2017-2018 fiscal year may be used for the dredging of approaches to State port facilities.

STUDY/TRANSFER RESPONSIBILITY FOR DREDGING ACTIVITIES TO DOT

SECTION 34.28A.(a) Study. – The Department of Transportation and the Department of Environmental Quality shall jointly study the feasibility of transferring the responsibility for dredging activities to the Department of Transportation. The study shall include an examination of the number of staff needed by the Department of Transportation to adequately assume the responsibility, the types and numbers of equipment needed to complete the dredging activities, the annual funding level necessary to complete the dredging activities, and any other issues the Departments jointly deem relevant to the completion of the study.

SECTION 34.28A.(b) Report. – The Departments shall jointly report the findings of the study required under subsection (a) of this section, including any legislative recommendations, to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources by February 1, 2018.

FERRY VESSEL PRIORITY BOARDING/CLARIFICATION

SECTION 34.28B. G.S. 136-82(f3) reads as rewritten:

"(f3) Priority Boarding Fee for Certain Vehicles. – For vehicles providing commercial goods and services, the Department of Transportation shall charge an annual fee of one hundred fifty dollars ($150.00) for an annual ~~passes~~pass that ~~entitle~~entitles the vehicle or vehicles owned by the person issued the annual pass to priority when boarding a ferry vessel. Except as authorized under this subsection, the Department of Transportation shall not provide priority boarding to a ferry vessel to any vehicle providing commercial goods and services."

DOT PERFORMANCE DASHBOARD/TRACK DMV PROGRESS

SECTION 34.30.(a) Expand Performance Dashboard. – The Department of Transportation shall expand its performance dashboard available on the Department's home page on the Department's Web site to track the following information about the Division of Motor Vehicles of the Department:

(1) The number of motor vehicle registrations issued per month and year-to-date.
(2) The number of motor vehicle registrations renewed per month and year-to-date.
(3) The number of drivers licenses issued per month and year-to-date.
(4) The number of drivers licenses renewed per month and year-to-date.
(5) The number of motor vehicle registrations renewed online per month and year-to-date.
(6) The number of drivers licenses renewed online per month and year-to-date.
(7) The total number of persons employed by the Division as of the first day of each month. The number provided in accordance with this subdivision shall include full-time, part-time, and temporary employees.

SECTION 34.30.(b) Implementation Date. – The expansion of the Department's performance dashboard required under subsection (a) of this section shall be completed by October 1, 2017.

DMV/PURCHASE CREDIT CARD PAYMENT PROCESSING DEVICES

SECTION 34.31. The Division of Motor Vehicles of the Department of Transportation shall purchase, and not lease, devices solely used for processing payments by credit or debit card. The purchase price of a device subject to this section shall include the cost for any repair to, or replacement of, the device that would have otherwise been covered had the Division continued to lease devices used for processing payments by credit or debit card.

DMV/HEARING FEE IMPLEMENTATION REVISIONS

SECTION 34.32.(a) Section 34.9 of S.L. 2014-100, as amended by Section 29.30A of S.L. 2015-241, reads as rewritten:

"**SECTION 34.9.(a)** The Department of Transportation, Division of Motor Vehicles, shall develop a plan and proposed schedule of fees to recover a portion of the direct and indirect costs incurred for the performance of administrative hearings required by law or under rules adopted ~~by the Board of Transportation.~~under G.S. 20-2(b). The plan and proposed schedule shall address, at a minimum, the following:

(1) Current hearing process and recommended modifications to achieve cost efficiencies, including proposed revisions to existing laws or rules.
(2) Historical and projected funding requirements for each category of hearing performed by the Division.
(3) Schedule of fees and projected receipts.

(4) Proposed processes and rules for the collection of fees and the refunding of fees for hearings initiated by the Division in which the original decision of the Division is reversed.

(5) Implementation milestones.

…

"**SECTION 34.9.(c)** From funds appropriated to the Department of Transportation, Information Technology Section for the 2014-2015 fiscal year, the Department shall implement modifications to supporting information technology systems necessary to timely implement the hearing fee schedule required by subsection (a) of this section. The Department shall implement the hearing fee schedule required by subsection (a) of this section by no later than ~~July 1, 2017.~~January 1, 2018."

SECTION 34.32.(b) Rules. – The Division of Motor Vehicles may adopt temporary rules to implement the provisions of Section 34.9 of S.L. 2014-100, as amended by Section 29.30A of S.L. 2015-241 and subsection (a) of this section. Temporary rules adopted in accordance with this section shall remain in effect until permanent rules that replace the temporary rules become effective.

DMV/STUDY STREAMLINING IFTA AND IRP PROCESSES

SECTION 34.33.(a) Study. – The Division of Motor Vehicles of the Department of Transportation, in consultation with the Department of Revenue, shall study streamlining the processes motor carriers must follow to comply with the requirements of the International Fuel Tax Agreement and the International Registration Plan to receive registration plates, motor carrier licenses, and motor carrier decals. The study shall include an examination of the feasibility of consolidating the processes within the Division of Motor Vehicles.

SECTION 34.33.(b) Report. – The Division of Motor Vehicles shall submit its findings under subsection (a) of this section, including any legislative recommendations, to the Joint Legislative Transportation Oversight Committee by December 1, 2017.

ASSET MANAGEMENT LONG RANGE FACILITY PLANNING/DMV NEW BERN AVENUE PROPERTY RELOCATION

SECTION 34.35. In developing its Asset Management Long Range Facility Planning, the Department of Transportation shall specify its plan for relocating the Division of Motor Vehicles property located on New Bern Avenue in the City of Raleigh and whether the site of relocation will be purchased or leased. The Department shall report on the information required under this section to the Joint Legislative Transportation Oversight Committee by May 1, 2018.

STUDY/ELIMINATE USE OF NURSES IN MEDICAL REVIEW PROGRAM

SECTION 34.36.(a) Study. – The Division of Motor Vehicles shall study the feasibility of eliminating the use of nurses in the Division's Medical Review Program. The study shall include an examination of any issues that may arise from using only the recommendation of the applicant's or licensee's examining health care provider as to the ability of the applicant or licensee to operate a motor vehicle.

SECTION 34.36.(b) Report. – The Division shall report the findings of the study required under subsection (a) of this section, including any legislative recommendations, to the Joint Legislative Transportation Oversight Committee by December 1, 2017.

RESTORE MERCURY SWITCH REMOVAL FUNDING

SECTION 34.37.(a) G.S. 20-85(a1) reads as rewritten:

"(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 commission contract agents for the payment of compensation to commission contract agents. An additional twenty cents (20¢) of the fee imposed for any transaction assessed a fee under subdivision (1) of subsection (a) of this section shall be credited to the Mercury Pollution Prevention Fund in the Department of Environmental Quality."

SECTION 34.37.(b) This section becomes effective July 1, 2017, and expires on June 30, 2021.

DESIGNATE PORTION OF U.S. HIGHWAY 64 AS "BOB BARNHILL HIGHWAY"

SECTION 34.38.(a) Notwithstanding G.S. 136-18(8) and any other State law to the contrary, the Department of Transportation shall designate the portion of the U.S. Highway 64 Bypass in North Carolina from mile marker 486 to the Edgecombe and Martin County line the "Bob Barnhill Highway."

SECTION 34.38.(b) The Department of Transportation shall use unobligated funds available to pay costs associated with signage needed to implement subsection (a) of this section.

PART XXXV. SALARIES AND BENEFITS

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY INCREASES/EFFECTIVE JULY 1, 2017, AND JULY 1, 2018

SECTION 35.1.(a) Except as provided by subsection (b) of this section, a person (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2017, is awarded a legislative salary increase as follows:

(1) In the amount of one thousand dollars ($1,000) in the 2017-2018 fiscal year, effective July 1, 2017.

(2) And additionally, in the amount of one thousand dollars ($1,000) in the 2018-2019 fiscal year, effective July 1, 2018.

(3) As otherwise allowed or provided by law.

SECTION 35.1.(b) The following persons are not eligible to receive the legislative salary increases provided by subsection (a) of this section:

(1) The judicial branch judges whose salaries are set in Section 35.4(a) of this act.

(2) Teachers, principals, and assistant principals paid pursuant to a salary schedule or pay plan enacted in this act.

(3) The Governor and members of the Council of State.

SECTION 35.1.(c) Part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 35.1.(d) Any excess funds appropriated for compensation increases pursuant to this section shall be deposited in the Pay Plan Reserve established in this act.

GOVERNOR AND COUNCIL OF STATE

SECTION 35.2.(a) The salary of the Governor as provided by G.S. 147-11(a) shall remain unchanged.

SECTION 35.2.(b) The annual salaries for members of the Council of State, payable monthly, for the 2017-2019 fiscal biennium shall remain unchanged:

Council of State	Annual Salary
Lieutenant Governor	$127,561
Attorney General	127,561
Secretary of State	127,561

State Treasurer	127,561
State Auditor	127,561
Superintendent of Public Instruction	127,561
Agriculture Commissioner	127,561
Insurance Commissioner	127,561
Labor Commissioner	127,561

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.3. The annual salaries, payable monthly, for the following executive branch officials for the 2017-2019 fiscal biennium are as follows:

	Annual Salary	
Executive Branch Officials	2017-2018	2018-2019
Chairman, Alcoholic Beverage Control Commission	$114,546	$115,546
State Controller	159,501	160,501
Commissioner of Banks	128,561	129,561
Chair, Board of Review, Division of Employment Security	126,104	127,104
Members, Board of Review, Division of Employment Security	124,563	125,563
Chairman, Parole Commission	126,104	127,104
Full-time Members of the Parole Commission	116,595	117,595
Chairman, Utilities Commission	142,947	143,947
Members of the Utilities Commission	128,561	129,561
Executive Director, North Carolina Agricultural Finance Authority	111,549	112,549

JUDICIAL BRANCH

SECTION 35.4.(a) The annual salaries, payable monthly, for the following judicial branch officials for the 2017-2019 fiscal biennium are as follows:

	Annual Salary	
Judicial Branch Officials	2017-2018	2018-2019
Chief Justice, Supreme Court	$150,086	$150,086
Associate Justice, Supreme Court	146,191	146,191
Chief Judge, Court of Appeals	143,878	143,878
Judge, Court of Appeals	140,144	140,144
Judge, Senior Regular Resident Superior Court	136,364	136,364
Judge, Superior Court	132,584	132,584
Chief Judge, District Court	120,490	120,490
Judge, District Court	116,710	116,710
Chief Administrative Law Judge	117,710	118,710
District Attorney	128,215	129,215
Administrative Officer of the Courts	144,878	145,878
Assistant Administrative Officer of the Courts	124,469	125,469
Public Defender	128,215	129,215
Director of Indigent Defense Services	132,145	133,145

SECTION 35.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district:

(1) For the 2017-2018 fiscal year, do not exceed seventy-seven thousand seventy-three dollars ($77,073) and the minimum salary of any assistant district attorney or assistant public defender is at least forty-one thousand three hundred sixty-six dollars ($41,366), effective July 1, 2017.

