GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H **D**

HOUSE BILL 1030

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PROPOSED SENATE COMMITTEE SUBSTITUTE H1030-PCS40636-MDxf-18

Short Title: 2016 Appropriations Act. (Public)

Sponsors:

Referred to:

May 5, 2016

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2015 AND TO MAKE OTHER CHANGES IN THE BUDGET OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be affected where the total amounts appropriated are not required to perform these services and accomplish these purposes, and, except as allowed by the State Budget Act or this act, the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by G.S. 143C-1-2(b).

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2016."

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are adjusted for the fiscal year ending June 30, 2017, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2016-2017 fiscal year:

Current Operations–General Fund	**FY 2016-17**
EDUCATION	

Community Colleges System Office	$16,126,073
Department of Public Instruction	277,265,560
Appalachian State University	0
East Carolina University	
Academic Affairs	0
Health Affairs	0
Elizabeth City State University	0
Fayetteville State University	0
NC A&T State University	0
NC Central University	0
NC State University	
Academic Affairs	200,000
Agricultural Extension	0
Agricultural Research	0
UNC-Asheville	0
UNC-Chapel Hill	
Academic Affairs	0
Health Affairs	3,000,000
AHEC	0
UNC-Charlotte	0
UNC-Greensboro	0
UNC-Pembroke	0
UNC-School of the Arts	0
UNC-Wilmington	0
Western Carolina University	0
Winston-Salem State University	0
General Administration	1,000,000
University Institutional Programs	81,806,684
Related Educational Programs	0
NC School of Science & Math	630,000
Aid to Private Institutions	34,472,500
Total University of North Carolina–Board of Governors	121,109,184

HEALTH AND HUMAN SERVICES

Department of Health and Human Services	
Central Management and Support	5,984,592
Division of Aging & Adult Services	505,824
Division of Blind Services/Deaf/HH	8,200
Division of Child Development & Early Education	(10,025,488)
Health Service Regulation	46,070
Division of Medical Assistance	(313,267,938)
Division of Mental Health, Developmental Disabilities, & Substance Abuse Services	(2,909,413)
NC Health Choice	348,334
Division of Public Health	1,696,366
Division of Social Services	8,352,167

Division of Vocational Rehabilitation	39,911
Total Health and Human Services	(309,221,375)
NATURAL AND ECONOMIC RESOURCES	
Department of Agriculture and Consumer Services	5,345,814
Department of Commerce	
Commerce	7,022,856
Commerce State-Aid	(2,100,000)
Wildlife Resources Commission	19,922
Department of Environmental Quality	(2,542,284)
Department of Labor	275,186
Department of Natural and Cultural Resources	5,789,491
Department of Natural and Cultural Resources–Roanoke Island	0
JUSTICE AND PUBLIC SAFETY	
Department of Public Safety	22,361,271
Judicial Department	16,893,600
Judicial Department–Indigent Defense	5,631,994
Department of Justice	4,339,117
GENERAL GOVERNMENT	
Department of Administration	2,106,856
Office of Administrative Hearings	10,141
Department of State Auditor	240,714
Office of State Controller	35,443
State Board of Elections	11,488
General Assembly	6,664,500
Office of the Governor	10,560
Office of the Governor–Special Projects	0
Office of State Budget and Management	

Office of State Budget and Management	294,160
OSBM – Reserve for Special Appropriations	5,050,000
Housing Finance Agency	0
Department of Insurance	
Insurance	1,719,818
Office of Lieutenant Governor	11,535
Military and Veterans Affairs	220,146
Department of Revenue	501,372
Department of Secretary of State	656,755
Department of State Treasurer	
State Treasurer	(195,735)
State Treasurer – Retirement for Fire and Rescue Squad Workers	5,152,982
DEPARTMENT OF INFORMATION TECHNOLOGY	**43,031,353**
RESERVES, ADJUSTMENTS AND DEBT SERVICE	
Compensation Increase Reserve–OSHR	77,000,000
Compensation Increase Reserve–State Agency Teachers	1,533,800
Information Technology Fund	(21,681,854)
Information Technology Reserve	(21,320,843)
Job Development Investment Grants (JDIG)	(10,000,000)
Lottery Reserve	50,000,000
One North Carolina Fund	(417,883)
OSHR Minimum of Market Reserve	(7,000,000)
Pending Legislation Reserve	200,000
Public Schools Average Daily Membership (ADM)	(107,000,000)
State Emergency Response and Disaster Relief Fund	10,000,000
UNC System Enrollment Growth Reserve	(31,000,000)
Mental Health Reserve	10,000,000
Debt Service	
General Debt Service	1,253,023
Federal Reimbursement	37,000,000
TOTAL CURRENT OPERATIONS–GENERAL FUND	**$222,404,740**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability statement set out in Section 2.2(a) of S.L. 2015-241 applies to the 2015-2016 fiscal year only. The General Fund availability used in adjusting the 2016-2017 budget is shown below:

	FY 2016-17

Unappropriated Balance	175,488,544
Over Collections FY 2015-16	330,200,000
Reversions FY 2015-16	358,439,524
Earmarkings of Year End Fund Balance:	
Savings Reserve	(583,888,541)
Repairs and Renovations	(41,562,474)
Beginning Unreserved Fund Balance	**238,677,053**
Revenues Based on Existing Tax Structure	**21,417,800,000**
Non-tax Revenues	
Investment Income	37,500,000
Judicial Fees	242,600,000
Disproportionate Share	147,000,000
Insurance	77,000,000
Master Settlement Agreement (MSA)	127,400,000
Other Non-Tax Revenues	178,700,000
Subtotal Non-tax Revenues	**810,200,000**
Adjustment for Medicaid Transformation Fund (S.L. 2015-241)	**(150,000,000)**
Total General Fund Availability	**22,316,677,053**
Adjustments to Availability: 2016 Session	
Increase the Zero Bracket (S.B. 818)	(145,000,000)
Modification to Sales Tax Base Expansion (S.B. 870)	35,000,000
Limit Repair and Maintenance Tax on Airplanes and Boats (Direct Pay Option)	(500,000)
Repeal Service Contracts (RMI Services)	(3,500,000)
Elimination of State Contribution to Local Sales Tax Distribution	17,600,000
Adjustment for Transfer from Treasurer's Office	3,129
Adjustment for Transfer from Insurance Regulatory Fund	1,719,818
Adjustment for Transfer from NCGA Special Fund	3,000,000
Subtotal Adjustments to Availability: 2016 Session	**(91,677,053)**
Revised General Fund Availability	**22,225,000,000**
Less General Fund Net Appropriation	(22,225,000,000)
Unappropriated Balance Remaining	**0**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3(a), the State Controller shall transfer a total of forty-one million five hundred sixty-two thousand four hundred seventy-four dollars ($41,562,474) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2016. This subsection becomes effective June 30, 2016.

SECTION 2.2.(c) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of five hundred eighty-three million eight hundred eighty-eight thousand five hundred forty-one dollars ($583,888,541) from the unreserved fund balance to the Savings Reserve Account on June 30, 2016. 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, 2016.

SECTION 2.2.(d) Notwithstanding any other provision of law to the contrary, effective July 1, 2016, three million dollars ($3,000,000) from the Special Fund – Non-Interest Bearing (Budget Code 21000) shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2016-2017 fiscal year.

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 adjusted for the fiscal year ending June 30, 2017, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2016-2017 fiscal year.

Current Operations – Highway Fund	**FY 2016-17**
Department of Transportation	
Administration	$ 0
Division of Highways	
Administration	0
Construction	2,500,000
Maintenance	19,340,000
Planning and Research	0
OSHA Program	0
State Aid to Municipalities	0
Intermodal Divisions	
Ferry	0
Public Transportation	4,000,000
Aviation	14,817,417
Rail	13,750,000
Bicycle and Pedestrian	0
Governor's Highway Safety	0
Division of Motor Vehicles	4,973,177
Other State Agencies, Reserves, Transfers	(71,743)
Capital Improvements	0
Total Highway Fund Appropriations	**$ 2,048,910,000**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Section 3.2 of S.L. 2015-241 is repealed. The Highway Fund availability used in adjusting the 2016-2017 fiscal year budget is shown below:

Highway Fund Availability Statement	**FY 2016-17**

Unreserved Fund Balance	$	0
Estimated Revenue		2,048,910,000
Total Highway Fund Availability	**$**	**2,048,910,000**
Unappropriated Balance	**$**	**0**

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

CURRENT OPERATIONS/HIGHWAY TRUST FUND

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2017, according to the following schedule. Amounts set out in parentheses are reductions from Highway Trust Fund Appropriations for the 2016-2017 fiscal year.

Current Operations – Highway Trust Fund	**FY 2016-17**
Program Administration	$ 0
Turnpike Authority	0
Transfer to Highway Fund	0
Debt Service	0
Strategic Prioritization Funding Plan for Transportation Investments	32,045,000
Total Highway Trust Fund Appropriations	**$ 1,371,280,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2015-241 is repealed. The Highway Trust Fund availability used in adjusting the 2016-2017 fiscal year budget is shown below:

Highway Trust Fund Availability Statement		**FY 2016-17**
Unreserved Fund Balance	$	0
Estimated Revenue		1,370,080,000
Adjustment to Revenue Availability:		
Title Fees (Mercury Switch Removal)		1,200,000
Total Highway Trust Fund Availability	**$**	**1,371,280,000**
Unappropriated Balance	**$**	**0**

PART V. OTHER APPROPRIATIONS

EDUCATION LOTTERY FUNDS & REVENUE ALLOCATIONS

SECTION 5.1.(a) Section 5.2 of S.L. 2015-241 reads as rewritten:

"**SECTION 5.2.(a)** The appropriations made from the Education Lottery Fund for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	**FY 2016-2017**
Noninstructional Support Personnel	$ 310,455,157	~~$ 314,950,482~~<u>$ 372,266,860</u>
<u>Transportation</u>		<u>50,000,000</u>
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	10,744,733	10,744,733
TOTAL	**$ 529,902,000**	**~~$ 534,397,325~~$ 641,713,703**

"**SECTION 5.2.(b)** Notwithstanding ~~G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for either year of the 2015-2017 fiscal biennium.~~G.S. 18C-164(b), the net revenues deposited in the Education Lottery Fund from the 2015-2016 fiscal year that are in excess of the amounts appropriated in subsection (a) of this section for the 2015-2016 fiscal year shall be transferred to the Lottery Reserve Fund.

...."

SECTION 5.1.(b) G.S. 18C-162 reads as rewritten:

"**§ 18C-162. Allocation of revenues.**

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

(1) At least fifty percent (50%) of the total annual revenues, as described in this Chapter, shall be returned to the public in the form of prizes.

(2) At least thirty-five percent (35%) of the total annual revenues, as described in this Chapter, shall be transferred as provided in G.S. 18C-164.

(3) No more than eight percent (8%) of the total annual revenues, as described in this Chapter, shall be allocated for payment of expenses of the Lottery. ~~Advertising expenses shall not exceed one percent (1%) of the total annual revenues.~~

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

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

...."

SECTION 5.1.(c) G.S. 18C-163(b) reads as rewritten:

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

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

(2) Advertising costs."

PART VI. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

SECTION 6.1.(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 6.1.(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 6.2. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET STABILITY AND CONTINUITY

SECTION 6.3.(a) G.S. 143C-5-4 reads as rewritten:

"**§ 143C-5-4. Enactment ~~deadline.~~deadline; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.**

(a) Enactment Deadline. – The General Assembly shall enact the Current Operations Appropriations Act by June 15 of odd-numbered years and by June 30 of even-numbered years in which a Current Operations Appropriations Act is enacted.

(b) Procedure for Budget Continuation. – If a fiscal year begins for which no Current Operations Appropriations Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply:

(1) Authority. – Unless otherwise provided by law, the Director of the Budget may continue to allocate funds from all funds for expenditure by State departments, institutions, and agencies at a level not to exceed the level of recurring expenditures from those funds for the prior fiscal year. If the Director of the Budget finds that projected revenues for the fiscal year will not support expenditures at the level of recurring expenditures for the prior fiscal year, the Director of the Budget shall allot funds at a lower level. In making these allocations, the Director of the Budget shall ensure the prompt payment of the principal and interest on bonds and notes of the State according to their terms. Except as otherwise provided by this section, the limitations and directions on the expenditure of funds for the prior fiscal biennium shall remain in effect.

(2) Appropriation of funds necessary to implement. – There is appropriated from the appropriate State funds, cash balances, federal receipts, and departmental receipts sums sufficient to implement the authority described in this subsection for the applicable fiscal year.

(3) Relation to Current Operations Appropriations Act. – The appropriations and the authorizations to allocate and spend funds which are set out in this subsection shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.

(4) Vacant positions. – If both houses of the General Assembly have passed their respective versions of the Current Operations Appropriations Act on the third reading and ordered them sent to the other chamber, then vacant positions subject to proposed budget reductions in either or both versions of the bill shall not be filled.

(5) State employee salaries. – The salary schedules and specific salaries established for the prior fiscal year and in effect on June 30 of the prior fiscal year for offices and positions shall remain in effect until the Current Operations Appropriations Act for the current fiscal year becomes law. State employees subject to G.S. 7A-102(c), 7A-171.1, 20-187.3, or any other statutory salary schedule, shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly. State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission,

shall not receive any automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly.

(6) School Employee Salaries. – Public school employees paid on the teacher salary schedule, the school-based administrator salary schedule, or any other salary schedule established by State law shall not move up on salary schedules or receive automatic step increases until authorized by the General Assembly.

(7) State's employer contribution rate. – The State's employer contribution rates budgeted for retirement and related benefits for the current fiscal year shall remain the same as they are on June 30 of the prior fiscal year. These rates are effective until the Current Operations Appropriations Act for the current fiscal year becomes law and are subject to revision in that act. If that act modifies those rates, the Director of the Budget shall further modify the rates set in that act for the remainder of the fiscal year so as to compensate for the different amount contributed between July 1 and the date the Current Operations Appropriations Act becomes law so that the effective rates for the entire year reflect the rates set in the Current Operations Appropriations Act.

(8) Statutory transfers to reserves. – Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3, funds shall not be reserved to the Savings Reserve Account or the Repairs and Renovations Reserve Account and the State Controller shall not transfer funds from the unreserved credit balance to the those accounts on June 30 of the prior fiscal year.