(2) For the 2018-2019 fiscal year, do not exceed seventy-eight thousand seventy-three dollars ($78,073) and the minimum salary of any assistant district attorney or assistant public defender is at least forty-two thousand three hundred sixty-six dollars ($42,366), effective July 1, 2018.

SECTION 35.4.(c) G.S. 7A-341 reads as rewritten:

"**§ 7A-341. Appointment and compensation of Director.**

The Director shall be appointed by the Chief Justice of the Supreme Court, to serve at the pleasure of the Chief Justice. The Director's annual compensation shall be ~~the same salary amount set for the Chief Judge of the Court of Appeals as provided~~ set in the Current Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses at the same rate as State employees generally and longevity pay at the rates and for the service designated in G.S. 7A-18 for a judge of the Court of Appeals. Service as Director shall be equivalent to service as a judge of the Court of Appeals for the purposes of entitlement to retirement pay or to retirement for disability."

SECTION 35.4.(d) G.S. 7A-751(a) reads as rewritten:

"(a) The head of the Office of Administrative Hearings is the Chief Administrative Law Judge, who shall serve as Director of the Office. The Chief Administrative Law Judge has the powers and duties conferred on that position by this Chapter and the Constitution and laws of this State and may adopt rules to implement the conferred powers and duties.

The salary of the Chief Administrative Law Judge shall be ~~the same as that fixed from time to time for district court judges.~~set in the Current Operations Appropriations Act. The salary of a Senior Administrative Law Judge shall be ninety-five percent (95%) of the salary of the Chief Administrative Law Judge.

In lieu of merit and other increment raises, the Chief Administrative Law Judge and any Senior Administrative Law Judge shall receive longevity pay on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act."

CLERKS OF SUPERIOR COURT

SECTION 35.4A.(a) Effective July 1, 2017, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	~~$88,188~~$89,188
100,000 to 149,999	~~98,834~~99,834
150,000 to 249,999	~~109,480~~110,480
250,000 and above	~~120,131~~121,131

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

SECTION 35.4A.(b) Effective July 1, 2018, G.S. 7A-101(a), as amended by this act, reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary

Less than 100,000	~~$89,188~~$90,188
100,000 to 149,999	~~99,834~~100,834
150,000 to 249,999	~~110,480~~111,480
250,000 and above	~~121,131~~122,131

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

ASSISTANT AND DEPUTY CLERKS OF SUPERIOR COURT

SECTION 35.4B.(a) Effective July 1, 2017, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$33,098~~$34,098
Maximum	~~58,963~~59,963
Deputy Clerks	**Annual Salary**
Minimum	~~28,646~~29,646
Maximum	~~46,092.~~47,092."

SECTION 35.4B.(b) Effective July 1, 2018, G.S. 7A-102(c1), as amended by this act, reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$34,098~~$35,098
Maximum	~~59,963~~60,093
Deputy Clerks	**Annual Salary**
Minimum	~~29,646~~30,646
Maximum	~~47,092.~~48,093."

MAGISTRATES

SECTION 35.4C.(a) Effective July 1, 2017, G.S. 7A-171.1 reads as rewritten:

"**§ 7A-171.1. Duty hours, salary, and travel expenses within county.**

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary	
	Minimum	Maximum
Entry Rate		~~$36,862~~$37,862
Step 1	~~38,519~~$39,519	~~39,658~~40,658

Step 2	~~41,448~~42,448	~~42,673~~43,673
Step 3	~~44,548~~45,548	~~45,865~~46,865
Step 4	~~48,263~~49,263	~~49,690~~50,690
Step 5	~~52,739~~53,739	~~54,298~~55,298
Step 6	~~57,754~~58,754	~~59,461.~~60,461.

…

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who, on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum		Maximum
Less than 1 year of service			~~$29,099~~$30,099
1 or more but less than 3 years of service	~~29,288~~$30,288	–	~~30,333~~31,333
3 or more but less than 5 years of service	~~31,773~~32,773	–	~~32,818~~33,818

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

…."

SECTION 35.4C.(b) Effective July 1, 2018, G.S. 7A-171.1, as amended by subsection (a) of this section, reads as rewritten:

"**§ 7A-171.1. Duty hours, salary, and travel expenses within county.**

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases

to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary	
	Minimum	Maximum
Entry Rate		~~$37,862~~$38,862
Step 1	~~$39,519~~$40,519	~~40,658~~41,658
Step 2	~~42,448~~43,448	~~43,673~~44,673
Step 3	~~45,548~~46,458	~~46,865~~47,865
Step 4	~~49,263~~50,263	~~50,690~~51,690
Step 5	~~53,739~~54,739	~~55,298~~56,298
Step 6	~~58,754~~59,754	~~60,461.~~61,461.

…

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who, on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum		Maximum
Less than 1 year of service			~~$30,099~~$31,099
1 or more but less than 3 years of service	~~$30,288~~$31,288	–	~~31,333~~32,333
3 or more but less than 5 years of service	~~32,773~~33,773	–	~~33,818~~,34,818

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

…."

LEGISLATIVE EMPLOYEES

SECTION 35.5.(a) Effective July 1, 2017, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2017, shall be legislatively increased by one thousand dollars ($1,000).

SECTION 35.5.(b) Effective July 1, 2018, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2018, shall be legislative increased by one thousand dollars ($1,000).

SECTION 35.5.(c) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 35.6.(a) Effective July 1, 2017, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred seven thousand nine hundred twenty-eight dollars ($107,928),~~ one hundred eight thousand nine hundred twenty-eight dollars ($108,928), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 35.6.(b) Effective July 1, 2018, G.S. 120-37(c) as amended by this act, reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred eight thousand nine hundred twenty-eight dollars ($108,928),~~ one hundred nine thousand nine hundred twenty-eight dollars ($109,928), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 35.7.(a) Effective July 1, 2017, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred ten dollars ($410.00)~~ four hundred twenty-nine dollars ($429.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 35.7.(b) Effective July 1, 2018, G.S. 120-37(b), as amended by this act, reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred twenty-nine dollars ($429.00)~~ four hundred forty-eight dollars ($448.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment

or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

COMMUNITY COLLEGES

SECTION 35.8.(a) Effective for the 2017-2019 fiscal biennium:

(1) The State Board of Community Colleges may provide community college personnel salary increases in accordance with policies adopted by the Board. Funds appropriated for these compensation increases under Section 35.1 of this act may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies. The Board shall make a report on the use of these funds to the General Assembly by no later than March 1, 2018.

(2) Funds appropriated for community college personnel salary adjustments, other than the annual salary increases awarded by Section 35.1 of this act, may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a report on the use of these funds to the Fiscal Research Division no later than March 1, 2018.

SECTION 35.8.(b) The minimum salaries for nine-month, full-time curriculum community college faculty for the 2017-2019 fiscal biennium are as follows:

	Minimum Salary	
Education Level	2017-2018	2018-2019
Vocational Diploma/Certificate or Less	$36,844	$37,844
Associate Degree or Equivalent	37,356	38,356
Bachelor's Degree	39,579	40,579
Master's Degree or Education Specialist	41,551	42,551
Doctoral Degree	44,394	45,394

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 35.9.(a) Effective for the 2017-2019 fiscal biennium, the annual salaries of University of North Carolina SHRA employees shall be increased as provided by Section 35.1 of this act.

SECTION 35.9.(b) For the 2017-2019 fiscal biennium, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies. The Board shall make a report on the use of these funds to the General Assembly by no later than March 1, 2018.

STATE AGENCY TEACHERS

SECTION 35.10. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the State Board of Education, and

employees of the School of Science and Mathematics of the University of North Carolina who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 35.11.(a) Salaries and related benefits for positions that are funded:

(1) Partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

(2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this act. The Director of the Budget may increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

The Director of the Budget may increase expenditures of receipts from these sources in the certified budget by the amount necessary to provide the increases authorized by this Part to receipt-supported personnel. Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 35.11.(b) The legislative salary increases provided in this act:

(1) For the 2017-2018 fiscal year, do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2017.

(2) For the 2018-2019 fiscal year, do not apply to persons separated from service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2018.

With respect to the legislative increases awarded in this Part, payroll checks issued to employees after July 1 of each year that represent payment of services provided prior to July 1 of each year shall not be eligible for salary increases provided for in this act.

SECTION 35.11.(c) This section applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

MOST STATE EMPLOYEES

SECTION 35.12. Unless otherwise expressly provided by this part, the annual salaries in effect for the following persons on June 30, 2017, and June 30, 2018, shall be legislatively increased as provided by Section 35.1 of this act:

(1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.

(2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.

(3) Permanent, part-time State employees.

(4) Temporary and permanent hourly State employees.

IMPLEMENT NEW CLASSIFICATION AND COMPENSATION SYSTEM

SECTION 35.13. The Office of State Human Resources shall implement the new Classification and Compensation System.

SALARY ADJUSTMENT FUND

SECTION 35.14.(a) The Salary Adjustment Fund is established to make funding available for salary increases in the executive, judicial, and legislative 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 the following purposes in order to provide competitive salary 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 Human Commission policies and other provisions of the State Human Resources Act. For the executive branch, funding shall be approved by the State Human Resources Commission or Office of State Human Resources and shall not be used for any other purposes.

SECTION 35.14.(b) Funds appropriated to the Salary Adjustment Fund for the 2017-2019 fiscal biennium in the amount of seventy-three thousand dollars ($73,000) shall be distributed to the Office of the Lieutenant Governor for staff compensation increases.

SECTION 35.14.(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. The Director of the Budget shall report to the Joint Legislative Commission on Governmental Operations within 30 days of allocation of the funds.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES

SECTION 35.15.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases and employee benefits in amounts set forth in the Committee Report described in Section 39.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for the purposes of legislatively mandated salary increases and employee benefits.

SECTION 35.15.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases and employee benefits.

SECTION 35.15.(c) No later than March 1, 2018, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases and employee benefits. This report shall include at least the following information for each State agency for the 2017-2018 fiscal year:

(1) The total amount of funds that the agency received for legislatively mandated salary increases and employee benefits.
(2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
(3) The total amount of funds used by the agency for legislatively mandated salary increases and employee benefits.
(4) The amount of funds expected to revert under subsection (a) of this section.