(9) Federal block grant funds and other grant funds. – Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded during the current fiscal year, including federal block grants, 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 during the current fiscal year, including federal block grants, only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, except that consultation with the Joint Legislative Commission on Governmental Operations shall not be required prior to an expenditure to respond to an emergency, as that term is defined in G.S. 166A-19.3(6). 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. Notwithstanding the provisions of this subdivision, no State agency may accept a grant if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds."

SECTION 6.3.(b) This section is effective when it becomes law.

SECTION 6.25 OF S.L. 2015-241 IS APPLICABLE TO BOTH FISCAL YEARS

SECTION 6.4. Section 6.25 of S.L. 2015-241 reads as rewritten:

"**SECTION 6.25.(a)** Elimination of Certain Vacant Positions. – Notwithstanding G.S. 143C-6-4, and except as otherwise provided in subsection (c) of this section, for each fiscal

year of the 2015-2017 fiscal biennium, each State agency, in conjunction with the Office of State Budget and Management, shall do all of the following:

(1) Abolish all positions that have been vacant for more than 12 months as of April 17, 2015, and as of April 17, 2016, other than those positions required to exist as part of the State's maintenance of effort requirements related to a federal grant that cannot be addressed with other State funds, or for which the Director of the Budget provides an exception, in the Director's sole discretion. This requirement shall apply regardless of the source of funding for affected positions.

(2) Fund objects or line items in the certified budget for recurring obligations that have been funded from nonrecurring sources in two or more of the previous three fiscal years. The amount funded shall not exceed the average amount expended for each object or line item during the previous three fiscal years.

(3) Fund objects or line items in the following priority order if funds generated pursuant to subdivision (1) of this subsection are insufficient to adequately fund all of the objects and line items described in subdivision (2) of this subsection:

a. Fund legal obligations of the agency that have been funded with lapsed salaries in prior years.

b. Fund operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with lapsed salaries in prior years.

c. Fund legal obligations of the agency or operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with other nonrecurring sources in prior years.

d. Fund operational deficiencies where the obligation cannot be reduced and where no other source of funding exists and failure to fund will result in operational disruptions or unfunded liabilities at fiscal year-end.

(4) Adjust the appropriate objects or line items in the next recommended base budget submitted pursuant to G.S. 143C-3-5 to reflect the actions taken pursuant to this subsection.

"**SECTION 6.25.(b)** Reporting. – No later than December 1, 2015, and December 1, 2016, the Office of State Budget and Management shall report to the Fiscal Research Division on the implementation of this section. The report shall include all of the following, by budget code and fund code:

(1) A list of positions abolished pursuant to subdivision (1) of subsection (a) of this section.

(2) A list of positions that were exempted from being abolished pursuant to subdivision (1) of subsection (a) of this section.

(3) A list of objects or line items funded pursuant to subdivision (2) of subsection (a) of this section and the associated amount for each object or line item.

(4) The amount and disposition of savings from the Highway Fund, federal funds, and other non-State agency dedicated receipt sources.

(5) A list of objects or line items that were not funded because the funds generated pursuant to subdivision (1) of this subsection were insufficient.

"**SECTION 6.25.(c)** Section Inapplicable to Certain Vacant Positions. – This section shall not apply to vacant positions (i) within the Department of Transportation or (ii) reclassified pursuant to Section 30.18(e) of this act."

NO CONSULTATION WITH GOVERNMENTAL OPERATIONS REQUIRED TO SPEND GRANT FUNDS FOR EMERGENCY RESPONSE

SECTION 6.5. Section 5.1A(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 5.1A.(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.~~Operations, except that consultation with the Joint Legislative Commission on Governmental Operations shall not be required prior to an expenditure to respond to an emergency, as that term is defined in G.S. 166A-19.3(6)."

EXEMPT GOLDEN L.E.A.F. FROM CERTAIN GRANT REQUIREMENTS

SECTION 6.6. G.S. 143C-9-3(a1) reads as rewritten:

"(a1) Each year, the sum of ten million dollars ($10,000,000) from the Settlement Reserve Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit ~~corporation.~~ corporation, and these funds shall not be subject to G.S. 143C-6-23. The remainder of the funds credited to the Settlement Reserve Fund each fiscal year shall be transferred to the General Fund and included in General Fund availability as nontax revenue."

PART VII. DEPARTMENT OF INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND ALLOCATIONS

SECTION 7.1. Section 7.1 of S.L. 2015-241 reads as rewritten:

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

	~~FY 2015-2016~~	~~FY 2016-2017~~
~~General Fund Appropriation for IT Fund~~	~~$21,755,191~~	~~$21,681,854~~

~~Appropriations~~Allocations are made from the Information Technology Fund for the 2015-2017 fiscal biennium as follows:

	FY 2015-2016	**FY 2016-2017**
Criminal Justice Information Network	$193,085	$193,085
Center for Geographic Information and Analysis	$503,810	$503,810
Enterprise Security Risk Management	$871,497	~~$871,497~~$1,021,497
Staffing and Strategic Projects	$7,873,903	~~$7,873,903~~$8,021,642
First Net (State Match)	$140,000	$140,000
Enterprise Project Management Office	$1,501,234	$1,501,234
IT Strategy and Standards	$865,326	$865,326
State Portal	$233,510	$233,510
Process Management	$398,234	$398,234
IT Consolidation	–	–
Government Data Analytics Center	$9,101,255	~~$9,101,255~~$10,061,255
Compensation Reserve	$73,337	

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

Any changes to the specified uses shall be reported in writing to the chairs of the Joint Legislative Oversight Committee on Information Technology, the chair and cochair of the House Appropriations Committee on Information Technology, and the Fiscal Research Division."

INFORMATION TECHNOLOGY RESERVE ALLOCATIONS

SECTION 7.2. Section 7.3(a) of S.L. 2015-241, as amended by Section 2.1 of S.L. 2015-268, reads as rewritten:

"**SECTION 7.3.(a)** The ~~appropriations for the~~ Information Technology Reserve Fund allocations for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
Government Data Analytics Center	$8,100,000	$8,100,000
Improve Efficiency and Customer Service through IT Modernization	$8,127,991	$8,061,512
IT Restructuring	$2,775,184	~~$2,978,812~~$2,098,742
Economic Modeling Initiative	$500,000	$500,000
Maintenance Management System Replacement	$173,180	$129,901
NC Connect	$593,899	~~$788,503~~$736,899
E-Forms/Digital Signatures	$762,115	~~$762,115~~$436,050
Law Enforcement Information Exchange	$288,474	0"

ESTABLISH GENERAL FUND BUDGET

SECTION 7.3.(a) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management shall establish a general fund budget for the Department of Information Technology in Budget Code 14660 for the purpose of establishing the Department's operating budget. The Department's general fund budget shall include Information Technology Fund fund codes (27xx) from Budget Code 24667 and shall include all non-rate based information technology expenditures from participating agencies and from exempt agencies that have elected to participate with the Department pursuant to Part 1 of Article 15 of Chapter 143B of the General Statutes. The Office of State Budget and Management shall also establish a reserve in Budget Code 14660 for the transfer of Information Technology Reserve appropriations. The changes authorized by this section shall be completed by September 30, 2016, but are effective from July 1, 2016, and shall be reflected in the base budget for the 2017-2019 fiscal biennium.

SECTION 7.3.(b) It is the intent of the General Assembly to appropriate funds during the 2017 Regular Session for the Department of Information Technology internal service fund overhead costs upon removal of agency costs from the service rate structure, thereby eliminating the use of a subscription fee to agencies.

IT REPORTING CHANGES

SECTION 7.4.(b) G.S. 143B-1355(c) reads as rewritten:

"**§ 143B-1355. Award review.**

...

(c) The State CIO shall provide a report of all contract awards approved through the Statewide Procurement Office as indicated below. The report shall include the amount of the

award, the contract term, the award recipient, the using agency, and a short description of the nature of the award, as follows:

(1) For contract awards greater than twenty-five thousand dollars ($25,000), to the cochairs of the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division ~~on a monthly basis.~~as requested.

(2) For all contract awards outside the established purchasing system, to the Department of Administration, Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division on ~~a quarterly basis.~~March 1 and September 1 of each year."

SECTION 7.4.(c) G.S. 143B-1360 reads as rewritten:

"**§ 143B-1360. Data on reliability and other issues; report.**

The Department of Information Technology shall maintain data on equipment reliability, potential cost savings, and any issues associated with the refurbished computer equipment initiative and shall report the results of the initiative to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016, and then ~~quarterly~~ annually thereafter."

SECTION 7.4.(d) G.S. 143B-1344 reads as rewritten:

"**§ 143B-1344. Legacy applications.**

Participating agency legacy applications shall be moved to the Department once a detailed plan is coordinated and in place for the successful transition of a specific application to the Department. The Department shall identify situations where multiple agencies are using legacy systems with similar capabilities and shall prepare plans to consolidate these systems. ~~Initial identification of similar capabilities shall be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016. The initial report shall include a schedule for the consolidation. The report shall also include the costs for operating and maintaining the current systems, the estimated costs for an enterprise replacement system, and the operations and maintenance costs associated with an enterprise system.~~"

SECTION 7.4.(e) G.S. 143B-1333 reads as rewritten:

"**§ 143B-1333. Internal Service Fund.**

...

~~(b) Receipts shall be used solely for the purpose for which they were collected. Any uses of the Information Technology Internal Service Fund not specifically related to providing receipt-supported services to State agencies shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.~~

(c) Receipts shall be used solely for the purpose for which they were collected. In coordination with the Office of the State Controller and the Office of State Budget Management, the State CIO shall ensure processes are established to manage federal receipts, maximize those receipts, and ensure that federal receipts are correctly utilized. ~~By September 1 of each year, the State CIO shall certify that federal receipts for participating agency information technology programs have been properly used during the previous State fiscal year.~~"

SECTION 7.4.(f) G.S. 143B-1334 is repealed.

SECTION 7.4.(g) Section 7.22(c) of S.L. 2015-241 reads as rewritten:

"**SECTION 7.22.(c)** Beginning January 1, 2016, and ~~quarterly~~ semiannually thereafter, the DIT, in conjunction with OSC and OSBM, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the program. The report shall include all of the following:

...."

SECTION 7.4.(h) Section 7.24(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 7.24.(b)** On or before March 1, 2016, the State CIO shall provide the completed plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. On or before March 1, 2016, and then at least ~~semiannually~~ annually each

January 1 for the duration of the 2015-2017 fiscal biennium, the State CIO shall provide progress reports regarding the establishment and use of the business Internet Web site to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

SECTION 7.4.(i) G.S. 143B-1330(a)(2) reads as rewritten:

"**§ 143B-1330. Planning and financing State information technology resources.**

(a) The State CIO shall develop policies for agency information technology planning and financing. Agencies shall prepare and submit such plans as required in this section, as follows:

...

(2) The State CIO shall develop a biennial State Information Technology Plan ~~(Plan).~~(Plan), including, but not limited to, the use of cloud-based utility computing for use by State agencies."

USE OF CASH BALANCE FOR IT RATE CREDITS

SECTION 7.5. The Department of Information Technology shall use funds available in cash balance available in Fund Code 24667 as a credit to the following agencies for subscription fees, telephone rates, and computer rates billed to the agency for the Internal Service Fund for the 2016-2017 fiscal year:

(1) North Carolina Community Colleges System Office – $102,023
(2) Department of Public Instruction – $1,534,623
(3) The University of North Carolina:
  a. Appalachian State University – $19,725
  b. Elizabeth City State University – $389.00
  c. North Carolina A & T State University – $13,994
  d. North Carolina School of the Arts – $17,033
  e. Winston Salem State University – $26,382
  f. University of North Carolina at Asheville – $1,244
  g. University of North Carolina at Chapel Hill – $1,313
  h. University of North Carolina at Pembroke – $6,741
  i. University of North Carolina at Wilmington – $194.00
  j. Western Carolina University – $10,469
(4) The Department of Administration – $190,187
(5) The Department of Insurance – $26,504
(6) The Department of Revenue – $972,197
(7) General Assembly – $14,432
(8) Office of State Budget and Management – $176,700
(9) Office of Lieutenant Governor – $6,474
(10) Office of Administrative Hearings – $38,405
(11) Department of State Auditor – $20,832
(12) Office of State Controller – $619,802
(13) Department of Secretary of State – $4,346
(14) State Board of Elections – $43,880
(15) Department of State Treasurer – $6,491
(16) Department of Health and Human Services – $559,461
(17) Administrative Office of the Courts – $101,812
(18) Department of Public Safety – $693,292
(19) Department of Agriculture – $30,556
(20) Department of Environmental Quality – $910,564
(21) Department of Natural and Cultural Resources – $665,262
(22) Industrial Commission – $232,000

INFORMATION TECHNOLOGY SPENDING TRANSPARENCY

SECTION 7.6.(a) All participating agencies, pursuant to Part 1 of Article 15 of Chapter 143B of the General Statutes, including all divisions, boards, commissions, and other State entities for which the participating agencies have budgetary authority, shall realign information technology budgets and expenditures within existing programs and divisions in a manner that provides transparency for information technology, program, and division budgets. Changes shall be completed by September 30, 2016, but are effective from July 1, 2016. The Office of State Budget and Management shall submit a report detailing the realignment changes on or before February 1, 2017, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

SECTION 7.6.(b) In conjunction with the budget realignment report required by subsection (a) of this section, the OSBM shall submit a report that identifies the following:

(1) The line item budgeted requirements for each State agency's information technology expenditures.
(2) Actual information technology expenditures for each State agency.
(3) The sources of funds transferred from other line items to cover information technology expenditures in excess of budgeted requirements.

OSBM shall submit this information, by agency, to the Fiscal Research Division by February 1, 2017.

APPRENTICESHIPS AND CAREER-BASED OPPORTUNITIES IN CYBERSECURITY FOR DISABLED VETERANS

SECTION 7.7.(a) The Department of Information Technology shall create a cybersecurity apprenticeship program to provide training, apprenticeships, and career-based opportunities for disabled veterans within the State. Opportunities may be offered to qualifying veterans who have at least a ten percent (10%) disability rating as established by the Veterans Administration.

SECTION 7.7.(b) The State Chief Information Officer shall conduct a competitive process to select disabled veterans to participate in the cybersecurity apprenticeship program. Participants will have the opportunity to apply concepts, protocols, and tools acquired through the program by working side by side with experts in cybersecurity within the State of North Carolina.

SECTION 7.7.(c) Of the funds appropriated by this act for the support of the cybersecurity apprenticeship program, the Department of Information Technology shall select up to five disabled veterans to participate in the program. The Department may use funds generated from receipts for continuation or expansion of the program beyond the 2016-2017 fiscal year.

ADJUST IT BUDGETS AS NECESSARY DUE TO TRANSFER OF FUNCTIONS

SECTION 7.8.(a) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management, after coordination with the Department of Information Technology, the Department of Environmental Quality, the Department of Natural and Cultural Resources, and the Fiscal Research Division, may adjust information technology budgets, as appropriate, within the Department of Natural and Cultural Resources and the Department of Environmental Quality.

SECTION 7.8.(b) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management, after coordination with the Department of Information Technology, the Department of Military and Veterans Affairs, the Department of Administration, and the Fiscal Research Division, may adjust information technology budgets, as appropriate, within the Department of Military and Veterans Affairs and the Department of Administration.

SECTION 7.8.(c) All information technology budget adjustments authorized by this section shall be completed by December 1, 2016, and shall be reflected in the base budget for the 2017-2019 fiscal biennium. Adjustments may be made only for the information technology budgets of the Department of Environmental Quality and the Department of Natural and Cultural

Resources, and the Department of Military and Veterans Affairs and the Department of Administration, respectively, for the purposes stated in this section.

SECTION 7.8.(d) The Office of State Budget and Management shall report any adjustments made pursuant to this section to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Joint Legislative Oversight Committee on General Government, and the Fiscal Research Division on or before January 15, 2017.

DATA CENTER CONSOLIDATION EXEMPTION FOR CLOUD-BASED SOLUTIONS

SECTION 7.9. Section 7.9(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 7.9.(b)** State agencies shall 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.

With the prior approval of the State Chief Information Officer, applications that are natively or commercially sold and delivered as cloud-based solutions are not subject to the requirements of this subsection."

ENTERPRISE RESOURCE PLANNING DESIGN AND IMPLEMENTATION

SECTION 7.10.(a) The Department of Information Technology, in coordination with the Office of the State Controller and the Office of State Budget and Management, shall conduct the planning and design of an enterprise resource planning system (ERP) for State agencies by utilizing business process reengineering to identify and organize processes and workflow in order to prioritize and link work activities to realize efficiencies and organize around outcomes. The ERP system shall address, at a minimum, core financial management, grants, assets and inventory, fleet management, and human resource management. A request for proposal for a replacement system implementation shall be prepared for release no later than July 1, 2017. The Department may use savings generated through efficiencies gained from transition of participating agencies to the Department and overall Department operations, including procurement, to fund the project.

SECTION 7.10.(b) The Department of Information Technology shall submit a report to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. The report shall identify results from the business process reengineering efforts for State agencies and shall include at least all of the following:

(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.

(5) Detailed information relating to project funding from the savings generated through efficiencies gained from agency transition and overall Department operations.

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 no later than October 1, 2017. 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 Department of Information Technology shall submit a report to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. The report shall identify 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.

AGENCY EXEMPTIONS FROM DIT OVERSIGHT

SECTION 7.11.(a) G.S. 143B-1325 reads as rewritten:

"**§ 143B-1325. Transition to Department of Information Technology.**

...

(c) Participating Agencies. – The State CIO shall prepare detailed plans to transition each of the participating agencies. As the transition plans are completed, the following participating agencies shall transfer information technology personnel, operations, projects, assets, and appropriate funding to the Department of Information Technology:

(1) Department of Natural and Cultural Resources.
(2) Department of Health and Human Services.
(3) Department of Revenue.
(4) Department of Environmental Quality.
(5) Department of Transportation.
(6) Department of Administration.
(7) Department of Commerce.
(8) Governor's Office.
(9) Office of State Budget and Management.
(10) Office of State Human Resources.
~~(11) Office of the State Controller.~~
(12) Department of Military and Veterans Affairs.
(13) Department of Public Safety, with the exception of the following:
  a. State Bureau of Investigation.
  b. State Highway Patrol.
  c. Division of Emergency Management.

The State CIO shall ensure that agencies' operations are not adversely impacted during the transition.

(d) Report on Transition Planning. – ~~The Department of Public Safety, the~~The Community College System ~~Office,~~Office and the State Board of Elections shall work with the State CIO to plan their transition to the Department. By October 1, 2018, these agencies, in conjunction with the State CIO, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on their respective transition plans.

…."

EXEMPT PUBLIC SAFETY DIVISIONS FROM ENTERPRISE ACTIVE DIRECTORY

SECTION 7.12. Section 7.25 of S.L. 2015-241 reads as rewritten:

"**AGENCY USE OF ENTERPRISE ACTIVE DIRECTORY**

"**SECTION 7.25.(a)** On or before July 1, 2016, unless exempted by the Governor, all State agencies identified as principal departments under G.S. 143B-6 shall become direct members of and shall use the Enterprise Active Directory. A principal department may submit to the State Chief Information Officer a written request to deviate from certain requirements of the Enterprise Active Directory, provided that any deviation shall be consistent with available funding and shall be subject to any terms and conditions specified by the State Chief Information Officer.

"**SECTION 7.25.(b)** Subsection (a) of this section shall not apply to the State Bureau of Investigation, the State Highway Patrol, or the Division of Emergency Management of the Department of Public Safety."

GOVERNMENTAL DATA ANALYTICS CENTER/LONGITUDINAL DATA SYSTEM BOARD

SECTION 7.14.(a) G.S. 116E-1(1) reads as rewritten:

"(1) ~~"Board" means the governing board of the North Carolina Longitudinal Data System.~~" Center" means the Governmental Data Analytics Center as established in Part 8 of Article 15 of Chapter 143B of the General Statutes."

SECTION 7.14.(b) G.S. 116E-4 reads as rewritten:

"**§ 116E-4. Powers and duties of the ~~Board.~~Center.**

(a) The ~~Board~~ Center shall have the following powers and ~~duties:~~with respect to the System:

...

(4) Before the use of any individual data in the System, the ~~Board~~ Center shall do the following:

...

b. Develop and implement policies to comply with FERPA and any other privacy measures, as required by law or the ~~Board.~~Center.

...

(9) Establish an advisory committee on data quality to advise the ~~Board~~ Center on issues related to data auditing and tracking to ensure data validity.

(b) The ~~Board~~ Center shall adopt rules according to Chapter 150B of the General Statutes as provided in G.S. 116E-6 to implement the provisions of this Article.

(c) The ~~Board~~ Center shall report quarterly to the Joint Legislative Education Oversight Committee, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Information Technology beginning September 30, 2013. The report shall include the following:

...

(3) Any other recommendations made by the ~~Board,~~Center, including the most effective and efficient configuration for the System."

SECTION 7.14.(c) G.S. 116E-6 reads as rewritten:

"**§ 116E-6. Data sharing.**

(a) Local school administrative units, charter schools, community colleges, constituent institutions of The University of North Carolina, and State agencies shall do all of the following:

(1) Comply with the data requirements and implementation schedule for the System as set forth by the ~~Board.~~Center.

(2) Transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed by the ~~Board~~ Center under G.S. 116E-5.

(b) Private colleges and universities, the North Carolina Independent Colleges and Universities, Inc., and nonpublic schools may transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed ~~by the Board~~ under G.S. 116E-5."

SECTION 7.14.(d) G.S. 116E-3, 120-123(81), 143B-1321(a)(31), and 143B-1322(c)(21) are repealed.

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand nine hundred eighty-five dollars and fifty-three cents ($3,985.53) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2016-2017 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 8.2. Section 8.2 of S.L. 2015-241 reads as rewritten:

"**SECTION 8.2.** The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred eighty dollars and seventy cents ($1,280.70) per child for fiscal ~~years~~ year 2015-2016 and one thousand two hundred ninety-five dollars and twenty-seven cents ($1,295.27) per child for fiscal year 2016-2017. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2015-2016 allocated average daily ~~membership,~~ membership for the 2015-2016 fiscal year and a maximum of four percent (4%) of its 2016-2017 allocated average daily membership for the 2016-2017 fiscal year, 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."

SMALL COUNTY SUPPLEMENTAL FUNDS ELIGIBILITY

SECTION 8.4. Section 8.4 of S.L. 2015-241 reads as rewritten:

"**SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

…

"**SECTION 8.4.(b)** Phase-Out Provision for the 2015-2016 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2015-2016 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 2014-2015 in any fiscal year. A local school administrative unit shall not become ineligible for funding if either the higher 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 8.4.(c)** Phase-Out Provision for the 2016-2017 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2016-2017 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 2015-2016 in any fiscal year. A local school administrative unit shall not become ineligible for funding if either the higher 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.

...."

CERTAIN CIHS OPERATING WITHOUT ADDITIONAL FUNDS

SECTION 8.11. Beginning with the 2016-2017 school year and for subsequent school years thereafter, notwithstanding G.S. 115C-238.51A(c) and G.S. 115C-238.54, Alamance-Burlington Early College, Alexander Early College, Cabarrus Early College of Technology, Camden Early College, Chatham County School of Science and Engineering, City of Medicine Cooperative Innovative High School, Gaston Early College High School, Hillside New Tech Cooperative Innovative High School, Johnston County Career and Technical Academy, Northampton County New Tech Early College, Person Early College for Innovation and Leadership, Stanly County School of Engineering and Design, and Wayne School of Engineering at Goldsboro High School shall be permitted to operate in accordance with G.S. 115C-238.53 and G.S. 115C-238.54 as cooperative innovative high schools approved under G.S. 115C-238.51A(c) and shall be subject to the evaluation requirements of G.S. 115C-238.55.

VIRTUAL CHARTER SCHOOL CHANGES

SECTION 8.13.(a) Section 8.35(c) of S.L. 2014-100 reads as rewritten:

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

(1) The school shall maintain an administrative office within North Carolina. In addition, the school shall maintain at least one testing center or meeting place within each of the eight State Board of Education districts where the participating students reside, to allow educators and administrators from the school to meet students and parents. When utilizing the testing center or meeting place for test administration, the school is permitted to do the following:
   a. Administer tests to multiple grade levels at the same time and location.
   b. Contract with a test administrator who is not employed by the board of directors of the school and meets the following criteria:
      1. Holds a valid, North Carolina educator license.
      2. Passes a criminal history check as defined in G.S. 115C-332(a)(1) performed by the school.
      3. Is trained on test administration in accordance with the North Carolina Testing Program.

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

(3) All teaching staff shall carry the appropriate State certification to instruct any course and shall receive professional development in virtual instruction pursuant to the school's application to the State Board of Education to participate in the pilot program within 30 days of the employee's date of hire. At least ~~ninety percent (90%)~~eighty percent (80%) of the teaching staff shall reside within North Carolina.

(4) The school shall have a withdrawal rate below twenty-five percent (25%). A student who meets any of the following criteria shall not be counted in measuring the school's withdrawal rate:

a. A student enrolled in a school with the intent expressed prior to enrollment of only being enrolled for a finite period of time within the school ~~year shall not be counted in the measured withdrawal rate.~~year. The school shall keep a written record of a student's stated intent for finite enrollment.

b. A student who is withdrawn from the school pursuant to subdivision (3) of subsection (b) of this section.

c. A student who is no longer qualified under the laws of this State for admission to a public school in North Carolina, including due to the student relocating to another state.

d. A student who (i) withdraws from the school for a family, personal, or medical reason and (ii) notifies the school of the reason for withdrawal. The school shall keep a written record of a student's stated reason for withdrawal under this sub-subdivision.

e. A student who withdraws from the school within the first 30 days following the date of the student's enrollment.

(4a) A count of school attendance shall be taken at least once during each semester for funding purposes.

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

SECTION 8.13.(b) This section applies beginning with the 2016-2017 school year.

SCHOOL BUSINESS SYSTEM MODERNIZATION

SECTION 8.15.(a) The State Board of Education shall collaborate with the Friday Institute for Educational Innovation at North Carolina State University (Friday Institute) to develop a plan to modernize the systems used by the Department of Public Instruction, Financial and Business Services Division, to manage and deliver funds and technical support services to local school administrative units and charter schools. This process shall include modernization of the Division's systems for student information management, financial and payroll information, human resources information, and capital and repairs and renovations planning information.

SECTION 8.15.(b) By January 1, 2017, as a part of developing the plan, the Department of Public Instruction, in collaboration with the Friday Institute, shall issue a Request for Information to outside vendors and entities to determine the scope of work necessary, estimate the costs of modernization of the systems, and prepare a schedule for implementation.

SECTION 8.15.(c) By April 30, 2017, the State Board of Education shall report to the Joint Legislative Education Oversight Committee on the plan developed in accordance with this section for modernization of the systems used by the Financial and Business Services Division.

REDUCE AFTER SCHOOL QUALITY IMPROVEMENT COMPETITIVE GRANT FUNDS

SECTION 8.25. Section 8.29(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 8.29.(a)** Of the funds appropriated by this act for the At-Risk Student Services Alternative School Allotment for the 2015-2017 fiscal biennium, the State Board of Education shall use up to six million dollars ($6,000,000) for the 2015-2016 fiscal year and up to ~~six million dollars ($6,000,000)~~one million one hundred eight thousand four hundred eighty dollars ($1,108,480) for the 2016-2017 fiscal year for the After-School Quality Improvement Grant Program administered by the Department of Public Instruction. The Department may use these funds to provide a second-year grant to grant recipients approved under the After-School Quality Improvement Grant Program pursuant to Section 8.19 of S.L. 2014-100. Of the funds appropriated for the program, the Department of Public Instruction may use up to two hundred thousand dollars ($200,000) for each fiscal year to administer the program."