MITIGATE BONUS LEAVE

SECTION 35.16. During the 2017-2019 fiscal biennium, State agencies, departments, institutions, the North Carolina Community College System, and The University of North Carolina may offer State employees the opportunity to use or to cash in special bonus leave benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a) of S.L. 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but only if all of the following requirements are met:

(1) Employee participation in the program must be voluntary.

(2) Special leave that is liquidated for cash payment to an employee must be valued at the amount based on the employee's current annual salary rate.

(3) By September 1, 2019, a report on the demographic information shall be submitted to the respective agency head or employing agency and to the Fiscal Research Division.

PAY PLAN RESERVE

SECTION 35.17.(a) The Pay Plan Reserve is established within the General Fund. The General Assembly shall appropriate in the Current Operations Appropriations Act or other appropriations act a specific amount to this reserve for allocation, on an as-needed basis only, to fund statutory and scheduled pay expenses authorized by:

(1) G.S. 20-187.3.

(2) G.S. 7A-102.

(3) G.S. 7A-171.1.

(4) Teacher Salary Schedule, as enacted by the General Assembly.

(5) Pay Plans for Principals and Assistant Principals, as enacted by the General Assembly.

The funds in the Pay Plan Reserve are available to agencies for employee salary and benefit costs only if the amount of funds appropriated for statutory or scheduled salaries and benefits expenses, in any fiscal year, would be insufficient to cover those expenses for eligible employees.

After January 1 of each fiscal year, an agency may request an allocation from the Pay Plan Reserve by submitting proof to the Office of State Budget and Management (OSBM) that the agency has exhausted or is projected to exhaust funds appropriated for statutory or scheduled salary and benefit expenses. The OSBM must certify the need for any allocation before disbursing funds from the reserve. The OSBM shall report to the Fiscal Research Division on or before April 1 of each year on any disbursements made from the reserve and regarding projected recurring appropriations necessary to fully fund positions eligible for funding in the next fiscal year. Funds from the reserve may be allocated and reallocated only as expressly provided by this section.

SECTION 35.17.(b) Funds remaining in the Pay Plan Reserve shall revert at the end of each fiscal year.

STATE HUMAN RESOURCES/HIRE FROM POOL OF MOST QUALIFIED PERSONS

SECTION 35.18. G.S. 126-14.2 reads as rewritten:

"**§ 126-14.2. Political hirings limited.**

(a) It is the policy of this State that State departments, agencies, and institutions select from the pool of the most qualified persons for State government employment based upon job-related qualifications of applicants for employment using fair and valid selection criteria.

(b) All State departments, agencies, and institutions shall select ~~the most qualified person~~ from the pool of the most qualified persons for State government employment without regard to political affiliation or political influence. For the purposes of this section, "qualified

persons" shall mean each of the State employees or applicants for initial State employment who:

(1) Have timely applied for a position in State government;
(2) Have the essential qualifications for that position; and
(3) Are determined to be substantially more qualified as compared to other applicants for the position, after applying fair and valid job selection criteria, in accordance with G.S. 126-5(e), G.S. 126-7.1, Articles 6 and 13 of this Chapter, and State personnel policies approved by the State Human Resources Commission.

(c) It is a violation of this section if:

(1) The complaining State employee or applicant for initial State employment timely applied for the State government position in question;
(2) The complaining State employee or applicant for initial State employment was not hired into the position;
(3) The complaining State employee or applicant for initial State employment was among the most qualified persons applying for the position as defined in this Chapter;
(4) The successful applicant for the position was not among the most qualified persons applying for the position; and
(5) The hiring decision was based upon political affiliation or political influence.

…."

SPECIAL ANNUAL LEAVE BONUS

SECTION 35.18A.(a) Any person who is (i) a full-time, permanent employee of the State, a community college, or a local board of education on July 1, 2017, and (ii) eligible to earn annual leave shall have a one-time additional five days of annual leave credited on July 1, 2017.

SECTION 35.18A.(b) Except as provided by subsection (c) of this section, the additional leave granted in this act shall be accounted for separately with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, by Section 29.14A of S.L. 2005-276, and by Section 35.10A of S.L. 2014-100. The leave shall remain available during the length of the employee's employment, 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.

SECTION 35.18A.(c) The additional leave awarded under this section has no cash value, is not eligible for cash in, and does not count towards retirement.

STATE EMPLOYEES – AMEND SALARY CONTINUATION

SECTION 35.18B.(a) G.S. 143-166.14 reads as rewritten:

"**§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation Act applicable after two years; duration of payment.**

The salary of any eligible person shall be paid as long as the person's employment in that position continues, notwithstanding the person's total or partial incapacity to perform any duties to which the person may be lawfully assigned, if that incapacity is the result of an injury or injuries resulting from or arising out of an episode of violence, resistance, or due to other special hazards that occur while the eligible person is performing official duties, except if that incapacity continues for more than two years from its inception, the person shall, during the further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General Statutes pertaining to workers' compensation. The time period for which an eligible person receives benefits pursuant to this section shall be deducted from the eligible person's total

eligibility for benefits pursuant to G.S. 97-29 and G.S. 97-30. For purposes of this section, the term "salary" shall be defined as the total base pay of the person reflected on the person's salary statement and shall not include overtime pay, shift differential pay, holiday pay, or other additional earnings to which the person may have been entitled prior to such incapacity. Salary paid to an eligible person pursuant to this Article shall cease upon the resumption of the person's regularly assigned ~~duties,~~ duties; assignment of duties which comply with the treating physician's restrictions; or retirement, resignation, or death, whichever first ~~occurs, except that~~ occurs; provided that salary payments will be ceased or may be equitably reduced when the employee has returned to work for the same or a different employer. A temporary return to duty shall not prohibit payment of salary for a subsequent period of incapacity which can be shown to be directly related to the original injury."

SECTION 35.18B.(b) G.S. 143-166.19 reads as rewritten:

"**§ 143-166.19. Determination of cause and extent of incapacity; hearing before Industrial Commission; appeal; effect of refusal to perform duties.**

Upon the filing of the report, the secretary or other head of the department or, in the case of the General Assembly, the Legislative Services Officer, shall determine the cause of the incapacity and to what extent the claimant may be assigned to other than the claimant's normal duties. The finding of the secretary or other head of the department shall determine the right of the claimant to benefits under this Article. Notice of the finding shall be filed with the North Carolina Industrial Commission. The finding of the secretary or other department head shall be final unless the claimant, within 30 days of receipt of the notice, files a request for a hearing with the North Carolina Industrial Commission using a form required by the Commission. Upon the filing of a request, the North Carolina Industrial Commission shall proceed to hear the matter in accordance with its regularly established procedure for hearing claims filed under the Worker's Compensation Act, and shall report its findings to the secretary or other head of the department. From the decision of the North Carolina Industrial Commission, an appeal shall lie as in other matters heard and determined by the Commission. Any person who refuses to perform any duties to which the person may be properly assigned as a result of the finding of the secretary, other head of the department or of the North Carolina Industrial Commission shall be entitled to no benefits pursuant to this Article as long as the refusal continues. A duty is properly assigned if the duty complies with the authorized treating physician's restrictions. Any eligible person whose salary continuation benefits are terminated by the secretary or other head of the department shall be immediately entitled to benefits under G.S. 97-29 or G.S. 97-30. Such benefits under G.S. 97-29 or G.S. 97-30 shall only be suspended or terminated by the employer pursuant to G.S. 97-18.1."

SECTION 35.18B.(c) This section is effective when it becomes law and applies to State employees incapacitated on or after that date.

EXEMPT EMPLOYEES/UNC INFORMATION TECHNOLOGY PROFESSIONALS

SECTION 35.18C. G.S. 126-5 reads as rewritten:

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

…

(c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this Chapter shall not apply to:

…

(8) Instructional and research staff, information technology professionals, physicians, and dentists of The University of North Carolina, including the faculty of the North Carolina School of Science and Mathematics.

…."

SALARY-RELATED CONTRIBUTIONS

SECTION 35.19.(a) Effective for the 2017-2019 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employee's salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 35.19.(b) Effective July 1, 2017, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2017-2018 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	**State LEOs**	**ORPs**	**CJRS**	**LRS**
Retirement	10.85%	10.85%	6.84%	31.26%	19.35%
Disability	0.14%	0.14%	0.14%	0.00%	0.00%
Death	0.16%	0.16%	0.00%	0.00%	0.00%
Retiree Health	6.06%	6.06%	6.06%	6.06%	6.06%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	17.21%	22.21%	13.04%	37.32%	25.41%

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.19.(c) Effective July 1, 2018, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2018-2019 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	**State LEOs**	**ORPs**	**CJRS**	**LRS**
Retirement	11.44%	11.44%	6.84%	31.40%	18.27%
Disability	0.14%	0.14%	0.14%	0.00%	0.00%
Death	0.16%	0.16%	0.00%	0.00%	0.00%
Retiree Health	6.28%	6.28%	6.28%	6.28%	6.28%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
Total Contribution Rate	18.02%	23.02%	13.26%	37.68%	24.55%

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.19.(d) Effective July 1, 2017, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2017-2018 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand five hundred sixty dollars ($4,560) and (ii) non-Medicare-eligible employees and retirees – five thousand eight hundred sixty-nine dollars ($5,869).

SECTION 35.19.(e) Effective July 1, 2018, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2018-2019 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand seven hundred forty-three dollars ($4,743) and (ii) non-Medicare-eligible employees and retirees – six thousand one hundred four dollars ($6,104).

PROVIDE ONE-TIME COST-OF-LIVING SUPPLEMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 35.19A.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(vvv) On or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(gg) On or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(aa) In accordance with subsection (a) of this section, on or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(d) Notwithstanding any other provision of law to the contrary, in order to administer the one-time cost-of-living supplement for retirees provided for in subsections (a), (b), and (c) of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the corresponding

retirement system or pay costs associated with the administration of the payment directly from the retirement assets.

ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 35.19B.(a) G.S. 135-1 reads as rewritten:

"**§ 135-1. Definitions.**

The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

…

(11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2017.

…

(17a) "Probation/Parole Officer" shall mean a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, or post-release supervision or have been assigned to any other community-based program operated by the Division of Adult Correction.

…."

SECTION 35.19B.(b) G.S. 143-166.41(b) reads as rewritten:

"(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined.~~defined or as a probation/parole officer as defined in G.S. 135-1(17a)."

SECTION 35.19B.(c) This section becomes effective July 1, 2017, and applies to persons retiring on or after that date.

STATE TREASURER AUTHORITY OVER STATE HEALTH PLAN EMPLOYEES

SECTION 35.22. G.S. 135-48.23 reads as rewritten:

"**§ 135-48.23. Executive Administrator.**

(a) The Plan shall have an Executive Administrator and a Deputy Executive Administrator. The Executive Administrator and the Deputy Executive Administrator positions are exempt from the provisions of Chapter 126 of the General Statutes as provided in G.S. 126-5(c1).