STATE AGENCY COLLABORATION ON EARLY CHILDHOOD EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN

SECTION 8.26.(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 collaborate on an ongoing basis to develop and implement a statewide vision for early childhood education. In collaborating in this effort, the agencies shall develop 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 8.26.(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 report their findings and recommendations, including any legislative proposals, resulting from the initiative to develop and implement a statewide vision for early childhood education pursuant to subsection (a) of this section. The agencies shall make an initial report to Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2017, submit a follow up report to those same committees 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 8.26.(c) The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall promote the successful transition of children who receive assistance from NC Pre-K program and the Child Care Subsidy Assistance program for four- and five-star rated facility classrooms to kindergarten. In its promotion of a successful transition from preschool to kindergarten, the Department of Health and Human Services shall recommend that both NC Pre-K teachers and preschool teachers prepare a preschool to kindergarten transition plan for each child transitioning to kindergarten that documents the child's strengths and needs based on the five Goals and Developmental Indicator domains for children's developmental and learning progress that are based on the NC Foundations for Early Learning and Development. The preparation of the transition plan shall only apply to children who receive assistance through the NC Pre-K program or the Child Care Subsidy Assistance program. It is the intent of the General Assembly that the Departments utilize this transition plan until such time as the standardized program to transition children from preschool to kindergarten, required pursuant to subsection (e) of this section, is developed and implemented.

SECTION 8.26.(d) The Department of Health and Human Services shall report on the implementation of the transition plan required pursuant 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 December 15, 2016.

SECTION 8.26.(e) The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall develop and implement 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 8.26.(f) The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (e) of this section, including any finding 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, 2017.

ALTERNATIVE TEACHER PREPARATION

SECTION 8.27.(a) Purpose. – The State Board of Education shall establish a request for proposal (RFP) for up to five local alternative teacher preparation programs (LATP programs) administered by local boards of education to prepare, support, and recommend initially licensed lateral entry teachers for continuing licensure.

SECTION 8.27.(b) Request for Proposals. – By September 15, 2016, the State Board of Education shall issue a request for proposal (RFP) to local boards of education. The RFP shall include the following criteria:

(1) Program of study requirements. – At a minimum, the LATP program shall provide 150 contact hours of appropriate pedagogy and content for continued licensure in the initially licensed teacher's area of licensure that is comparable to the quality of instruction required for a traditional teacher preparation program, as provided in G.S. 115C-296.10. Local boards of education shall include evidence of relevant partnerships with institutions of higher education, including community colleges, private two-year colleges, and public or private colleges or universities.

(2) Mentoring and support requirements. – At a minimum, the LATP program shall provide 150 contact hours with mentor teachers, classroom coaching, and periodic evaluations with timely feedback to each individual in the program over the initially licensed teacher's first year of employment.

(3) Minimum program size. – The LATP program shall be administrated by a local board of education with a minimum student population of 20,000 or higher, or by a coalition of local boards of education that together have a minimum student population of 20,000 or higher.

Local boards of education shall submit their proposals to the State Board by January 6, 2017. Proposals may be submitted by individual local boards of education or by coalitions of multiple local boards of education. Proposals shall contain detailed information on the estimated costs, including a cost per teacher participant and anticipated funding sources for operation of the program.

SECTION 8.27.(c) Selection by State Board of Education. – By March 15, 2017, the State Board of Education shall review the proposals submitted by local boards of education and shall select up to five proposals for approval based on program quality, viability, and use of evidence-based principles in program design.

SECTION 8.27.(d) Program Implementation. – The selected LAPT programs shall be implemented beginning with the 2017-2018 school year and ending with the 2021-2022 school year. The local board or boards of education for each selected LAPT program shall provide any requested information and access to the independent research organization selected by the State Board of Education to evaluate the programs pursuant to subsection (f) of this section.

SECTION 8.27.(e) Program Continuation. – The selected LAPT programs shall meet the following annual benchmark standards:

(1) A program shall have a completion rate of no less than seventy percent (70%) of initial enrollees.

(2) A program shall provide the minimum contact hour requirements and other program elements contained in the proposal approved by the State Board of Education.

(3) A program shall demonstrate an increase in retention of lateral entry teachers over the previous year's retention rate.

(4) A program shall be fully financed by the local board of education, based on the per teacher cost estimate contained in the proposal approved by the State Board of Education. Funding may be through public or private funds, as available.

A program that fails to meet any of the benchmark standards shall be terminated by the State Board of Education and shall not be continued in the following school year.

SECTION 8.27.(f) LAPT Program Evaluation. – The State Board of Education shall contract with an independent research organization to evaluate how the LAPT programs have accomplished, at a minimum, the following:

(1) Recruitment of lateral entry teachers into the classroom.

(2) Retention rates for lateral entry teachers beyond initial licensure.

(3) Quality of classroom instruction by lateral entry teachers prepared through the LAPT program as compared to those prepared by traditional teacher education programs as demonstrated by multiple measures, including student performance.

(4) Teacher vacancy rates in local school administrative units participating in the LAPT program as compared to similarly situated local school administrative units.

(5) Funding mechanisms used to support the LAPT program, including sources and stability of funding.

(6) Recommendations regarding the continuation, expansion, or elimination of LAPT programs.

The independent research organization shall report annually to the State Board of Education beginning October 15, 2017, on the progress of local boards of education in implementing the LAPT programs. The independent research organization shall submit an initial report no later than October 15, 2020, to the State Board of Education on the implementation and evaluation of the LAPT program, and shall submit a final report no later than October 15, 2022, to the State Board of Education on all aspects of the implementation and evaluation of the LAPT program. The State Board of Education shall provide the report to the Joint Legislative Education

Oversight Committee by December 15, 2020, and by December 15 of each year thereafter through 2022.

SECTION 8.27.(g) Issuance of Licenses. – The Department of Public Instruction shall issue a license to all individuals who (i) successfully complete LAPT programs, (ii) are recommended by the local board of education, and (iii) otherwise meet licensure requirements.

SECTION 8.27.(h) Credit for Work Successfully Completed. – If an initially licensed lateral entry teacher leaves a local board of education with a LAPT program before completing the program and is hired to teach by another local board of education in the State, that teacher shall receive credit for any work successfully completed as part of the program.

YEAR-ROUND SCHOOL DEFINITION

SECTION 8.28.(a) G.S. 115C-84.2 is amended by adding a new subsection to read:

"(b1) For the purposes of this section, a "year-round school" is a multi-track school that remains in session for the entire calendar year by utilizing at least one of the following plans:

(1) A plan that divides students into four groups and requires each to be in school for three assigned and staggered quarters each school year.

(2) A plan that provides that students shall be scheduled to attend 45 days of classes followed by 15 days of vacation repeated throughout the school year.

(3) A plan that divides the school year into five nine-week sessions of classes and requires each student to attend four of the five nine-week sessions to complete the school year."

SECTION 8.28.(b) This section applies beginning with the 2016-2017 school year.

TEACHER ASSISTANT TUITION REIMBURSEMENT PILOT PROGRAM

SECTION 8.29.(a) Purpose. – The purpose of this section is to establish a pilot program for the local boards of education of the Anson County, Franklin County, Moore County, Richmond County, and Scotland County school administrative units to provide tuition assistance awards to part-time or full-time teacher assistants working in those local school administrative units to pursue a college degree that will result in teacher licensure. Tuition assistance awards under the program may be provided for part-time or full-time coursework. A local board of education may grant a teacher assistant academic leave to pursue coursework that may only be taken during working hours. A teacher assistant receiving an award under the program shall fulfill the student teaching requirements of an educator preparation program by working in the teacher assistant's employing local school administrative unit.

SECTION 8.29.(b) Selection of applicants. – Each local board of education participating in the pilot program may select up to five teacher assistants to receive an award of up to four thousand five hundred dollars ($4,500) per academic year for a period of up to four years to be used towards the cost of tuition and fees for a teacher assistant to attend an educator preparation program at an institution of higher education. Priority for awards shall be given to a teacher assistant who received a tuition assistance award for the previous academic year and who is making satisfactory academic progress towards achieving teacher licensure. The local board of education shall set criteria for the application and selection of teacher assistants to receive tuition assistance awards that includes at least the following:

(1) The teacher assistant shall be employed by the local board of education in the local school administrative unit.

(2) The teacher assistant shall be enrolled or provide a statement of intent to enroll in an accredited institution of higher education in North Carolina with an educator preparation program approved by the State Board of Education to pursue teacher licensure.

(3) The teacher assistant shall be a resident of North Carolina. For purposes of this subdivision, residency shall be determined by the same standard as residency for tuition purposes pursuant to G.S. 116-143.1.

SECTION 8.29.(c) Endorsement of tuition assistance awards for recipients. – Each local board of education participating in the pilot program shall enter into a memorandum of understanding with the institution of higher education in which a recipient of a tuition assistance award under this program is enrolled that includes procedures for at least the following:

(1) Remittance of the award from the local board of education to the institution of higher education.

(2) Endorsement of the funds awarded to the recipient to the institution of higher education for deposit into the account of the institution.

(3) Return of a pro rata share of funds to the local board of education in the event a recipient (i) withdraws from the institution of higher education prior to the end of a term or (ii) the recipient's employment with the local board of education is terminated. The return of funds shall be consistent with procedures used by the institution under federal Title IV programs.

SECTION 8.29.(d) The local boards of education participating in the pilot program shall jointly report to the Joint Legislative Education Oversight Committee by September 1, 2017, and by September 1 of each year thereafter on the results of the pilot program, including at least the following information:

(1) The number and amount of funds in tuition assistance awards provided to teacher assistants.

(2) The number of teacher assistant recipients who achieved teacher licensure, including the period of time from the issue of an initial tuition assistance award to the time of achieving licensure.

(3) The number of recipients who remained employed in the local school administrative unit after achieving teacher licensure.

USE OF DEPARTMENT OF PUBLIC INSTRUCTION BUDGET REDUCTIONS

SECTION 8.30. Section 8.37 of S.L. 2015-241 is amended by adding a new subsection to read:

"**SECTION 8.37.(c)** In implementing budget reductions for the 2016-2017 fiscal year, the Department of Public Instruction shall do all of the following:

(1) In addition to the prohibition on a reduction to funding and positions for the items listed in subsection (b) of this section, the Department shall make no transfers from or reduction to funding or positions for the following:

a. The Excellent Public Schools Act, Read to Achieve Program, initially established under Section 7A.1 of S.L. 2012-142.

b. The North Carolina School Connectivity Program.

(2) The Department 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 2016-2017 fiscal year but shall remain available during the 2017-2018 fiscal year for expenditure in accordance with the provisions of this subdivision."

REMEDIATION PLAN FOR PRINCIPALS IN LOW-PERFORMING SCHOOLS

SECTION 8.31.(a) G.S. 115C-105.39(a) reads as rewritten:

"(a) Within 30 days of the initial identification of a school as ~~low-performing, whether by the local school administrative unit under G.S. 115C-105.37(a1) or~~ low-performing by the State Board under G.S. 115C-105.37(a), the superintendent shall take one of the following actions concerning the school's principal: (i) recommend to the local board that the principal be retained in the same position, (ii) recommend to the local board that the principal be retained in the same position and a plan of remediation should be developed, (iii) recommend to the local board that the principal be transferred, or (iv) proceed under G.S. 115C-325.4 to dismiss or demote the principal. ~~The principal may be retained in the same position without a plan for remediation only if the principal was in that position for no more than two years before the school is identified as low-performing.~~ The superintendent may only recommend a principal be retained in the same position without a plan for remediation if the principal has been at the school for less than two years or, in the case of a principal having been at the school for two years or more, if the school has both met student growth and has improved student achievement scores under G.S. 115C-83.15 for the prior school year. The principal shall not be transferred to another principal position unless (i) it is in a school classification in which the principal previously demonstrated at least 2 years of success, (ii) there is a plan to evaluate and provide remediation to the principal for at least one year following the transfer to assure the principal does not impede student performance at the school to which the principal is being transferred; and (iii) the parents of the students at the school to which the principal is being transferred are notified. The principal shall not be transferred to another low-performing school in the local school administrative unit. If the superintendent intends to recommend demotion or dismissal, the superintendent shall notify the local board. Within 15 days of (i) receiving notification that the superintendent intends to proceed under G.S. 115C-325.4 or (ii) its decision concerning the superintendent's recommendation, but no later than September 30, the local board shall submit to the State Board a written notice of the action taken and the basis for that action. If the State Board does not assign an assistance team to that school or if the State Board assigns an assistance team to that school and the superintendent proceeds under G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall take no further action. If the State Board assigns an assistance team to the school and the superintendent is not proceeding under G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall vote to accept, reject, or modify the local board's recommendations. The State Board shall notify the local board of its action within five days. If the State Board rejects or modifies the local board's recommendations and does not recommend dismissal of the principal, the State Board's notification shall include recommended action concerning the principal's assignment or terms of employment. Upon receipt of the State Board's notification, the local board shall implement the State Board's recommended action concerning the principal's assignment or terms of employment unless the local board asks the State Board to reconsider that recommendation. The State Board shall provide an opportunity for the local board to be heard before the State Board acts on the local board's request for a reconsideration. The State Board shall vote to affirm or modify its original recommended action and shall notify the local board of its action within five days. Upon receipt of the State Board's notification, the local board shall implement the State Board's final recommended action concerning the principal's assignment or terms of employment. If the State Board rejects or modifies the local board's action and recommends dismissal of the principal, the State Board shall proceed under G.S. 115C-325.12."

SECTION 8.31.(b) This section is effective beginning with the 2016-2017 school year.

SCHOOL NOTIFICATION REQUIREMENTS/TEACHER EMPLOYMENT/LICENSURE CHANGES AND BEGINNING TEACHER SUPPORT

SECTION 8.32.(a) State Board of Education Survey Notification. – G.S. 115C-12 is amended by adding a new subdivision to read:

"(45) To provide notification of student and parent surveys. – The State Board of Education shall provide written notification to the General Assembly in accordance with G.S. 120-29.5 of its intent to conduct any mandatory student or parent surveys in individual local school administrative units or on a statewide basis, including a copy of the proposed survey. The Department of Public Instruction shall also notify a superintendent of any plan to conduct a student or parent survey in the local school administrative unit. The superintendent shall be given a reasonable amount of time following notification to contact the Department with feedback on the survey prior to the survey being conducted in the local school administrative unit."