(b) The Executive Administrator shall be appointed by the State Treasurer. The term of employment and salary of the Executive Administrator shall be set by the State ~~Treasurer after consultation with the Board of Trustees.~~Treasurer.

The Executive Administrator may be removed from office by the State ~~Treasurer after consultation with the Board of Trustees,~~ Treasurer, and any vacancy in the office of Executive Administrator may be filled by the State Treasurer.

(c) The ~~Executive Administrator~~ State Treasurer shall appoint the Deputy Executive ~~Administrator and~~ Administrator. The term of employment and salary of the Deputy Executive Administrator shall be set by the State Treasurer. The Deputy Executive Administrator may be

removed from office by the State Treasurer. Any vacancy in the office of the Deputy Executive Administrator may be filled by the State Treasurer.

(c1) The State Treasurer may employ such clerical and professional staff, and such other assistance as may be necessary to assist the Executive Administrator, the Board of Trustees, and the State Treasurer in carrying out their duties and responsibilities under this Article. The ~~Executive Administrator~~ State Treasurer may designate any managerial, professional, or policy-making positions as exempt from the North Carolina Human Resources Act. All exempt employees shall serve at the pleasure of the State Treasurer, and any vacancies in these positions may be filled by the State Treasurer. Salaries of exempt employees shall be set by the State Treasurer.

(c2) The Executive Administrator may also negotiate, renegotiate and execute contracts with third parties in the performance of the Executive Administrator's duties and responsibilities under this Article; provided any contract negotiations, renegotiations and execution with a Claims Processor, with an optional alternative comprehensive health benefit plan, or program thereunder, authorized under G.S. 135-48.2, with a preferred provider of institutional or professional hospital and medical care, or with a pharmacy benefit manager shall be done only ~~after consultation~~ with the consent of the State Treasurer.

(d) The Executive Administrator shall quarterly make reports and recommendations on the Plan to the President Pro Tempore of the Senate and the Speaker of the House of Representatives."

PART XXXVI. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 36.1. The appropriations made by the 2017 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 2017-2019 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	**2017-2018**	**2018-2019**
Department of Environment and Natural Resources		
Water Resources Development	$10,763,000	–
Department of Public Safety		
Greenville Office Building & Garage	2,000,000	$1,917,993
National Guard- Joint Forces HQ Helipad	1,000,000	–
Department of Natural and Cultural Resources		
Fort Fisher Museum and Visitor Center	5,000,000	–
Planning for Fayetteville Civil War Museum project	500,000	–
East Carolina University		
Planning funds for new building at Brody School of Medicine	2,263,440	–
Western Carolina University		

Energy production facility replacement project	–	9,477,200
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$21,526,440**	**$11,395,193**

SECTION 36.2.(b) Notwithstanding G.S. 143C-3-3(b), East Carolina University shall use the funds appropriated in subsection (a) of this section to develop plans for the construction of a new medical education building at the Brody School of Medicine.

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.3.(a) The Department of Environmental Quality 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 fourteen million eighty-five thousand dollars ($14,085,000) in federal funds.

	Name of Project	2017-2018
(1)	Princeville Flood Damage Reduction	$431,000
(2)	Carolina Beach CSDR (Next cycle plans & specs.)	300,000
(3)	Kure Beach CSDR (Next cycle plans & specs.)	300,000
(4)	Wrightsville Storm Damage Reduction – Constr. Cycle 12	3,000,000
(5)	Wrightsville Storm Damage Reduction – Post-Auth. Change Report	135,000
(6)	Planning Assistance	25,000
(7)	Wilmington Harbor Maintenance	-
(8)	Morehead City Harbor Maintenance	-
(9)	Surf City/North Topsail Preconstruction Activities	218,000
(10)	West Onslow Beach Preconstruction Activities	218,000
(11)	NRCS EQIP	2,000,000
(12)	State-Local Projects	1,500,000
(13)	Eastern NC Storm Debris Removal	1,000,000
(14)	Cape Fear River Lock & Dam/Fish Ramp Construction	840,000
(15)	Carolina Beach CSDR	1,158,000
(16)	North Topsail Shoreline Protection – Phase 2	500,000
(17)	Kunz Farm Park Riverwalk	250,000
TOTALS		**$11,875,000**

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 ten million seven hundred sixty-three thousand dollars ($10,763,000) appropriated for water resources development projects in Section 36.2 of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

	Name of Project	Amount Carried Forward
(1)	Carolina Beach CSDR (Next cycle plans & specs.)	$50,000
(2)	Kure Beach CSDR (Next cycle plans & specs.)	50,000
(3)	Wrightsville Storm Damage Reduction – Constr.	700,000
(4)	Wrightsville Storm Damage Reduction – Post-Auth. Change Report	22,000

(5)	Planning Assistance	25,000
(6)	Surf City/North Topsail Preconstruction Activities	135,000
(7)	West Onslow Beach Preconstruction Activities	130,000
TOTALS		**$1,112,000**

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 2017-2018 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 2017-2018 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 2017-2018 fiscal year.

SECTION 36.3.(d) The Department shall submit semiannual reports on the use of these funds to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Fiscal Research Division, and the Office of State Budget and Management on or before March 1 and September 1. Each report shall include all of the following:

(1) All projects listed in this section.
(2) The estimated cost of each project.
(3) The date that work on each project began or is expected to begin.
(4) The date that work on each project was completed or is expected to be completed.
(5) The actual cost of the project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 36.3.(e) Of the funds allocated for State-Local Projects in this section, the Department shall allocate the sum of five hundred thousand dollars ($500,000) for the 2017-2018 fiscal year to be used for phase III of the Joseph McDowell Historical Catawba Greenway restoration project.

SECTION 36.3.(f) Of the funds allocated for State-Local Projects in this section, the Department shall allocate the sum of five hundred thousand dollars ($500,000) for the 2017-2018 fiscal year to be used for phase VI-2 of the Ararat River Greenway and Stream Restoration project.

SECTION 36.3.(g) Section 37.2(e) of S.L. 2016-94 reads as rewritten:

"**SECTION 37.2.(e)** Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2015-2017 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate. This subsection shall not apply to, and there shall be no local match required for, any of the following, notwithstanding any other provision of law:

(1) The Environmental Quality Incentives Program. Furthermore, Section 36.3(e) of S.L. 2013-360, Section 36.2(e) of S.L. 2014-100, and Section 31.3(e) of S.L. 2015-241 shall not apply to funds made available as part of the Environmental Quality Incentives Program in any fiscal year. Any remaining balance of funds appropriated prior to the 2015-2017 fiscal biennium for Environmental Quality Incentives Program projects shall be paid out to each of the original grantees for the full grant award amount, except that the Secretary may retain ten percent (10%) of the State share of funding until the Natural Resources Conservation Service of the United States Department of Agriculture has provided a final practice approval for the project.

...."

SECTION 36.3.(h) G.S. 143-215.72 is amended by adding two new subsections to read:

"(c) When the Secretary issues new or revised policies for review of grant applications and fund disbursement under this Part, those policies shall not apply to a project already approved for funding unless the project applicant agrees to the new or revised policy. For purposes of this section, a project is approved for funding when the Department enters into a contract or other binding agreement to provide any share of State funding for the project. Nothing in this subsection is intended to preclude the Secretary from issuing or enforcing policies applicable to projects approved for funding in order to comply with a requirement of State law or federal law or regulations.

(d) The following procedures apply only to grants for the purpose set forth in G.S. 143-215.71(8):

(1) A nongovernmental entity managing, administering, or executing the grant on behalf of a unit of local government may apply as a co-applicant for the grant and may be included as a responsible party on any required resolution issued by the unit of local government.

(2) The Department may make periodic payments for its share of nonfederal costs of a project prior to receipt of a final practice approval from the Natural Resources Conservation Service if the grantee has submitted a certified reimbursement request or invoice."

SECTION 36.3.(i) G.S. 143-215.72(d), as enacted by subsection (h) of this section, becomes effective July 1, 2017, and applies to projects approved for funding on or after that date.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund Funding Authorized**	
	FY 2017-2018	**FY 2018-2019**
Department of Natural and Cultural Resources		
Museum of Art- New Park and Pavilion Building	915,300	–
Wildlife Resources Commission		
Land Acquisition	7,000,000	3,000,000
Infrastructure Repair/Renovation	1,500,000	–
Setzer Hatchery Building Replacement	750,000	–
Boating Access	900,000	900,000

Setzer Hatchery Raceways Replacement	4,500,000	–
Outer Banks Education Center Air Handlers	–	300,000
Burnsville Depot	500,000	–
Butner Lab & Storage Building	500,000	–
Bolivia Depot	750,000	–
New Shooting Ranges	1,000,000	1,000,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$18,315,300**	**$5,200,000**

SECTION 36.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars ($75,000) for the 2017-2018 fiscal year and the sum of seventy-five thousand dollars ($75,000) for the 2018-2019 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 36.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2017-2018 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-half of the funds shall be allocated to the Board of Governors of The University of North Carolina.

(2) One-half of the funds shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

SECTION 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) In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, the Board of Governors shall negatively weight the availability of non-State resources and carryforward funds available for repair and renovations and shall include information about the manner in which this subsection was complied within any report submitted pursuant to G.S. 143C-4-3(d).

SECTION 36.5.(e) Notwithstanding G.S. 143C-4-3, of the funds allocated from the Reserve for Repairs and Renovations for the 2017-2018 fiscal year in subsection (a) of this section, the following sums shall be allocated for the following projects:

(1) Two million dollars ($2,000,000) shall be allocated to the Department of Public Safety to be provided to the North Carolina National Guard for the demolition of Western Youth Correctional Facility.

(2) Two million dollars ($2,000,000) shall be allocated to the Department of Natural and Cultural Resources for the repairs and renovation projects involving the U.S.S. North Carolina Battleship.

(3) Five million dollars ($5,000,000) shall be allocated to the Department of Administration for the roof replacement project for the Administration Building.

(4) Three hundred thousand dollars ($300,000) shall be allocated to weatherproof Goodwin Hall and Joiner Hall at the North Carolina School for the Deaf in Morganton.

(5) Thirteen million two hundred thousand dollars ($13,200,000) shall be allocated to the Department of Public Safety to renovate the Stonewall Jackson Youth Development Center to create additional bed space.

(6) Ten million dollars ($10,000,000) shall be allocated for the comprehensive renovation and repurposing of West Hall at the University of North Carolina at Pembroke.

(7) Three million five hundred thousand dollars ($3,500,000) shall be allocated to the Department of Natural and Cultural Resources, Division of Parks & Recreation, for repair and renovation projects at Morrow Mountain State Park in Stanly County.