SECTION 8.32.(b) Notification/Report on Testing Programs. – G.S. 115C-174.12 reads as rewritten:

"**§ 115C-174.12. Responsibilities of agencies.**

…

(c) Local boards of education shall cooperate with the State Board of Education in implementing the provisions of this Article, including the regulations and policies established by the State Board of Education. Local school administrative units shall use the annual tests to fulfill the purposes set out in this Article. ~~Local school administrative units are encouraged to continue to develop local testing programs designed to diagnose student needs.~~

(d) By September 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 source of funds supporting the local testing program.

(e) By October 15 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."

SECTION 8.32.(c) Employment of Career and Technical Education Personnel. – Article 10 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-157.1 Adjunct CTE instructors.**

(a) Adjunct Hiring Criteria. – The State Board of Education shall develop minimum criteria of relevant education or employment experience to qualify to contract as an adjunct instructor in each career and technical education career cluster and shall make such criteria available to local boards of education.

(b) Contracting with Adjunct Instructors. – Notwithstanding Article 20 and Part 3 of Article 22 of this Chapter, a local board of education may contract with an individual to serve as an adjunct instructor who meets the adjunct hiring criteria established by the State Board of Education for a specific career and technical education career cluster. The local board of education may contract with an adjunct instructor on an annual or semester basis, subject to the following requirements:

(1) An adjunct instructor may be employed for no more than 10 hours per week.

(2) An adjunct instructor shall be subject to a criminal history check, to ensure that the person has not been convicted of any crime listed in G.S. 115C-332.

(3) An adjunct instructor shall not be required to hold or apply for licensure as a teacher.

(4) An adjunct instructor must complete preservice training in all of the following areas prior to beginning instruction:

a. The identification and education of children with disabilities.

b. Positive management of student behavior.

c. Effective communication for defusing and deescalating disruptive or dangerous behavior.

d. Safe and appropriate use of seclusion and restraint."

SECTION 8.32.(d) Continuing Teacher Licensure Standards. – G.S. 115C-296(b)(1)b. reads as rewritten:

"b. The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and shall be aligned with high-quality professional development programs that reflect State priorities for improving student achievement. Standards for continuing licensure shall include the following:

...

4. For all teachers employed by a local board of education, evidence of a rating of at least proficient on the most recent annual evaluation to maintain the current license status. A teacher that is unable to satisfy this requirement but has been placed on a mandatory improvement plan may be eligible to receive an initial degree license if that teacher satisfies all other licensure requirements."

SECTION 8.32.(e) Out-of-State Licensure Applications. – G.S. 115C-296(b)(1) is amended by adding a new sub-subdivision to read:

"d. Initial applications from an applicant with an out-of-state license shall require the applicant to provide evidence of that teacher's effectiveness, when available, as measured by the evaluation system used in that applicant's state of current licensure at the time of application, including any growth measures included in that evaluation system. Applications that include the evidence of that teacher's effectiveness shall be prioritized for review over initial applications from applicants with out-of-state licenses that do not include that information. An individual who does not include evidence of that teacher's effectiveness with the initial application shall only be eligible for an initial degree license."

SECTION 8.32.(f) Mentor Teacher Requirements. – 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.~~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."

SECTION 8.32.(g) Field Experience for Educator Preparation Programs. – G.S. 115C-296.11(b)(4) reads as rewritten:

"(4) Educator preparation programs shall require, in all programs leading to initial licensure, field experiences in every semester that include organized and sequenced engagement of students in settings that provide them with opportunities to observe, practice, and demonstrate knowledge and skills. The experiences shall be systematically designed and sequenced to increase the complexity and levels of engagement with which students apply, reflect upon, and expand their knowledge and ~~skills.~~skills and shall increase in each semester prior to the student's residency or internship the number of hours spent in field experiences. All programs shall include a field experience in a low-performing school for at least one semester."

SECTION 8.32.(h) Beginning Teacher Evaluations in Low-Performing Schools. – G.S. 115C-333(a) reads as rewritten:

"(a) Annual Evaluations; Low-Performing Schools. – Local school administrative units shall evaluate at least once each year all licensed employees assigned to a school that has been identified as low-performing. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of a mandatory improvement plan if one is recommended under subsection (b) of this section. If the employee is a teacher with career status as defined under G.S. 115C-325(a)(6), or a teacher as defined under G.S. 115C-325.1(6), either the principal, the assistant principal who supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct the evaluation.

All teachers in low-performing schools who have been employed for less than three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers in low-performing schools who have been licensed as a teacher for less than two years shall be observed at least three times annually by the principal or the principal's designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school under G.S. 115C-105.38.

A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board."

SECTION 8.32.(i) Beginning Teacher Evaluations in All Other Schools. – G.S. 115C-333.1(a) reads as rewritten:

"(a) Annual Evaluations. – All teachers who are assigned to schools that are not designated as low-performing and who have not been employed for at least three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers who are assigned to schools that are not designated as low-performing and who have been licensed as a teacher for less than two years shall be observed at least three times annually by the principal or the principal's designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year. All teachers with career status or on a four-year contract who are assigned to schools that are not designated as low-performing shall be evaluated annually unless a local board adopts rules that allow teachers with career status or on a four-year contract to be evaluated more or less frequently, provided that such rules are not inconsistent with State or federal requirements. Local boards also may adopt rules requiring the annual evaluation of

nonlicensed employees. A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board."

SECTION 8.32.(j) This section applies beginning with the 2016-2017 school year.

K-3 CLASS SIZE ALLOTMENT RATIOS

SECTION 8.33.(a) G.S. 115C-301(c) reads as rewritten:

"(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 16 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."

SECTION 8.33.(b) Notwithstanding G.S. 115C-301, as amended by this section, and any other provision of law, for the 2016-2017 school year, class size requirements in kindergarten through third grade shall remain unchanged. The class size requirements set forth in G.S. 115C-301 shall apply beginning with the 2017-2018 school year.

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly teacher salary schedule shall apply for the 2016-2017 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2016-2017 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$3,500
1	$3,550
2	$3,600
3	$3,650
4	$3,700
5	$3,825
6	$3,875
7	$3,925
8	$3,975
9	$4,025
10	$4,250
11	$4,300
12	$4,350
13	$4,400
14	$4,450
15-19	$4,675
20-24	$4,825
25+	$5,000

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

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

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

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

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

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

SECTION 9.1.(c) The first step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and (iii) school audiologists who are licensed as audiologists at the master's degree level or higher shall be equivalent to 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 9.1.(d) The twenty-sixth step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and (iii) school audiologists who are licensed as audiologists at the master's degree level or higher shall be seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

SECTION 9.1.(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 9.1.(f) A teacher compensated in accordance with this salary schedule for the 2016-2017 school year shall receive an amount equal to the greater of the following:

(1) The applicable amount on the salary schedule for the applicable school year.

(2) For teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:

a. The teacher's salary provided in S.L. 2013-360, Section 35.11.

b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in S.L. 2013-360, Section 35.11, based on the teacher's current years of service.

c. The annual bonus provided in S.L. 2014-100, Section 9.1(e).

(3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the teacher's salary and annual bonus provided in S.L. 2014-100, Section 9.1.

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

SECTION 9.1.(h) Section 9.1 of S.L. 2015-241 is repealed.

SECTION 9.1.(i) It is the intent of the General Assembly to implement the following base monthly teacher salary schedule for the 2017-2018 fiscal year to licensed personnel of the

public schools who are classified as teachers. The salary schedule will be based on years of teaching experience.

2017-2018 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	$3,500
1	$3,600
2	$3,700
3	$3,800
4	$3,900
5	$4,000
6	$4,100
7	$4,200
8	$4,300
9	$4,400
10	$4,500
11	$4,600
12	$4,700
13	$4,800
14	$4,900
15+	$5,000

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 9.2.(a) The following monthly base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2016-2017 fiscal year commencing July 1, 2016.

2016-2017 Principal and Assistant Principal Salary Schedules

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

31	$5,483	$5,483	$5,561	$5,641	$5,722
32	$5,561	$5,561	$5,641	$5,722	$5,794
33	$5,641	$5,641	$5,722	$5,794	$5,909
34	$5,722	$5,722	$5,794	$5,909	$6,027
35	$5,794	$5,794	$5,909	$6,027	$6,148
36	$5,909	$5,909	$6,027	$6,148	$6,271
37	-	$6,027	$6,148	$6,271	$6,396
38	-	-	$6,271	$6,396	$6,524
39	-	-	$6,396	$6,524	$6,654
40	-	-	-	$6,654	$6,787
41	-	-	-	$6,787	$6,923
42	-	-	-	-	$7,061

2016-2017 Principal and Assistant Principal Salary Schedules

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

SECTION 9.2.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	**Number of Teachers Supervised**
Assistant Principal	
Principal I	Fewer than 11 Teachers

Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

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

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

SECTION 9.2.(c) A principal shall be placed on the step on the salary schedule that reflects the total number of years of experience as a certified employee of the public schools and an additional step for every three years of experience serving as a principal on or before June 30, 2009. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 9.2.(d) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars ($253.00) per month.

SECTION 9.2.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the North Carolina Human Resources Act.

SECTION 9.2.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

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

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

SECTION 9.2.(g) Participants in an approved full-time master's in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the master's program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time master's in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 9.2.(h) During the 2016-2017 fiscal year, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 9.2.(i) All principals employed on September 1, 2016, regardless of source of funding for compensation, shall receive a one-time, lump-sum compensation bonus of two thousand dollars ($2,000), payable in January of 2017. All assistant principals employed on September 1, 2016, regardless of source of funding for compensation, shall receive a one-time, lump-sum compensation bonus of five hundred dollars ($500.00), payable in January of 2017.

Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this subsection are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and Employees' Retirement System.

SECTION 9.2.(j) Section 9.2 of S.L. 2015-241 is repealed.

NO PAY LOSS FOR BREAK IN SERVICE OR FOR TEACHERS WHO BECOME PRINCIPALS

SECTION 9.3.(a) G.S. 115C-285(a) reads as rewritten:

"**§ 115C-285. Salary.**

(a) Principals and supervisors shall be paid promptly when their salaries are due provided the legal requirements for their employment and service have been met. All principals and supervisors employed by any local school administrative unit who are to be paid from local funds shall be paid promptly as provided by law and as state-allotted principals and supervisors are paid.

Principals and supervisors paid from State funds shall be paid as follows:

…

(8) A teacher who becomes an assistant principal ~~without a break in service~~ shall be paid, on a monthly basis, at least as much as he or she would earn as a teacher employed by that local school administrative unit.

(8a) A teacher who becomes a principal shall be paid on a monthly basis, at least as much as he or she would earn as a teacher employed by that local school administrative unit.

(9) An assistant principal who becomes a principal ~~without a break in service~~ shall be paid, on a monthly basis, at least as much as he or she would earn as an assistant principal employed by that local school administrative unit."

SECTION 9.3.(b) Subsection (a) of this section shall not be construed to modify the compensation of persons initially employed as principals or assistant principals prior to July 1, 2016, for work performed prior to July 1, 2016.

JOINT LEGISLATIVE STUDY COMMITTEE ON SCHOOL-BASED ADMINISTRATOR PAY

SECTION 9.4.(a) There is established the Joint Legislative Study Committee on School-Based Administrator Pay (Committee). The Committee shall consist of three members of the Senate appointed by the President Pro Tempore of the Senate and three members of the House of Representatives appointed by the Speaker of the House of Representatives. The President Pro Tempore and the Speaker of the House of Representatives shall each appoint a cochair of the Committee from among its membership. The Committee and the terms of the members shall expire when the Committee submits a final report to the General Assembly. Members shall serve at the pleasure of the appointing officer.

SECTION 9.4.(b) The Committee shall study and make recommendations on the following:

(1) The feasibility of revising the school-based administrator salary schedule, including principal and assistant principal pay, and whether revisions are needed.

(2) The process of recruiting and retaining principals in North Carolina as compared with the process of recruiting and retaining executives in other professions.

(3) Strategies for recruiting and retaining the most qualified principals in low-performing and hard-to-staff schools.

(4) Any other issue the Committee considers relevant to this study.

SECTION 9.4.(c) The Committee shall meet upon the call of its cochairs. A quorum of the Committee 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 Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly.

SECTION 9.4.(d) The Legislative Services Officer shall assign professional and clerical staff to assist the Committee 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 staff to the Committee.

SECTION 9.4.(e) The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives on or before December 31, 2016, 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 Committee shall terminate on December 31, 2016, or upon the filing of its final report, whichever occurs first.

CENTRAL OFFICE SALARIES

SECTION 9.5.(a) The following minimum monthly salaries apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2016-2017 fiscal year, beginning July 1, 2016:

School Administrator I	$ 3,391
School Administrator II	$ 3,592
School Administrator III	$ 3,811
School Administrator IV	$ 3,962
School Administrator V	$ 4,120
School Administrator VI	$ 4,368
School Administrator VII	$ 4,542

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 9.5.(b) The monthly salary ranges for public school superintendents shall remain unchanged for the 2016-2017 fiscal year, as follows:

Superintendent I	$ 4,819	$ 8,991
Superintendent II	$ 5,113	$ 9,532
Superintendent III	$ 5,422	$ 10,109
Superintendent IV	$ 5,752	$ 10,721
Superintendent V	$ 6,102	$ 11,372

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

SECTION 9.5.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 9.5.(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 9.5.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 9.5.(f) For the 2016-2017 fiscal year, the salaries of central office personnel of the local board of education except superintendents are eligible to be increased in accordance with the provisions of Part 36 of this act.

SECTION 9.5.(g) Section 9.3 of S.L. 2015-241 is repealed.

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.6.(a) For the 2016-2017 fiscal year, the salaries of noncertified personnel of the local board of education are eligible to be increased in accordance with the provisions of Part 36 of this act.

SECTION 9.6.(b) Section 9.4 of S.L. 2015-241 is repealed.

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 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 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 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.

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:

(1) The State Board of Education shall report on 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, and the Fiscal Research Division on March 1, 2017, and again on March 1, 2018.

(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) This section expires June 30, 2018.

PART X. COMMUNITY COLLEGES

UPDATE PERFORMANCE MEASURES

SECTION 10.1. G.S. 115D-31.3 reads as rewritten:

"**§ 115D-31.3. Institutional performance accountability.**

…

(e) Mandatory Performance Measures. – The State Board of Community Colleges shall evaluate each college on the following ~~eight~~ performance measures:

(1) Progress of basic skills students.

~~(2) Attainment of adult high school equivalency diplomas by students.~~

(3) Performance of students who transfer to a four-year institution.