(8) Four million five hundred thousand dollars ($4,500,000) shall be allocated to the Department of Natural and Cultural Resources for repair and renovation projects at the North Carolina Zoological Park.

(9) Two million two hundred thousand dollars ($2,200,000) shall be allocated to the Department of Public Safety to renovate the Swannanoa Correctional

Center for Women to allow for portions to be used for a female Confinement Response to Violation (CRV) facility.

(10) Five million five hundred thousand dollars ($5,500,000) shall be allocated to Fayetteville State University for a health fitness center.

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 36.6. The appropriations made by the 2017 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 2017 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 2017 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, 2017, 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, 2017, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division of the General Assembly and to the Office of State Budget and Management.

SECTION 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, 2017, 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, 2017, and quarterly thereafter, the State Construction Office shall report to the Joint Legislative Oversight Committee on Capital Improvements on the status of plan review, approval, and permitting for each State capital improvement project and community college capital improvement project over which the Office exercises plan review, approval, and permitting authority. Each report shall include (i) summary information about the workload of the Office during the previous quarter, including information about the average length of time spent by the State Construction Office on each major function it performs that is related to capital project approval, and (ii) detailed information about the amount of time spent engaged in those functions for each project that the State Construction Office worked on during the previous quarter.

ZOO STATE CONSTRUCTION EXEMPTIONS

SECTION 36.8.(a) G.S. 143-341 reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

…

(3) Architecture and Engineering:

a. To examine and approve all plans and specifications for the construction or renovation of:

1. All State buildings or buildings located on State lands, except those buildings over which a local building code inspection department has and exercises jurisdiction; and

2. All community college buildings requiring the estimated expenditure for construction or repair work for which public bidding is required under G.S. 143-129 prior to the awarding of a contract for such work; and to examine and approve all changes in those plans and specifications made after the contract for such work has been awarded.

a1. To organize and schedule, within three weeks of designer selection and before the design contract is let, a meeting of the stakeholders for each State capital improvement project to discuss plan review requirements and to define the terms of the memorandum of understanding developed by the State Building Commission pursuant to G.S. 143-135.26(2). The stakeholders shall include the funded agency, each State agency having plan review responsibilities for the project, and the selected designer. Notwithstanding the foregoing, the meeting need not be scheduled if the funded agency so requests.

b. To assist, as necessary, all agencies in the preparation of requests for appropriations for the construction or renovation of all State buildings.

b1. To certify that a statement of needs pursuant to G.S. 143C-3-3, other than for a project of The University of North Carolina for which advance planning has not been completed, is feasible. For purposes of this sub-subdivision, "feasible" means that the proposed project is sufficiently defined in overall scope; building program; site development; detailed design, construction, and equipment budgets; and comprehensive project scheduling so as to reasonably ensure that it may be completed with the amount of funds requested. At the discretion of the General Assembly, advanced planning funds may be appropriated in support of this certification. This sub-subdivision shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000).

c. To supervise the letting of all contracts for the design, construction or renovation of all State buildings and all community college buildings whose plans and specifications must be examined and approved under a.2. of this subdivision.

d. To supervise and inspect all work done and materials used in the construction or renovation of all State buildings and all community college buildings whose plans and specifications must be examined and approved under a.2. of this subdivision; to act as the appropriate official inspector or inspection department for purposes of G.S. 143-143.2; and no such work may be accepted by the State or by any State agency until it has been approved by the Department.

e. To require all State agencies to use existing plans and specificiations for construction projects, where feasible. Prior to designing a project, State agencies shall consult with the Department of Administration on the availability of appropriate existing plans and specifications and the feasibility of using them for a project.

f. To provide written allocation of the deduction allowed under section 179D of the Code, as defined in G.S. 105-228.90, for designing energy efficient commercial building property that is installed on or in property owned by the State. The allocation must be made in accordance with section 179D of the Code.

Except for sub-subdivisions b., b1., e., and f. of this subdivision, this subdivision does not apply to either (i) the design, construction, or renovation of projects by The University of North Carolina pursuant to ~~G.S. 116-31.11.~~G.S. 116-31.11 or (ii) the North Carolina Zoological Park Council and the Department of Natural and Cultural Resources, with respect to

projects at the North Carolina Zoological Park pursuant to G.S. 143B-135.214.

…."

SECTION 36.8.(b) Part 39 of Article 2 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-135.214. Powers of Council and Department regarding certain fee negotiations, contracts, and capital improvements.**

(a) The exception for the North Carolina Zoological Park set forth in G.S. 143-341(3) shall apply only to projects requiring the estimated expenditure of public money of two million dollars ($2,000,000) or less. The Council and the Department of Natural and Cultural Resources shall, with respect to the design, construction, or renovation of buildings, utilities, and other property developments of the North Carolina Zoological Park that fall below that threshold:

(1) Conduct the fee negotiations for all design contracts and supervise the letting of all construction and design contracts.

(2) Develop procedures governing the responsibilities of the Council and the Department to perform the duties of the Department of Administration under G.S. 133-1.1(d) and G.S. 143-341(3).

(3) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the Council and the Department shall consult with the Department of Administration on the availability of existing plans and specifications and the feasibility of using them for a project.

(b) The Council and Department shall use the standard contracts for design and construction currently in use for State capital improvement projects by the Office of State Construction of the Department of Administration.

(c) A contract may not be divided for the purpose of evading the monetary limit under this section.

(d) Notwithstanding any other provision of this Chapter, the Department of Administration shall not be the awarding authority for contracts awarded pursuant to this section.

(e) This section shall not exempt any capital improvement project from review and approval as may be required by law by the entity having jurisdiction over the subject property.

(f) The Department shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).

(g) Unless clearly indicated otherwise, nothing in this section is intended to relieve the Department or the Council from the obligations imposed by Article 3 of Chapter 143 of the General Statutes."

SECTION 36.8.(c) G.S. 143B-135.214, as enacted by subsection (b) of this section, is repealed.

SECTION 36.8.(d) G.S. 143-341(3), as amended by subsection (a) of this section, reads as rewritten:

"(3) Architecture and Engineering:

…

Except for sub-subdivisions b., b1., e., and f. of this subdivision, this subdivision does not apply to ~~either (i)~~ the design, construction, or

renovation of projects by The University of North Carolina pursuant to ~~G.S. 116-31.11 or (ii) the North Carolina Zoological Park Council and the Department of Natural and Cultural Resources, with respect to projects at the North Carolina Zoological Park pursuant to G.S. 143B-135.214.~~G.S. 116-31.11."

SECTION 36.8.(e) Subsections (c) and (d) of this section become effective July 1, 2019, and apply to projects commenced on or after that date. The remainder of this section is effective when it becomes law. Requirements for projects commenced before July 1, 2019, are not affected by subsection (c) or (d) of this section, and the statutes, as amended by subsections (a) and (b) of this section, remain applicable to those projects.

REALIGNMENT OF DHHS CAPITAL PROJECTS

SECTION 36.9.(a) Section 23.12(e) of S.L. 2006-66, as amended by Section 2(c) of S.L. 2009-209, reads as rewritten:

"**SECTION 23.12.(e)** In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~ninety-eight million seven hundred eighty-two thousand five hundred forty dollars ($98,782,540)~~ninety-one million two hundred eighty-two thousand five hundred forty dollars ($91,282,540) to finance the capital facility costs of the Department of Health and Human Services Public Health Laboratory and Office of Chief Medical Examiner. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate principal amount of twenty million dollars ($20,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2007."

SECTION 36.9.(b) Section 23.12(f) of S.L. 2006-66, as amended by Section 2(c) of S.L. 2009-209, reads as rewritten:

"**SECTION 23.12.(f)** In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~one hundred thirty-eight million three hundred twenty-five thousand eight hundred fourteen dollars ($138,325,814)~~one hundred thirty-nine million three hundred twenty-five thousand eight hundred fourteen dollars ($139,325,814) to finance the capital facility costs of the Eastern Regional Psychiatric Hospital for the Department of Health and Human Services. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate principal amount of twenty million dollars ($20,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2007. No more than a maximum aggregate principal amount of one hundred million dollars ($100,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008."

SECTION 36.9.(c) Section 23.12(h) of S.L. 2006-66, as amended by Section 2(c) of S.L. 2009-209, reads as rewritten:

"**SECTION 23.12.(h)** In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~one hundred fifty-four million seven hundred seventy-two thousand eight hundred one dollars ($154,772,801)~~one hundred sixty-one million two hundred seventy-two thousand eight hundred one dollars ($161,272,801) to finance the capital facility costs of the Western Regional Psychiatric Hospital for the Department of Health and Human Services. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of

Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate principal amount of twenty million dollars ($20,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009. No more than a maximum aggregate principal amount of fifty-four million dollars ($54,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2011."

DPS EXISTING FACILITIES MAXIMIZATION

SECTION 36.10. If House Bill 280 of the 2017 Regular Session becomes law, the Department of Public Safety shall accommodate any new requirements resulting from its enactment by maximizing the use of existing facilities. The Department shall demonstrate that the use of existing facilities has been maximized prior to requesting funding for additional facilities.

PART XXXVII. DEPARTMENT OF INFORMATION TECHNOLOGY

GOVERNMENT DATA ANALYTICS CENTER/INFRASTRUCTURE AND OPERATIONS

SECTION 37.1. Of the funds appropriated in this act to the Department of Information Technology, Government Data Analytics Center (GDAC), the sum of two million dollars ($2,000,000) for the 2017-2018 fiscal year and the sum of two million dollars ($2,000,000) for the 2018-2019 fiscal year shall be used to fund contract additions that support GDAC infrastructure and operations improvements, including security upgrades to comply with State and federal requirements, and to provide enhanced and expanded GDAC user services, data storage, data integration, and system maintenance.

GOVERNMENT BUDGETS TRANSPARENCY/ACCOUNTABILITY/REPORTING

SECTION 37.2. By September 1, 2017, the State Chief Information Officer, the State Controller, the Office of State Budget and Management (OSBM), and the State Chief Information Officer (State CIO) shall make a detailed written report to the chairs of the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of efforts to effectuate the State budget transparency Internet Web site as mandated in Section 7.17 of S.L. 2015-241 to provide information on budget expenditures for each State agency for each fiscal year beginning 2015-2016. Specifically, the reports shall:

(1) Include an explanation of coordination efforts with counties and local education agencies to facilitate the posting of their respective local entity budgetary and spending data on their respective Internet Web sites.

(2) Account for how the appropriated General Funds in the amount of eight hundred fourteen thousand dollars ($814,000) for the 2015-2016 fiscal year were or were not spent toward the purposes of implementation of the mandated transparency requirements.

DATA CENTER CONSOLIDATION

SECTION 37.3.(a) The consolidation of State data centers shall continue as a priority for the 2017-2019 fiscal biennium, however, the Western Data Center in Rutherford County and the Eastern Data Center in Wake County may not be closed or consolidated without express authorization by the General Assembly.

SECTION 37.3.(b) Unless otherwise exempt, State agencies shall continue to use the State infrastructure to host their projects, services, data, and applications, except that the

State Chief Information Officer may grant an exception if the State agency demonstrates any of the following:

(1) Using an outside contractor would be more cost-effective for the State.

(2) The Department of Information Technology does not have the technical capabilities required to host the application.

(3) Valid security requirements preclude the use of State infrastructure, and a vendor can provide a more secure environment.

SECTION 37.3.(c) By December 1, 2017, the State Chief Information Officer shall present a report on data center consolidations to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. On or before May 1, 2018, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the number of physical servers eliminated across all departments as a result of data center consolidation and the savings associated with such elimination.

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND/RATES

SECTION 37.5.(a) During the 2017-2019 fiscal biennium:

(1) Information Technology Internal Service Fund receipts for the 2017-2018 fiscal year shall not exceed two hundred five million dollars ($205,000,000).

(2) Information Technology Internal Service Fund receipts for the 2018-2019 fiscal year shall not exceed two hundred five million dollars ($205,000,000).

Rates approved by the Office of State Budget and Management during the 2017-2019 fiscal biennium to support the Information Technology Internal Service Fund shall be based on the fund limit set in this section.

Information Technology Internal Service Fund receipts may be increased for specific purposes only after consultation with the Joint Legislative Commission on Governmental Operations each time a requirement necessitating an increase is identified.

SECTION 37.5.(b) For the 2017-2018 fiscal year, receipts in excess of requirements, including information technology equipment and fixtures, shall be maintained in a separate account to be managed by the Office of State Budget and Management. The amounts received shall be used for the following purposes:

(1) To offset agency budget shortfalls resulting from Department of Information Technology rate increases.

(2) To offset Department of Information Technology Internal Service Fund budget shortfalls, if approved by the Office of State Budget and Management.

SECTION 37.5.(c) For the 2018-2019 fiscal year, budget requirements and associated rates shall be developed based on actual service costs for fiscal year 2016-2017. These budget requirements and associated rates shall be developed and reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by October 1, 2018.

SECTION 37.5.(d) Receipts collected for Information Technology Internal Service Fund services shall only be used for the specific purposes for which they were collected and, to the extent not already appropriated, are hereby appropriated for those purposes. Funds collected for information technology equipment and fixtures shall be separately maintained and accounted for by the Department of Information Technology, and such funds shall be used only for the replacement of the fixtures and equipment for which the funds were collected.

SECTION 37.5.(e) By December 1, 2017, the Department of Information Technology shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the development of rates and the means and methods by which it is in compliance with the requirements of this section.

SECTION 37.5.(f) The State Chief Information Officer shall ensure that bills from the Department of Information Technology are easily understandable and fully transparent. If a State agency fails to pay its IT Internal Service Fund bill within 30 days of receipt, the Office of State Budget and Management may transfer funds from the agency to fully or partially cover the cost of the bill from that agency to the IT Internal Service Fund following notification of the affected agency.

ENTERPRISE RESOURCE PLANNING

SECTION 37.6.(a) The Department of Information Technology shall collaborate with the Office of State Budget and Management and the Office of State Controller to continue to develop a fully consolidated statewide ERP solution. To that end, of the funds appropriated in this act to the Statewide Reserves, the sum of three million two hundred thousand dollars ($3,200,000) for the 2017-2018 fiscal year and the sum of ten million dollars ($10,000,000) for the 2018-2019 fiscal year shall be allocated to the Department of Information Technology for Enterprise Resource Planning (ERP) projects.

SECTION 37.6.(b) The Department of Information Technology shall annually report on the progress of the ERP projects to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on or before January 1.

COMMUNITY COLLEGE SYSTEM ENTERPRISE RESOURCE PLAN DESIGN AND IMPLEMENTATION REVISIONS

SECTION 37.7. Section 7.10A of S.L. 2016-94 reads as rewritten:

"**COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION**

"**SECTION 7.10A.(a)** The North Carolina Community Colleges System Office, in consultation with the Department of Information Technology, shall begin planning and design of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a minimum, student information system, core financial management, grants, human resource management, and payroll. The planning and design of the ERP system may include either a modernization of the current system or a replacement system. ~~A request for proposal for a replacement system implementation shall be prepared for release~~ The Department of Information Technology shall approve a request for proposal for the North Carolina Community Colleges System Office for the services necessary to continue the ERP design process no later than ~~October 1, 2017.~~30 days following the certification of the State budget for the 2017-2018 fiscal year. The North Carolina Community Colleges System Office may use funds from the North Carolina Community College IT Systems Budget Code 26802 to support planning and request for proposal development efforts; provided, that the total amount expended for the project does not exceed one million dollars ($1,000,000). To the extent that these funds have not been appropriated for the 2016-2017 fiscal year elsewhere, they are hereby appropriated.

"**SECTION 7.10A.(b)** The North Carolina Community Colleges System Office shall submit a preliminary report on the planning and implementation of the enterprise resource planning system to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. ~~The report shall identify~~ By no later than October 1, 2017, the System Office shall report on the results of the planning and design effort, including at least all of the following information:

(1) Proposed sequence of functional and site implementation.
(2) A phased-in contracting plan with checkpoints to facilitate budgeting and program management.
(3) The feasibility of a cloud-based component.
(4) Cost estimate for full implementation."

ESTABLISH ROTATIONAL DEVELOPMENT PROGRAM FOR STATE INFORMATION TECHNOLOGY

SECTION 37.8. The Department of Information Technology shall develop a rotational development program (RDP) for its Statewide Information Technology Division and for information technology procurement. The RDP shall coordinate with participating agencies, as defined in G.S. 143B-1320, to utilize existing agency staff on a quarterly basis to supplement Department resources and to expand opportunities for education and cross-functional training.

RISK AND VULNERABILITY ASSESSMENT

SECTION 37.9.(a) The Department of Information Technology shall coordinate with each participating agency, as defined in G.S. 143B-1320, to conduct a risk and vulnerability assessment (RVA). The RVA shall consider, at a minimum, all of the following for each participating agency:

(1) The existing network infrastructure and configuration, including all interconnectivity and supported protocols and network services offered.
(2) Publicly available information and data accessible via agency Web sites.
(3) An inventory of all agency hardware and its operating systems and network management systems.
(4) An inventory of all applications, data storage devices and systems, and identification and authentication measures.
(5) Existing security systems and components, including antivirus, firewalls, and network monitoring.
(6) Network application processes and formal and informal policies, procedures, and guidelines.
(7) All applicable laws, regulations, and industry best practices.

SECTION 37.9.(b) The Department shall prepare a mitigation plan based upon the RVA conducted pursuant to this section and shall submit the RVA and the plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on or before February 1, 2018.

SECTION 37.9.(c) Of the funds appropriated to the Department of Information Technology for the 2017-2019 fiscal biennium, the sum of two million dollars ($2,000,000) from the Information Technology Reserve Fund balance shall be used to conduct the RVA and mitigation plan pursuant to this section.

DIT ENCRYPTED DEVICE STUDY

SECTION 37.10. The Department of Information Technology shall conduct a study on the use of encrypted mobile information storage devices. The study shall consider potential benefits, risks, and costs of implementing and utilizing encrypted mobile information storage devices, including any identifiable issues relating to interfacing or networking with existing State resources. The Department shall submit the results of the study to the Joint Legislative Oversight Committee and the Fiscal Research Division on or before January 15, 2018.

NETWORK SEGMENTATION AND AUTOMATION

SECTION 37.11. In an effort to better protect critical State infrastructure and data, the Department of Information Technology shall incorporate network segmentation and automation into its statewide cybersecurity policy and shall require participating agencies, as defined in G.S. 143B-1320, to adopt solutions and security controls that isolate and segment sensitive information.

PART XXXVIII. FINANCE PROVISIONS

INCREASE STANDARD DEDUCTION

SECTION 38.2.(a) G.S. 105-153.5(a)(1) reads as rewritten:

"(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	~~$17,500~~$18,500
Head of Household	~~14,000~~14,800
Single	~~8,750~~9,250
Married, filing separately	~~8,750.~~9,250."

SECTION 38.2.(b) This section is effective for taxable years beginning on or after January 1, 2018.

INCREASE MORTGAGE EXPENSE AND PROPERTY TAX DEDUCTION CAP

SECTION 38.3.(a) G.S. 105-153.5(a)(2) reads as rewritten:

"(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

…

(2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

…

b. Mortgage Expense and Property Tax. – The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence plus the amount allowed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. ~~For taxable years 2014, 2015, and 2016, the amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence shall not include the amount for mortgage insurance premiums treated as qualified residence interest.~~ The amount allowed under this sub-subdivision may not exceed ~~twenty thousand dollars ($20,000).~~ twenty-two thousand dollars ($22,000). For spouses filing as married filing separately or married filing jointly, the total mortgage interest and real estate taxes claimed by both spouses combined may not exceed ~~twenty thousand dollars ($20,000).~~ twenty-two thousand dollars ($22,000). For spouses filing as married filing separately with a joint obligation for mortgage interest and real estate taxes, the deduction for these items is allowable to the spouse who actually

paid them. If the amount of the mortgage interest and real estate taxes paid by both spouses exceeds ~~twenty thousand dollars ($20,000),~~ twenty-two thousand dollars ($22,000), these deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for that taxable year.

…."

SECTION 38.3.(b) This section is effective for taxable years beginning on or after January 1, 2019.

REDUCE FRANCHISE TAX RATE

SECTION 38.6.(a) G.S. 105-120.2(b) reads as rewritten:

"(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, the greater of the following:

(1) A franchise or privilege tax at the rate of one dollar and ~~fifty~~ forty cents ~~($1.50)~~($1.40) per one thousand dollars ($1,000) of the amount determined under subsection (a) of this section, but in no case shall the tax be more than one hundred fifty thousand dollars ($150,000) nor less than two hundred dollars ($200.00).

(2) If the tax calculated under this subdivision exceeds the tax calculated under subdivision (1) of this subsection, then the tax is levied at the rate of one dollar and ~~fifty~~ forty cents ~~($1.50)~~($1.40) per one thousand dollars ($1,000) on the greater of the following:

a. Fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each such corporation plus the total appraised value of intangible property returned for taxation of intangible personal property as computed under G.S. 105-122(d).

b. The total actual investment in tangible property in this State of such corporation as computed under G.S. 105-122(d)."