(3a) Success rate of students in credit-bearing English courses.

(3b) Success rate of students in credit-bearing Math courses.

~~(4) Success of developmental students in subsequent college-level English courses.~~

~~(5) Success of developmental students in subsequent college-level math courses.~~

(5a) Progress of first-year curriculum students.

(6) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.

(7) Curriculum student retention and graduation.

(8) Repealed by Session Laws 2012-142, s. 8.5, effective July 1, 2012.

(9) Attainment of licensure and certifications by students.

The State Board may also evaluate each college on additional performance measures.

(f) Publication of Performance Ratings. – Each college shall publish its performance on the ~~eight~~ measures set out in subsection (e) of this section (i) annually in its electronic catalog or on the Internet and (ii) in its printed catalog each time the catalog is reprinted.

The Community Colleges System Office shall publish the performance of all colleges on all ~~eight~~ measures.

(g) Recognition of Successful Institutional Performance. – For the purpose of recognition of successful institutional performance, the State Board of Community Colleges shall evaluate each college on the ~~eight~~ performance measures set out in subsection (e) of this section. Subject to the availability of funds, the State Board may allocate funds among colleges based on the evaluation of each institution's performance, including at least the following components:

(1) Program quality evaluated by determining a college's rate of student success on each measure as compared to a systemwide performance baseline and goal.

(2) Program impact on student outcomes evaluated by the number of students succeeding on each measure.

…."

YOUTH APPRENTICESHIP TUITION WAIVER

SECTION 10.3.(a) G.S. 115D-5(b) reads as rewritten:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:

...

(16) Courses provided to students who are participating in an apprenticeship program that meets all of the following criteria:

a. Is a registered apprenticeship program recognized by the United States Department of Labor.

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.

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

SECTION 10.3.(b) This section applies beginning with the fall 2016 academic term.

TUITION WAIVER/FIREFIGHTERS AND EMS PERSONNEL ON MILITARY INSTALLATIONS

SECTION 10.4.(a) G.S. 115D-5(b) is amended by adding a new subdivision to read:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is

financed primarily from State funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:

…

(2a) Firefighters, EMS personnel, and rescue and lifesaving personnel whose permanent duty station is within North Carolina for courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges.

…

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

SECTION 10.4.(b) G.S. 115D-39(a1) reads as rewritten:

"(a1) In addition, federal law enforcement officers, firefighters, EMS personnel, and rescue and lifesaving personnel whose permanent duty station is within North Carolina and who do not otherwise qualify for tuition waivers under G.S. 115D-5(b)(2a) shall also be eligible for the State resident community college tuition rate for courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges."

SECTION 10.4.(c) This section applies beginning with the 2016 fall academic term.

CLARIFY CAREER- AND COLLEGE-READY GRADUATE PROGRAM

SECTION 10.5. Section 10.13 of S.L. 2015-241 reads as rewritten:

"**CAREER- AND COLLEGE-READY GRADUATES**

"**SECTION 10.13.(a)** The State Board of Community Colleges, in consultation with the State Board of Education, shall develop a program for implementation beginning with model programs in the 2016-2017 school year that introduces the college developmental mathematics and developmental reading and English curriculums in the high school senior year and provides opportunities for college remediation for students prior to high school graduation through cooperation with community college partners. The program shall be fully implemented in all high schools statewide beginning with the 2018-2019 school year. Students who are enrolled in the Occupational Course of Study to receive their high school diplomas shall not be required to participate in the program or be required to take mandatory remedial courses as provided for in this section, unless a parent specifically requests through the individualized education program (IEP) process that the student participates. The program shall require the following:

(1) Establishment by the State Board of Community Colleges of measures for determining student readiness and preparation for college coursework by using ACT scores, student grade point averages, or other measures currently used by the State Board of Community Colleges to determine college readiness for entering students.

(2) Changes in curriculum, policy, and rules as needed by the State Board of Community Colleges and State Board of Education to make remedial courses mandatory for students who do not meet readiness indicators by their junior year to ensure college readiness prior to high school graduation. These changes shall include the flexibility for students to fulfill senior mathematics and English graduation requirements through enrollment in mandatory remedial courses or to enroll in those courses as electives.

(3) High schools to use curriculum approved by the State Board of Community Colleges, in consultation with the State Board of Education.

(4) Determinations by the State Board of Community Colleges on the following:

a. Appropriate measures of successful completion of the remedial courses to ensure students are prepared for coursework at a North Carolina community college without need for further remediation in mathematics or reading and English.

b. The length of time following high school graduation in which a student who successfully completed high school remedial courses will not be required to enroll in developmental courses at a North Carolina community college.

(5) Delivery of remedial courses by high school faculty consistent with policies adopted by the State Board of Community Colleges and the State Board of Education. The policies shall include, at a minimum, the following requirements:

a. High school faculty teaching the approved remedial courses must successfully complete training requirements as determined by the State Board of Community Colleges, in consultation with the State Board of Education.

b. The North Carolina Community College System shall provide oversight of the remedial courses to ensure appropriate instructional delivery.

"**SECTION 10.13.(b)** The State Board of Community Colleges and the State Board of Education shall report on progress of implementation of the program statewide, including the requirements in subsection (a) of this section, to the Joint Legislative Education Oversight Committee no later than March 15, 2016. The State Board of Community Colleges and the State Board of Education shall jointly report to the Joint Legislative Education Oversight Committee as follows:

(1) No later than March 15, 2017, on the outcomes of model programs implemented in the 2016-2017 school year and suggested statutory changes to ensure successful implementation of the program statewide.

(2) No later than March 15, 2018, on implementation and professional development efforts in the 2017-2018 school year and information on final changes in curriculum, policy, and rules to ensure successful implementation of the program statewide in the 2018-2019 school year.

(3) No later than October 15, 2019, and annually thereafter, on program outcomes, including impact on remediation rates in both mathematics and reading and English for recent high school graduates entering a North Carolina community college or constituent institution of The University of North Carolina."

PART XI. UNIVERSITIES

EXPAND INTERNSHIPS AND CAREER-BASED OPPORTUNITIES FOR STUDENTS ATTENDING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCU).

SECTION 11.1. Section 11.12(b) of S.L. 2015-241, Appropriations Act of 2015, reads as rewritten:

"**SECTION 11.12.(b)** ~~The~~ For the 2016-2017 fiscal year, the Board of Governors shall conduct a competitive process to select institutions of higher education that are Historically Black Colleges and Universities to participate in the internship program which links ~~60~~a minimum of 95 students attending Historically Black Colleges and Universities with North Carolina-based companies. The Board of Governors shall determine the number of institutions that may participate in the program; however, at least two of the institutions shall be private institutions. Funds appropriated by this act for this internship program shall be allocated only to constituent institutions of The University of North Carolina that are designated as an HBCU and private colleges and universities located in North Carolina that are designated as an HBCU."

MODIFY NC GUARANTEED ADMISSION PROGRAM (NCGAP)

SECTION 11.2.(a) Section 11.7(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 11.7.(b)** The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall jointly study and evaluate how a deferred admission program, to be known as the North Carolina Guaranteed Admission Program (NCGAP), for students identified as academically at risk and designed pursuant to subsection (c) of this section, would address the issues and help achieve the goals set out in subsection (a) of this section. In its study the Board of Governors and State Board of Community Colleges shall also consider the best procedure for implementing NCGAP and the fiscal impact it may have with respect to enrollment.

By January 1, 2017, the President of The University of North Carolina, in consultation with the Board of Governors, shall adopt a plan to improve student completion of baccalaureate degrees that includes specific targets for each constituent institution's completion rates and that is effective for the 2017-2018 academic year. For the purposes of this section, "completion rates" may include the four and six year graduation rate of first-time, full-time freshman or other methods of measuring completion that may more accurately capture the success of each institution's undergraduate population. The plan shall allow for a variety of strategies designed to best meet the individual constituent institutions' needs, such as, but not limited to: redesigned courses, early alerts systems, tutoring, degree mapping, and innovative merit-based completion incentives."

SECTION 11.2.(b) Section 11.7(d) of S.L. 2015-241 reads as rewritten:

"**SECTION 11.7.(d)** The Board of Governors of The University of North Carolina and the State Board of Community Colleges shall report their finding and recommendations to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by March 1, 2016. The report shall include an analysis of the fiscal impact NCGAP may have with regard to enrollment at constituent institutions of The University of North Carolina and at community colleges, the number of students who may participate in NCGAP, and its effect on FTEs.

The President of the University of North Carolina shall report on the plan to improve student completions to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by January 1, 2017."

SECTION 11.2.(c) Section 11.7(e) of S.L. 2015-241 reads as rewritten:

"**SECTION 11.7.(e)** Based on the analysis conducted by the Board of Governors and the State Board of Community Colleges pursuant to subsection (b) of this section and the recommendations made pursuant to subsection (d) of this section, each constituent institution shall design a deferred admission program as part of NCGAP for implementation at the institution. The institution shall design the program so that it may be implemented at the institution beginning with the ~~2016-2017~~2017-2018 fiscal year and applied to the institution's admission process for the ~~2017-2018~~2018-2019 academic year and each subsequent academic ~~year.~~year if the plan required by subsection (b) of this section is not implemented."

SECTION 11.2.(d) Section 11.7(g) of S.L. 2015-241 reads as rewritten:

"**SECTION 11.7.(g)** NCGAP shall be implemented at all constituent institutions and all community colleges beginning with the ~~2016-2017~~2017-2018 fiscal year and shall apply to admissions policies at each constituent institution and community college beginning with the ~~2017-2018~~2018-2019 academic year and each subsequent academic ~~year.~~year if the plan required by subsection (b) of this section is not implemented."

ACCESS TO AFFORDABLE COLLEGE EDUCATION

SECTION 11.4.(a) Guarantee of No In-State Tuition Increase for Standard College Term. – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-143.9. Fixed tuition and fee payment option.**

(a) There is established a fixed tuition and fee payment program that shall be available to any freshman or transfer undergraduate student who is admitted to any constituent institution of

The University of North Carolina and deemed to be a North Carolina resident for purposes of tuition. The program shall have the following components:

(1) A guarantee that the cost of tuition and the cost of fees will remain constant or decrease during the tuition period.

(2) Except as provided in subsection (b) of this section, the tuition period shall be (i) eight consecutive academic semesters for a student seeking a baccalaureate degree in a four-year program or 10 consecutive academic semesters for a student seeking a baccalaureate degree in a program officially designated by the Board of Governors as a five-year program, not including any summer sessions, or (ii) the appropriate balance of that after making the proper adjustments for a student who transfers to the constituent institution.

(3) Except as provided in subsection (b) of this section, the student must remain enrolled continuously at the constituent institution during the entire tuition period.

(4) At the end of the tuition period, the cost of tuition for any additional academic semesters reverts to the amount of the current tuition for that constituent institution and a tuition surcharge imposed under G.S. 116-143.7, if applicable.

(b) The tuition period may be tolled if the student is able to demonstrate a substantial disruption or interruption in the student's pursuit of a degree as provided in G.S. 116-143.7(c).

(c) The Board of Governors shall adopt the policies needed to implement this section and shall also determine what the fixed tuition and fee payment rates and the tuition periods shall be for undergraduate transfer students who are North Carolina residents for purposes of tuition."

SECTION 11.4.(a1) Subsection (a) of this section is effective when it becomes law and applies to freshmen and transfer students who enroll at a constituent institution beginning with the 2016 fall academic semester.

SECTION 11.4.(b) Reduction of Student Fees. – Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina and the Board of Trustees at each constituent institution shall reduce student fees as follows: Beginning with the 2018 fall academic semester, student fees shall be reduced by an amount that is five percent (5%) less than the amount of the student fees charged in the 2016 fall academic semester. The Board of Governors and the Boards of Trustees in their discretion shall determine what the amount of the reduction in fees required by this subsection shall be. After making the initial fee reduction of five percent (5%) required by this subsection, a constituent institution may increase student fees by no more than three percent (3%) per academic year.

SECTION 11.4.(c) Reduced Tuition at Certain Institutions. – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-143.10. Reduced tuition at certain institutions.**

(a) Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina shall set tuition rates for the constituent institutions listed in subsection (c) of this section as follows: Beginning with the 2018 fall academic semester, the tuition rate for resident students shall be five hundred dollars ($500.00) per academic semester and the tuition rate for nonresident students shall be two thousand five hundred dollars ($2,500) per academic semester.

(b) Notwithstanding any other provision of law, beginning with the 2018-2019 fiscal year, the Director of the Budget may, on recommendation of the Board of Governors of The University of North Carolina, authorize an increase in the base budget for The University of North Carolina of up to seventy million dollars ($70,000,000) to cover the cost of lost tuition revenue for that fiscal year. Any increase in the base budget authorized pursuant to this subsection shall not be included in the calculation of projected enrollment growth under G.S. 116-30.7. The authorization provided in this subsection shall be effective only as long as tuition continues at the rate established by subsection (a) of this section.

(c) This section applies only to the following constituent institutions:
(1) Elizabeth City State University.
(2) Fayetteville State University.
(3) University of North Carolina at Pembroke.
(4) Winston-Salem State University.
(5) Western Carolina University."

SECTION 11.4.(c1) G.S. 116-144 reads as rewritten:

"**§ 116-144. Higher tuition to be charged nonresidents.**

~~The~~ Unless provided otherwise by law, 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."

SECTION 11.4.(d) Evaluation of Admission Cap on Nonresident Students Entering the Freshman Class of a Constituent Institution. – The Board of Governors shall consider what effect, if any, the elimination of or an increase in the current cap of eighteen percent (18%) on the admission of nonresident students entering the freshman class at the constituent institutions listed in subsection (d1) of this section may have regarding the student applications to those institutions. If the Board of Governors determines that eliminating or increasing such cap may increase the number, academic strength, and diversity of student applications at those institutions, then the Board of Governors may, in its discretion, adopt a policy that eliminates or establishes a different cap and the period of time for which the modification of the cap shall be implemented at those institutions.

SECTION 11.4.(d1) Subsection (d) of this section applies only to the following constituent institutions:
(1) Elizabeth City State University.
(2) Fayetteville State University.
(3) University of North Carolina at Pembroke.
(4) Winston-Salem State University.
(5) Western Carolina University.

SECTION 11.4.(e) Establish Merit Scholarships at North Carolina Agricultural and Technical State University and North Carolina Central University. – Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 35.

"Cheatham-White Scholarships.

"**§ 116-290. Cheatham-White Scholarships; establishment and purpose; benefits.**

(a) Scholarships Established; Purpose. – The Cheatham-White Scholarships are established as a merit scholarship program at North Carolina Agricultural and Technical State University and at North Carolina Central University. The purpose of the scholarships is to provide an outstanding educational experience for students who are exceptional scholars, versatile and well-rounded individuals with a broad range of interests, and who are accomplished and proficient in areas of both the arts and the sciences. They must also demonstrate leadership potential and a strong commitment to service.

(b) Scholarship Benefits. – Each scholarship is a fully funded four-year scholarship that covers the cost of all of the following: full tuition, student fees, housing, meals, textbooks, a laptop, supplies, travel, and personal expenses. Each scholarship also provides four summers of fully funded enrichment and networking opportunities that may include international travel and study.

(c) Number of Scholarships Awarded. – Up to 50 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each academic year to students admitted to North Carolina Agricultural and Technical State University. Up to 50 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each academic year to students admitted to North Carolina Central University.

"**§ 116-291. Cheatham-White Scholarships; fund established; administration of fund.**

(a) Fund Established. – There is established the Cheatham-White Scholarships Fund to be used to fund scholarships awarded pursuant to this Article. Both private and public funds may be solicited in the creation of the fund.

(b) Matching Funds. – The funds appropriated each fiscal year to the Cheatham-White Scholarships Fund shall be matched by non-State funds and disbursed pursuant to G.S. 143C-4-5.

(c) Administration of Fund. – The University of North Carolina General Administration shall administer the Cheatham-White Scholarships Fund and the Cheatham-White Scholarships program.

"**§ 116-292. Cheatham-White Scholarships; eligibility and selection criteria.**

(a) Eligibility. – To be eligible to be nominated as a potential candidate for a Cheatham-White Scholarship, a person must satisfy all of the following criteria:

(1) Be a competitive applicant for admission as a freshman in the fall semester into a baccalaureate program at either North Carolina Agricultural and Technical State University or North Carolina Central University.

(2) Be a United States citizen or permanent resident.

(3) Be on course to graduate from high school in the spring semester prior to college admission.

(b) Selection Criteria. – Candidates for Cheatham-White Scholarships shall be selected on the basis of academic merit, honorable character, outstanding leadership potential, and a demonstrable commitment to service. Financial need shall not be a consideration.

"**§ 116-293. Cheatham-White Scholarships; school nomination of candidates.**

All North Carolina high schools are eligible to nominate a student to be considered as a candidate for a Cheatham-White Scholarship. For purposes of this section, a high school includes a public school under the direction of a local board of education, a charter school, a regional school, a high school operated as part of The University of North Carolina, a school operated by the Department of Health and Human Services, a school operated by the State Board of Education, or a nonpublic school regulated under Article 39 of Chapter 115C of the General Statutes.

The number of nominees from each school is determined by the size of the senior class as follows:

(1) Up to 199 seniors ..... 2 nominees.

(2) 200-399 seniors ..... 3 nominees.

(3) 400-499 seniors ..... 4 nominees.

(4) 500 or more seniors ..... 5 nominees.

"**§ 116-294. Cheatham-White Scholarships; administration of scholarships.**

The University of North Carolina General Administration shall administer the Cheatham-White Scholarships, in consultation and collaboration with North Carolina Agricultural and Technical State University and North Carolina Central University, pursuant to policies adopted by the Board of Trustees of both constituent institutions. As part of its administrative responsibilities, the University of North Carolina General Administration, in consultation and collaboration with North Carolina Agricultural and Technical State University and North Carolina Central University, shall do all of the following:

(1) Design and implement an application and school nomination process to be used to identify potential scholarship candidates and a process for awarding the scholarships.

(2) Develop a direct nomination process, in addition to the school nomination process, that allows a student to nominate himself or herself to be considered as a candidate for the scholarship in certain circumstances.
(3) Define and describe more fully the selection criteria to be considered when choosing a scholarship candidate and recipient.
(4) Identify the parties that will (i) evaluate scholarship applications and nominations and (ii) determine which candidates shall be awarded scholarships.
(5) Design the framework and add the necessary substantive detail for the scholarship program, including courses of study that will be available, summer enrichment programs, and other extraordinary educational opportunities, and oversee its implementation.
(6) Establish a mentoring and networking system for scholarship recipients.
(7) Administer the Cheatham-White Scholarships Fund.
(8) Establish a Cheatham-White Scholarships alumni association and network.
(9) Any other function necessary for the successful implementation of the Cheatham-White Scholarships program and administration of the Cheatham-White Scholarships Fund."

SECTION 11.4.(e1) G.S. 116-291, as enacted by subsection (e) of this section, becomes effective July 1, 2016. The remainder of subsection (e) of this section becomes effective beginning with the 2017 fall academic semester so that students may be nominated for the scholarship during the 2017-2018 academic year and recipients of the scholarship may enroll to begin a course of study at the constituent institution beginning with the 2018 fall academic semester.

SECTION 11.4.(f) Effective Dates. – Subsections (a) through (d) of this act do not apply to high schools governed by the University of North Carolina General Administration.

SECTION 11.4.(f1) Except as provided otherwise, this section is effective when it becomes law and applies to the 2016 fall academic semester and each subsequent academic semester.

DISCLOSURE OF STUDENT DATA AND RECORDS BY PRIVATE INSTITUTIONS OF HIGHER EDUCATION/LIABILITY PROTECTION

SECTION 11.5. G.S. 116-229.1(a) reads as rewritten:

"(a) A private college or university that discloses personally identifiable information in student data or records according to the terms of a written agreement with a State agency, local school administrative unit, community college, constituent institution of The University of North Carolina, or the North Carolina Independent Colleges and Universities, Inc., in compliance with the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g, shall not be liable for a breach of confidentiality, disclosure, use, retention, or destruction of the student data or records if the breach, disclosure, use, retention, or destruction results from actions or omissions of either (i) the North Carolina Independent Colleges and Universities, Inc., the State agency, local school administrative unit, community college, or constituent institution of The University of North Carolina to which the data was provided or (ii) persons provided access to the data or records by those entities."

UNC TEACHER AND PRINCIPAL PREPARATION PROGRAM LAB SCHOOL FOR K-8 STUDENTS

SECTION 11.6.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 29A.
"University of North Carolina Laboratory Schools.

"**§ 116-239.5. University of North Carolina laboratory schools; purpose.**

(a) Each constituent institution of The University of North Carolina with an educator preparation program shall establish a laboratory school to serve public school students in accordance with this Article.

(b) The mission of a laboratory school shall be to improve student performance in local school administrative units with low-performing schools by providing an enhanced education program for students residing in those units and to provide exposure and training for teachers and principals to successfully address challenges existing in high needs school settings. A laboratory school shall provide an opportunity for research, demonstration, student support and expansion of the teaching experience, and evaluation regarding management, teaching, and learning.

(c) Each laboratory school shall expand student opportunities for educational success through high quality instructional programming and innovative instruction and research by using the resources available to the constituent institution. Each constituent institution operating a laboratory school shall incorporate best practices gained from State initiatives focused on leadership development for both teachers and principals in low-performing schools and local school administrative units.

(d) Except as otherwise provided in this Article, a laboratory school is exempt from statutes and rules applicable to a local board of education or local school administrative unit.

"**§ 116-239.6. Definitions.**

The following definitions apply in this Article:

(1) Advisory board. – An advisory board established by the board of trustees under G.S. 116-239.8.

(2) Board of trustees. – The board of trustees of the constituent institution of The University of North Carolina with an educator preparation program that is the governing body of a lab school established under this Article.

(3) Laboratory school or lab school. – A public school created under G.S. 116-239.7 that (i) is located in a local school administrative unit that has twenty five percent (25%) or more of the schools located in the unit identified as low-performing under G.S. 115C-105.37 and (ii) serves students in kindergarten through eighth grade.

(4) Principal. – The principal of a lab school.

"**§ 116-239.7. Plan for the location of lab schools; creation of a lab school; dissolution.**

(a) Plan for the Location of Lab Schools. – The Board of Governors, in collaboration with the boards of trustees of constituent institutions with educator preparation programs, shall adopt a plan for the location of lab schools in local school administrative units that meet the minimum threshold for the number of low-performing schools located in the units under G.S. 116-239.6(3). The plan shall include a geographically diverse distribution of lab schools throughout the State and a maximum of one lab school located in a qualifying local school administrative unit. The Board of Governors shall update the plan as necessary to reflect any changes to the number of constituent institutions with educator preparation programs and the status of qualifying local school administrative units at the end of the term of operation of a lab school. A constituent institution shall not adopt a resolution to create a lab school under this section prior to receiving approval from the Board of Governors on the location of the lab school. At least 90 days prior to implementation, the Board of Governors shall submit the plan and any revisions to the plan to the Joint Legislative Commission on Governmental Operations.

(b) Resolution to Create a Lab School. – The board of trustees of each constituent institution of The University of North Carolina with an educator preparation program shall adopt a resolution stating its intent to create a lab school, which shall include the following:

(1) Name of the lab school.

(2) The local school administrative unit in which the lab school shall be located. The local school administrative unit in which the lab school is located shall meet the requirement under G.S. 116-239.6(3) that twenty-five percent (25%)

or more of the schools located in the unit are identified as low-performing under G.S. 115C-105.37 at the time the resolution is adopted. However, the board of trustees shall continue to operate the lab school within the local school administrative unit for at least five years as provided under subdivision (3) of this subsection regardless of whether the local school administrative unit continues to qualify under G.S. 116-239.6(3).

(3) A term of operation for the lab school of five years from the date of initial operation. At the end of five years of operation, if the lab school is still located in a local school administrative unit that has twenty-five percent (25%) or more of the schools located in the unit identified as low-performing under G.S. 115C-105.37, the resolution shall be renewed by the constituent institution at the end of the term for an additional five years. If the lab school is no longer located in a qualifying local school administrative unit at the end of five years, the board of trustees shall notify the Board of Governors to request consultation on determining the location of creating a new lab school in accordance with subsection (a) of this section and the provisions of this Article.

(c) Recognition of a Lab School. – Each board of trustees that adopts a resolution as provided in this section shall file a copy of the resolution with the State Board of Education. Upon receipt of a resolution from a board of trustees for a named lab school, the State Board of Education shall approve the creation of the lab school.

(d) Dissolution or Assumption of a Lab School. – In the event of the potential dissolution of a lab school at the end of the term of the school's operation or due to the termination of an educator preparation program at the constituent institution, subject to approval by the Board of Governors, the board of trustees shall adopt a plan for the dissolution or the assumption of the lab school by a new entity. A local board of education of the local school administrative unit in which the lab school is located may transition the lab school to a public school under the governance of the local board or, if the local school administrative unit still qualifies under G.S. 116-239.6(3), the board of trustees of another constituent institution with an educator preparation program may assume operation of the lab school. If the lab school is dissolved or a local board of education assumes operation of the school, all net assets of the lab school purchased with public funds shall be deemed property of the local school administrative unit in which the lab school is located. The State Board of Education shall be notified in the event of the dissolution or assumption of a lab school, including the identity of the entity assuming operation of the school.

"**§ 116-239.8. Board of trustees; powers and duties.**

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

(1) Advisory board. – A board of trustees shall appoint an advisory board to provide general oversight and guidance to the board of trustees of the lab school as follows:

a. Composition of the advisory board.– The dean of the constituent institution's educator preparation program shall be a standing member of the advisory board and the board of trustees, upon recommendation of the president of the constituent institution, shall appoint four faculty members from the institution, at least two of whom are from the educator preparation program, one public member who resides in the local school administrative unit in which the lab school is located, two parents or guardians of students who attend the lab school, and one lab school student appointed by the principal to serve on the advisory board. The term of each member shall be for two years, and any vacancy shall be filled with a person of the same classification as his or her predecessor for the balance of the unexpired term. The board of trustees shall stagger the terms of the initial appointees in a manner that results

in the expiration of terms of no more than two members in any year. The board of trustees shall call the organizational meeting of the advisory board. The advisory board shall annually elect a chair and a vice-chair. There shall be no limitation on successive appointments to the advisory board or successive terms that may be served by a chair or vice-chair. The advisory board shall adopt internal organizational procedures or bylaws necessary for efficient operation. Advisory board members shall not receive per diem or travel expenses for the performance of their duties.

b. The advisory board shall meet at least quarterly and shall have the following duties:

1. Monitor the operations of the lab school and the distribution of moneys allocated for such operations.
2. Recommend to the board of trustees necessary policy, program, and administration modifications.
3. Evaluate biennially the performance of the principal and recommend corresponding action to the board of trustees.
4. Annually review evaluations of the lab school's operation and research findings.

(2) Academic program. –

a. The board of trustees shall establish the standard course of study for the lab school. This course of study shall set forth the subjects to be taught in each grade and the texts and other educational materials on each subject to be used in each grade. The board of trustees shall design its programs to meet at least the student performance standards adopted by the State Board of Education and the student performance standards contained in Chapter 115C of the General Statutes.

b. The board of trustees shall conduct student assessments required by the State Board of Education.

c. The board of trustees shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

(3) Standards of performance and conduct. – The board of trustees shall establish policies and standards for academic performance, attendance, and conduct for students of the lab school. The policies of the board of trustees shall comply with Article 27 of Chapter 115C of the General Statutes.

(4) Food and transportation services. – The local school administrative unit in which the lab school is located shall continue to provide food services and transportation to students attending the lab school. The board of trustees shall arrange for the provision of these services from the local school administrative unit.

(5) School attendance. – Every parent, guardian, or other person in this State having charge or control of a child who is enrolled in the lab school and who is less than 16 years of age shall cause such child to attend school continuously for a period equal to the time that the lab school shall be in session. No person shall encourage, entice, or counsel any child to be unlawfully absent from the lab school. Any person who aids or abets a student's unlawful absence from the lab school shall, upon conviction, be guilty of a Class 1 misdemeanor. The principal shall be responsible for implementing such additional policies concerning compulsory attendance as shall be adopted by the board of trustees, including regulations concerning lawful and unlawful absences, permissible

excuses for temporary absences, maintenance of attendance records, and attendance counseling.