SECTION 38.6.(b) G.S. 105-122(d) reads as rewritten:

"(d) Tax Base and Tax Rate. – After determining the proportion of its net worth as set out in subsection (c1) of this section, which amount shall not be less than fifty-five percent (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible personal property in this State of each corporation nor less than its total actual investment in tangible property in this State, every corporation taxed under this section shall annually pay to the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate of one dollar and ~~fifty~~ forty cents ~~($1.50)~~($1.40) per one thousand dollars ($1,000) of the total amount of net worth as provided in this section. The tax imposed in this section shall not be less than two hundred dollars ($200.00) and is for the privilege of carrying on, doing business, and/or the continuance of articles of incorporation or domestication of each corporation in this State. Appraised value of tangible property including real estate is the ad valorem valuation for the calendar year next preceding the due date of the franchise tax return. The term "total actual investment in tangible property" as used in this section means the total original purchase price or consideration to the reporting taxpayer of its tangible properties, including real estate, in this State plus additions and improvements thereto less reserve for depreciation as permitted for income tax purposes."

SECTION 38.6.(c) This section is effective for taxable years beginning on or after January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax returns.

EXEMPT MILL MACHINERY FROM TAX AND STUDY

SECTION 38.8.(a) Article 5F of Chapter 105 of the General Statutes, G.S. 105-164.13(5a), and G.S. 105-163.13(57a) are repealed.

SECTION 38.8.(b) G.S. 105-164.4I(b) reads as rewritten:

(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

(1) An item exempt from tax under this Article. This exemption does not apply to water maintained under a service contract for a pool, fish tank, or similar aquatic feature.

(2) A transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.

(3) A transmission, an engine, rear-end gears, and any other item purchased, leased, or rented by a professional motorsports racing team or a related member of a team for which the team or related member may receive a sales tax exemption under G.S. 105-164.13(65) or G.S. 105-164.13(65a) or a sales tax refund under G.S. 105-164.14A(a)(5). This subdivision expires January 1, 2020.

~~(4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.~~

(5) A qualified aircraft or a qualified jet engine.

(6) A motor vehicle service contract.

(7) Repair, maintenance, and installation services exempt under G.S. 105-164.13(61a)."

SECTION 38.8.(c) G.S. 105-164.13 is amended by adding the following new subdivisions to read:

"**§ 105-164.13. Retail sales and use tax.**

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property, digital property, and services are specifically exempted from the tax imposed by this Article:

…

(5e) Sales of mill machinery or mill machinery parts or accessories to any of the following:

a. A manufacturing industry or plant. A manufacturing industry or plant does not include (i) a delicatessen, cafe, cafeteria, restaurant, or another similar retailer that is principally engaged in the retail sale of foods prepared by it for consumption on or off its premises or (ii) a production company.

b. A contractor or subcontractor if the purchase is for use in the performance of a contract with a manufacturing industry or plant.

c. A subcontractor if the purchase is for use in the performance of a contract with a general contractor that has a contract with a manufacturing industry or plant.

(5f) Sales to a major recycling facility of any of the following tangible personal property for use in connection with the facility:

a. Cranes, structural steel crane support systems, and foundations related to the cranes and support systems.

b. Port and dock facilities.

c. Rail equipment.

d. Material handling equipment.

(5g) Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:

a. Is sold to a company primarily engaged at the establishment in research and development activities in the physical, engineering, and life sciences included in industry group 54171 of NAICS.
b. Is capitalized by the company for tax purposes under the Code.
c. Is used by the company at the establishment in the research and development of tangible personal property.

(5h) Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
a. Is sold to a company primarily engaged at the establishment in software publishing activities included in industry group 5112 of NAICS.
b. Is capitalized by the company for tax purposes under the Code.
c. Is used by the company at the establishment in the research and development of tangible personal property.

(5i) Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
a. Is sold to a company primarily engaged at the establishment in industrial machinery refurbishing activities included in industry group 811310 of NAICS.
b. Is capitalized by the company for tax purposes under the Code.
c. Is used by the company at the establishment in repairing or refurbishing tangible personal property.

(5j) Sales of the following to a company located at a ports facility for waterborne commerce:
a. Machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities.
b. Parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.

(5k) Sales of the following to a secondary metals recycler:
a. Equipment, or an attachment or repair part for equipment, that (i) is capitalized by the person for tax purposes under the Code, (ii) is used by the person in the secondary metals recycling process, and (iii) is not a motor vehicle or an attachment or repair part for a motor vehicle.
b. Fuel, piped natural gas, or electricity for use at the person's facility at which the primary activity is secondary metals recycling.

(5*l*) Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
a. Is sold to a company primarily engaged at the establishment in processing tangible personal property for the purpose of extracting precious metals, as defined in G.S. 66-406, to determine the value for potential purchase.
b. Is capitalized by the company for tax purposes under the Code.
c. Is used by the company in the process described in this subdivision.

(5m) Sales of equipment, or an attachment or repair part for equipment, that meets all of the following requirements:
a. Is sold to a company that is engaged in the fabrication of metal work and that has annual gross receipts, including the gross receipts of all

related persons, as defined in G.S. 105-163.010, from the fabrication of metal work of at least eight million dollars ($8,000,000).

b. Is capitalized by the company for tax purposes under the Code.

c. Is used by the company at the establishment in the fabrication or manufacture of metal products or used by the company to create equipment for the fabrication or manufacture of metal products.

(5n) Sales of equipment, or an accessory, an attachment, or a repair part for equipment, that meets all of the following requirements:

a. Is sold to a large manufacturing and distribution facility.

b. Is used in the manufacturing process, the assembly process, or the distribution process.

c. Is not electricity.

If the level of investment or employment required by G.S. 105-164.3(16g)b. is not timely made, achieved, or maintained, then the exemption provided under this subdivision is forfeited. If the exemption is forfeited due to a failure to timely make the required investment or to timely achieve the minimum required employment level, then the exemption provided under this subdivision is forfeited on all purchases. If the exemption is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the exemption provided under this subdivision is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits an exemption under this subdivision is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under G.S. 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236. This subdivision expires for sales occurring on or after July 1, 2018.

(5o) Sales of repair or replacement parts for a ready-mix concrete mill, regardless of whether the mill is freestanding or affixed to a motor vehicle, to a company that primarily sells ready-mix concrete.

…."

SECTION 38.8.(d) G.S. 105-164.3 is amended by adding two new subdivisions to read:

"(16g) Large manufacturing and distribution facility. – A facility that satisfies both of the following conditions:

a. The facility is used primarily for manufacturing or assembling products and distributing finished products.

b. The Secretary of Commerce has certified that an investment of private funds of at least eighty million dollars ($80,000,000) has been or will be made in real and tangible personal property for the facility within five years after the date on which the first property investment is made and that the facility will achieve an employment level of at least 550 within five years after the date the facility is placed into service and maintain that minimum level of employment throughout its operation.

…

(37g) Secondary metals recycler. – A person that gathers and obtains ferrous metals, nonferrous metals, and items that have served their original economic purpose and that converts them by processes, including sorting, cutting, classifying, cleaning, baling, wrapping, shredding, or shearing into a new or different product for sale consisting of prepared grades."

SECTION 38.8.(e) Sales of mill machinery to manufacturers and certain industrial processors have historically enjoyed preferential tax treatment, whether in the form of a reduced wholesale tax, a preferential rate of sales and use tax, or a one-percent (1%) privilege tax with an eighty-dollar ($80.00) cap per article. Despite the nature of the tax, the operational language has remained virtually unchanged for over 60 years and lacks clear guidance with regard to its application. Specifically, Article 5F of Chapter 105 of the General Statutes, and its predecessors, did not define "manufacturing industry or plant" or "mill machinery." This lack of guidance has resulted in a substantial body of administrative interpretation being developed over the years by the Department of Revenue. These interpretations are not included in the statutes and may not necessarily comport with the traditional definition of manufacturing, but they may be consistent with the General Assembly's intent to provide preferential tax treatment to certain industrial equipment.

This act repeals the one-percent (1%) privilege tax on mill machinery and mill machinery parts and accessories and substitutes a sales and use tax exemption for the items. However, the General Assembly recognizes that, once this transition has occurred, efforts need to be made to provide more guidance and specificity to taxpayers and the Department of Revenue with respect to the treatment of manufacturing and industrial processing equipment. Therefore, the Revenue Laws Study Committee is directed to study ways in which to clarify the scope of the sales and use tax exemption for mill machinery, as enacted by this act, by modernizing and further defining the statutory language and by incorporating existing administrative interpretations of the Department of Revenue, to the extent the General Assembly desires to maintain those interpretations.

The Committee may report its findings, together with any recommended legislation, to the 2018 Regular Session of the 2017 General Assembly upon its convening. The study may include an examination of the following:

(1) The criteria that had to be met under prior law to qualify for the preferential rate under Article 5F of Chapter 105 of the General Statutes and whether that criteria should be incorporated into or otherwise clarified in the corresponding sales and use tax exemption, as enacted by this act, including the following:
   a. What constitutes an eligible manufacturer or industrial processor.
   b. The extent to which a business's activities must consist of manufacturing or processing items for sale in order for the sales and use tax exemption, as enacted by this act, to apply.
   c. The types of activities that qualify as manufacturing or industrial processing.
   d. The types of machinery, parts, accessories, and other supplies that are eligible for the exemption and the degree to which they must be used in that process to qualify.

(2) A review of the Department's administrative interpretations of the mill machinery statute, in all its forms, and whether and how to incorporate those interpretations into the statutes.

(3) Terminology used by surrounding states in their statutory provisions that provide a sales and use tax exemption for manufacturing equipment.

(4) Any other issues the Committee deems relevant.

SECTION 38.8.(f) Subsections (a), (b), and (c) of this section become effective July 1, 2017, and apply to sales made on or after that date. The remainder of this section is effective when it becomes law.

SALES TAX EXEMPTION FOR FULFILLMENT CENTERS

SECTION 38.9.(a) G.S. 105-164.3 is amended by adding a new subdivision to read:

"(16f) Large fulfillment center. – A facility that satisfies both of the following conditions:

a. The facility is used primarily for receiving, inventorying, sorting, repackaging, and distributing finished retail products for the purpose of fulfilling customer orders.

b. The Secretary of Commerce has certified that an investment of private funds of at least one hundred million dollars ($100,000,000) has been or will be made in real and tangible personal property for the facility within five years after the date on which the first property investment is made and that the facility will achieve an employment level of at least 400 within five years after the date the facility is placed into service and maintain that minimum level of employment throughout its operation."

SECTION 38.9.(b) G.S. 105-164.13(5n), as enacted by Section 38.8(c) of this act, reads as rewritten:

"(5n) Sales of equipment, or an accessory, an attachment, or a repair part for equipment, that meets all of the following requirements:

a. Is sold to a large manufacturing and distribution ~~facility.~~facility or to a large fulfillment center.

b. Is used in the manufacturing process, the assembly process, or the distribution process.

c. Is not electricity.

If the level of investment or employment required by G.S. 105-164.3(16f)b. or G.S. 105-164.3(16g)b. is not timely made, achieved, or maintained, then the exemption provided under this subdivision is forfeited. If the exemption is forfeited due to a failure to timely make the required investment or to timely achieve the minimum required employment level, then the exemption provided under this subdivision is forfeited on all purchases. If the exemption is forfeited due to a failure to maintain the minimum required employment level once that level has been achieved, then the exemption provided under this subdivision is forfeited for those purchases occurring on or after the date the taxpayer fails to maintain the minimum required employment level. A taxpayer that forfeits an exemption under this subdivision is liable for all past sales and use taxes avoided as a result of the forfeiture, computed at the applicable State and local rates from the date the taxes would otherwise have been due, plus interest at the rate established under G.S. 105-241.21. Interest is computed from the date the sales or use tax would otherwise have been due. The past taxes and interest are due 30 days after the date of forfeiture. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236. This subdivision expires for sales to a large manufacturing and distribution facility occurring on or after July 1, 2018."

SECTION 38.9.(c) This section becomes effective July 1, 2017, and applies to sales made on or after that date.

SALES TAX REFUND FOR RESEARCH AND DEVELOPMENT SUPPLIES

SECTION 38.10.(a) Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-164.14C. Research and development sales tax refund.**

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

(1) Business. – A corporation or limited liability company.

(2) Development tier area. – Defined in G.S. 143B-437.08.

(3) In-house research expenses. – Defined in section 41(b)(2) of the Code.

(4) Related person. – A person described in one of the relationships set forth in section 276(b) or 707(b) of the Code.

(5) Research and development supplies. – Tangible personal property, the purchase of which qualifies as an in-house research expense.

(6) Rural research and development business. – A small research and development business that incurs more than fifty percent (50%) of its in-house research expenses in a development tier one or development tier two area in the calendar year for which a refund is claimed. For purposes of this subdivision, expenses are incurred at a location if (i) in the case of research and development supplies, the supplies are used or consumed at the location and (ii) in the case of wages paid to an employee, at least fifty percent (50%) of the employee's duties are performed at the location.

(7) Small research and development business. – A business that meets all of the following criteria for the calendar year for which a refund is claimed:

a. It employs 200 or fewer full-time employees or full-time equivalents.

b. It has annual receipts, combined with the annual receipts of all related persons, not in excess of five million dollars ($5,000,000). Annual receipts do not include grants awarded by the State or federal government.

c. It is either (i) engaged primarily in research and development or (ii) certified by a university located in this State as performing under a licensing agreement for the purpose of commercializing technology developed at the university.

d. It spent on in-house research expenses the greater of ten thousand dollars ($10,000) or three percent (3%) of its annual receipts.

(b) Refunds. – A small research and development business is eligible for a refund equal to the State and local sales or use taxes paid by it in the previous calendar year for research and development supplies used or consumed solely in this State. A rural research and development business is eligible for a refund equal to the greater of (i) the State and local sales or use taxes paid by the business in the previous calendar year for research and development supplies used or consumed solely in this State or (ii) fifty percent (50%) of the sales or use taxes paid by the business under this Article in the previous calendar year pursuant to G.S. 105-164.4.

(c) Application. – A request for a refund must be in writing and must include any information and documentation required by the Secretary. Applications for refunds shall be submitted on a schedule determined by the Secretary.

(d) Limitations. – The aggregate annual refund amount allowed an eligible business under this section for a calendar year may not exceed twenty thousand dollars ($20,000). The maximum total amount of all refunds allowed to all eligible businesses under this section for a calendar year may not exceed fifteen million dollars ($15,000,000). The Secretary of Revenue shall calculate the total amount of refunds claimed from the applications filed pursuant to subsection (c) of this section. If the total amount of refunds claimed for sales and use taxes paid in a calendar year exceeds the maximum total amount, the Secretary shall allow a portion of the

refunds claimed by allocating the maximum total amount in proportion to the amount of the refund claimed by each eligible business. If a refund claimed under this section is reduced as provided in this subsection, the Secretary shall notify the business of the amount of the reduction of the refund at the time the refund is paid. The Secretary shall pay refunds due under this section no later than October 1 of the year following the calendar year in which the taxes were paid."

SECTION 38.10.(b) This section becomes effective July 1, 2018, and applies to sales made on or after that date.

PROHIBIT WATER AND WASTEWATER IMPACT FEES/LOW-INCOME HOUSING

SECTION 38.11.(a) Article 6 of Chapter 153A of the General Statutes is amended by adding a new section to read:

"**§ 153A-145.7. Certain water and wastewater fees on low-income housing prohibited.**

No county may impose a fee associated with the future expansion of a water or wastewater system, or both, on a low-income housing development to which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90."

SECTION 38.11.(b) Article 8 of Chapter 160A of the General Statutes is amended by adding a new section to read:

"**§ 160A-205.3. Certain water and wastewater fees on low-income housing prohibited.**

No city may impose a fee associated with the future expansion of a water or wastewater system, or both, on a low-income housing development to which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90."

SECTION 38.11.(c) Chapter 162A of the General Statutes is amended by adding a new Article to read:

"Article 8.

"Limitations.

"**§ 162A-151. Fee limitation for low-income housing developments.**

Notwithstanding any provision or authority to the contrary, no authority or district created under this Chapter may impose a fee associated with the future expansion of a water or sewer system, or both, on a low-income housing development for which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90."

SECTION 38.11.(d) Notwithstanding any provision or authority to the contrary in any of the local acts listed in this section, no local government named therein may impose a fee associated with the future expansion of a water or sewer system, or both, on a low-income housing development. For purposes of this section, the term "low-income housing development" means a development for which the North Carolina Housing Finance Agency allocates a federal tax credit under section 42 of the Code, as defined in G.S. 105-228.90. The local acts are as follows:

(1) Chapter 477 of the Session Laws of 1989 (Benson).
(2) Part 1 of Article 6 of the Charter of the Town of Carrboro, being Chapter 476 of the Session Laws of 1987, as amended.
(3) Sections 7.4 and 8.5 of the Charter of the Town of Cary, being S.L. 2005-117, as amended.
(4) Chapter 1021 of the Session Laws of 1987 (Catawba County).
(5) Article 7 of the Charter of the Town of Chapel Hill, being Chapter 473 of the Session Laws of 1975, as amended by Chapter 936 of the 1985 Session Laws.

(6) Titles III and VI of Chapter 460 of the Session Laws of 1987, as amended by Chapter 324 of the Session Laws of 1991 and Part 4 of Chapter 642 of the Session Laws of 1993 (Chatham and Orange Counties).
(7) Chapter 660 of the Session Laws of 1991 (Dunn).
(8) Sections 5.8 and 5.9 of the Charter of the Town of Garner, being Chapter 333 of the Session Laws of 1977, as amended by Chapter 608 of the Session Laws of 1989, Section 2 of Chapter 608 of the Session Laws of 1989, and Chapter 601 of the Session Laws of 1993.
(9) Chapter 705 of the Session Laws of 1987 (Hickory).
(10) Chapter 536 of the Session Laws of 1985, as amended by Chapter 258 of the Session Laws of 1987, Chapter 986 of the Session Laws of 1987, Chapter 987 of the Session Laws of 1987, and Chapter 988 of the Session Laws of 1987 (Kill Devil Hills, Kitty Hawk, Manteo, Nags Head, and Southern Shores).
(11) Chapter 668 of the Session Laws of 1987 (Knightdale).
(12) Chapter 155 of the Private Laws of 1927, as amended by Chapter 430 of the Session Laws of 1989 and Chapter 770 of the Session Laws of 1989 (Knightdale).
(13) Article XIV of the Charter of the Town of Pittsboro, being Chapter 348 of the Session Laws of 1973, as amended by Chapter 460 of the 1987 Session Laws.
(14) Chapter 1184 of the Session Laws of 1949, as amended by Chapter 498 of the Session Laws of 1985 and Chapter 514 of the Session Laws of 1987 (Raleigh).
(15) Chapter 996 of the Session Laws of 1987 (Rolesville).
(16) Chapter 607 of the Session Laws of 1989 (Southern Pines).
(17) Chapter 502 of the Session Laws of 1989 (Wake Forest).
(18) Chapter 68 of the Session Laws of 1987 (Wendell).
(19) Chapter 668 of the Session Laws of 1987 and Sections 8.30, 8.31, 8.32, and 8.33 of the Charter of the Town of Zebulon, being Chapter 386 of the Session Laws of 1973, as amended by Chapter 606 of the Session Laws of 1989 (Zebulon).

SECTION 38.11.(e) This section is effective when it becomes law.

MODIFY DISABLED VETERAN PROPERTY TAX CHANGES

SECTION 38.12. If House Bill 2 of the 2017 Regular Session becomes law, then Section 3 of that act reads as rewritten:

"**SECTION 3.** This act is effective for taxes imposed for taxable years beginning on or after July 1, ~~2017.~~2018."

PART XXXIX. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 39.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 39.2.(a) The House of Representatives Appropriations Committee Report on the Base, Expansion, and Capital Budgets for Senate Bill 257, dated May 31, 2017, which was distributed in the House of Representatives and used to explain this act, shall

indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 39.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2017-2019 biennial budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted a recommended base budget to the General Assembly in the Governor's Recommended Budget for the 2017-2019 fiscal biennium, dated March 2017, and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 39.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation. In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

SECTION 39.2.(d) Notwithstanding subsection (a) of this section, the following portions of the Committee Report are for reference, and do not expand, limit, or define the text of the Committee Report:

(1) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for a particular budget code and containing no other substantive information.

(2) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for multiple fund codes within a single budget code and containing no other substantive information.

REPORT BY FISCAL RESEARCH DIVISION

SECTION 39.3. The Fiscal Research Division shall issue a report on budget actions taken by the 2017 Regular Session of the General Assembly. The report shall be in the form of a revision of the Committee Report adopted for Senate Bill 257 pursuant to G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

MOST TEXT APPLIES ONLY TO THE 2017-2019 FISCAL BIENNIUM

SECTION 39.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2017-2019 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2017-2019 fiscal biennium.

EFFECT OF HEADINGS

SECTION 39.5. The headings to the Parts, subparts, and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part or subpart.

SEVERABILITY CLAUSE

SECTION 39.6. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 39.7. Except as otherwise provided, this act becomes effective July 1, 2017.