(6) Reporting. – The board of trustees shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.

(7) Assessment results. – The board of trustees shall provide data to the local school administrative unit on the performance of that student on any testing required by the State Board of Education.

(8) Education of children with disabilities. – The board of trustees shall require compliance with laws and policies relating to the education of children with disabilities.

(9) Health and safety. – The board of trustees shall require that the lab school meet the same health and safety standards required of a local school administrative unit. The Department of Public Instruction shall ensure that lab schools comply with G.S. 115C-375.2A. The board of trustees of a lab school shall provide the school with a supply of emergency epinephrine auto-injectors necessary to carry out the provisions of G.S. 115C-375.2A.

(10) School Risk Management Plan. – Each lab school, in coordination with local law enforcement agencies, is encouraged to adopt a School Risk Management Plan (SRMP) relating to incidents of school violence. In constructing and maintaining these plans, a lab school may utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

(11) Schematic diagrams and school crisis kits. – Lab schools are encouraged to provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies, in addition to implementing the provisions in G.S. 115C-105.52.

(12) School safety exercises. – At least once a year, a lab school is encouraged to hold a full schoolwide lockdown exercise with local law enforcement and emergency management agencies that are part of the lab school's SRMP.

(13) Safety information provided to the Department of Public Safety, Division of Emergency Management. – A lab school is encouraged to provide the following: (i) schematic diagrams, including digital schematic diagrams and (ii) emergency response information requested by the Division for the SRMP. The schematic diagrams and emergency response information are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

(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 and grade 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 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.

(15) Policy against bullying. – A lab school is encouraged to adopt a policy against bullying or harassing behavior, including cyberbullying, that is consistent with the provisions of Article 29C of Chapter 115C of the General Statutes. If a lab school adopts a policy to prohibit bullying and harassing behavior, the lab

school shall, at the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8).

(16) Access for youth groups. – Lab schools are encouraged to facilitate access for students to participate in activities provided by any youth group listed in Title 36 of the United States Code as a patriotic society, such as the Boy Scouts of America, and its affiliated North Carolina groups and councils, and the Girl Scouts of the United States of America, and its affiliated North Carolina groups and councils. Student participation in any activities offered by these organizations shall not interfere with instructional time during the school day for the purposes of encouraging civic education.

"**§ 116-239.9. Student admissions and assignment.**

(a) Any child who is residing in a local school administrative unit in which a lab school is located and is enrolled in a low-performing school, as defined by G.S. 115C-105.37 at the time of the student's application, may attend the lab school.

(b) No local board of education shall require any student enrolled in the local school administrative unit to attend a lab school.

(c) During each period of enrollment, the lab school shall enroll an eligible student who submits a timely application, with priority enrollment given in the order in which applications are received to a student who did not meet expected student growth in the prior school year based on any of the following: (i) grades, (ii) observations, (iii) diagnostic and formative assessments, (iv) State assessments, or (v) other factors, including reading on grade level. If the number of applications from other eligible students exceeds the capacity of a program, class, grade level, or building, those students shall be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods.

(d) Notwithstanding any law to the contrary, a lab school may refuse admission to any student who has been expelled or suspended from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

"**§ 116-239.10. Employees.**

The board of trustees shall appoint all licensed and nonlicensed staff in accordance with the following:

(1) Principal. – The constituent institution shall employ and contract with a principal for a term not to exceed three years. The principal shall meet the requirements for licensure set out in G.S. 115C-284, unless waived by the State Board of Education upon submission of a request by the board of trustees. The principal shall be responsible for school operations and shall exercise those duties and powers delegated by the board of trustees.

(2) Faculty members. – Faculty members may serve simultaneously as instructional personnel for the lab school and the constituent institution.

(3) Teachers. – The constituent institution shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school. At least fifty percent (50%) of teachers employed by the constituent institution shall hold teacher licenses, unless waived by the State Board of Education upon submission of a request by the board of trustees.

(4) Leave of absence from local school administrative unit. – If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the lab school, the local school administrative unit shall grant the leave for one year. For the initial year of the lab school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the lab school's operation, the local school administrative unit may require that the request for a leave of absence be

made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that local board under this subdivision. A teacher who has career status under G.S. 115C-325 prior to receiving a leave of absence to teach at the lab school may return to a public school in the local school administrative unit with career status at the end of the leave of absence or upon the end of employment at the lab school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).

(5) Nonlicensed staff. – The constituent institution also may employ necessary employees who are not required to hold teacher licenses to perform duties other than teaching and may contract for other services.

(6) Employment dismissal. – An employee of the constituent institution is not an employee of the local school administrative unit in which the lab school is located. The constituent institution may discharge licensed and nonlicensed employees according to the terms of the employment contract.

(7) Employee benefits. – Employees of the constituent institution shall participate in the Teachers' and State Employees' Retirement System and the State Health Plan on the same terms as other employees employed by the constituent institution.

(8) Exemptions. – Employees of the constituent institution shall be exempt from Chapter 126 of the General Statutes, except Articles 6 and 7.

"**§ 116-239.11. State and local funds.**

(a) The State Board of Education shall allocate to a lab school the following:

(1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the school is located for each child attending the lab school, except for the allocation for children with disabilities and for the allocation for children with limited English proficiency.

(2) An additional amount for each child attending the lab school who is a child with disabilities. In the event a child with disabilities leaves the lab school and enrolls in a public school during the first 60 school days in the school year, the lab school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in the lab school during the first 60 school days in the school year, the State Board shall allocate to the lab school the pro rata amount of additional funds for children with disabilities.

(3) An additional amount for children with limited English proficiency attending the lab school, based on a formula adopted by the State Board.

(b) The State Board shall allow for annual adjustments to the amount allocated to the lab school based on its enrollment growth in school years subsequent to the initial year of operation.

(c) Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for lab schools and may be used for payments on loans made to lab schools for facilities, equipment, or operations. However, State funds allocated under this section shall not be used to obtain any other interest in real property or mobile classroom units.

(d) If a student attends a lab school, the local school administrative unit in which the child resides shall transfer to the lab 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 lab school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and lab school may use the process for mediation of differences 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 a lab school located in the tax district for which these taxes are levied and in which the student resides.

(e) The local school administrative unit shall also provide each lab school to which it transfers a per pupil share of its local current expense fund with all of the following information within the 30-day time period provided in subsection (d) of this section:

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

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

(3) How the per pupil share of the local current expense fund was calculated.

(4) Any additional records requested by a lab school from the local school administrative unit in order for the lab school to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

(f) Prior to commencing an action under subsection (d) of this section, the complaining party shall give the other party 15 days' written notice of the alleged violation. The court shall award the prevailing party reasonable attorneys' fees and costs incurred in an action under subsection (d) of this section. The court shall order any delinquent funds, costs, fees, and interest to be paid in equal monthly installments and shall establish a time for payment in full that shall be no later than one year from the entry of any judgment.

"**§ 116-239.12. Criminal history record checks.**

(a) As used in this section:

(1) "Criminal history" means a county, state, or federal criminal history of conviction of a crime, whether a misdemeanor or a felony, that indicates an individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel. These crimes include the following North Carolina crimes contained in any of the following Articles of Chapter 14 of the General Statutes: Article 5A, Endangering Executive and Legislative, and Court Officers; Article 6, Homicide; Article 7B, Rape and Other Sex Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary and Other Housebreakings; Article 15, Arson and Other Burnings; Article 16, Larceny; Article 17, Robbery; Article 18, Embezzlement; Article 19, False Pretense and Cheats; Article 19A, Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 20, Frauds; Article 21, Forgery; Article 26, Offenses Against Public Morality and Decency; Article 26A, Adult Establishments; Article 27, Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct in Public Office; Article 35, Offenses Against the Public Peace; Article 36A, Riots and Civil Disorders; Article 39, Protection of Minors; and Article 60, Computer-Related Crime. These crimes also include possession or sale of drugs in violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North

Carolina crimes listed in this subdivision, such crimes also include similar crimes under federal law or under the laws of other states.

(2) "School personnel" means any of the following:

a. Member of the board of trustees or the advisory board.

b. Employee of the lab school.

c. Independent contractor or employee of an independent contractor of the lab school if the independent contractor carries out duties customarily performed by school personnel, whether paid with federal, State, local, or other funds, who has significant access to students or who has responsibility for the fiscal management of the lab school.

(b) The board of trustees shall adopt a policy that requires an applicant for a school personnel position to be checked for a criminal history as provided in subsection (c) of this section. The board of trustees shall apply its policy uniformly in requiring applicants for school personnel positions to be checked for a criminal history. The board of trustees may grant conditional approval of an application while the board of trustees is checking a person's criminal history and making a decision based on the results of the check. An applicant for a school personnel position shall not be required to be checked for a criminal history if he or she has received a license within six months of employment that required a criminal history check equivalent to the criminal history check required in subsection (c) of this section.

The board of trustees shall not require an applicant to pay for the criminal history record check authorized under this section.

(c) The board of trustees shall require the person to be checked by the Department of Public Safety (i) to be fingerprinted and to provide any additional information required by the Department of Public Safety to a person designated by the board of trustees or to the local sheriff or the municipal police, whichever is more convenient for the person and (ii) to sign a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories. The board of trustees shall consider refusal to consent when making employment decisions and decisions with regard to independent contractors. The fingerprints of the individual shall be forwarded to the State Bureau of Investigation for a search of the State criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Public Safety shall provide to the board of trustees the criminal history from the State and National Repositories of Criminal Histories of any school personnel for which the board of trustees requires a criminal history record check.

The board of trustees shall not require school personnel to pay for fingerprints authorized under this section.

(d) The board of trustees shall review the criminal history it receives on an individual. The board of trustees shall determine whether the results of the review indicate that the individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel and shall use the information when making employment decisions and decisions with regard to independent contractors. The board of trustees shall make written findings with regard to how it used the information when making employment decisions and decisions with regard to independent contractors. The board of trustees may delegate any of the duties in this subsection to the principal.

(e) The board of trustees, or the principal if designated by the board of trustees, shall provide to the State Board of Education the criminal history it receives on a person who is certificated, certified, or licensed by the State Board of Education. The State Board of Education shall review the criminal history and determine whether the person's certificate or license should be revoked in accordance with State laws and rules regarding revocation.

(f) All the information received by the board of trustees through the checking of the criminal history or by the State Board of Education in accordance with this section is privileged

information and is not a public record but is for the exclusive use of the board of trustees or the State Board of Education. The board of trustees or the State Board of Education may destroy the information after it is used for the purposes authorized by this section after one calendar year.

(g) There shall be no liability for negligence on the part of the board of trustees, or its employees, or the State Board of Education, or its employees, arising from any act taken or omission by any of them in carrying out the provisions of this section. The immunity established by this subsection shall not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable. The immunity established by this subsection shall be deemed to have been waived to the extent of indemnification by insurance, indemnification under Articles 31A and 31B of Chapter 143 of the General Statutes, and to the extent sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of Chapter 143 of the General Statutes.

(h) Any applicant for employment who willfully furnishes, supplies, or otherwise gives false information on an employment application that is the basis for a criminal history record check under this section shall be guilty of a Class A1 misdemeanor.

"**§ 116-239.13. Review of lab schools.**

The Board of Governors of The University of North Carolina, in conjunction with the constituent institutions operating lab schools and the State Board of Education, shall review and evaluate the educational effectiveness of the lab schools authorized under this Article for both public school students and students enrolled in educator preparation programs. The Board of Governors shall report by November 15 of each year to the Joint Legislative Education Oversight Committee on the following:

(1) Information on public school student enrollment in each lab school, including student demographics.

(2) The public school student admissions process and the number of students enrolled under the priority admissions category at each lab school.

(3) Public school student achievement data, including school performance grades and student achievement scores and student growth, at each lab school.

(4) Public school student academic progress in each lab school as measured against the previous school year and against other schools located in the local school administrative unit and statewide.

(5) Information on the student outcomes for students who are enrolled in each educator preparation program who obtained clinical experience in school leadership and teaching in the lab schools, including the performance elements reported under G.S. 115C-296.13(b).

(6) Best practices resulting from lab school operations.

(7) Other information the Board considers appropriate."

SECTION 11.6.(b) G.S. 14-458.2(a) reads as rewritten:

"(a) The following definitions apply in this section:

(1) School employee. – The term means any of the following:

a. An employee of a local board of education, a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes.

b. An independent contractor or an employee of an independent contractor of a local board of education, a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter

115C of the General Statutes, if the independent contractor carries out duties customarily performed by employees of the school.

(2) Student. – A person who has been assigned to a school by a local board of education as provided in G.S. 115C-366 or has enrolled in a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes, or a person who has been suspended or expelled from any of those schools within the last year."

SECTION 11.6.(c) G.S. 115C-83.15 reads as rewritten:

"**§ 115C-83.15. School achievement, growth, 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 all of the following indicators that are measured for that school:

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

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

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

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

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

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

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

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 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, ~~and 115C-238.66.~~115C-238.66, and 116-239.8.

(c) Calculation of the School Growth Score. – Using EVAAS, the State Board shall calculate the overall growth score earned by schools. In calculating the total growth score earned by schools, the State Board of Education shall weight student growth on the achievement indicators 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, ~~and 115C-238.66.~~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. For all schools, the total school performance score shall be converted to a 100-point scale and used to determine a school performance grade based on the following scale:

(1) A school performance score of at least 90 is equivalent to an overall school performance grade of A.

(2) A school performance score of at least 80 is equivalent to an overall school performance grade of B.

(3) A school performance score of at least 70 is equivalent to an overall school performance grade of C.

(4) A school performance score of at least 60 is equivalent to an overall school performance grade of D.

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

(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, ~~and 115C-238.66.~~115C-238.66, and 116-239.8.

(f) Indication of Growth. – In addition to awarding the overall school scores for achievement, growth, and performance and the performance grade, 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, ~~and 115C-238.66.~~115C-238.66, and 116-239.8."

SECTION 11.6.(d) Notwithstanding G.S. 116-239.7(a), as enacted by this section, by November 1, 2016, the Board of Governors of The University of North Carolina shall submit a plan for the location of lab schools throughout the State to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 116-239.7(a).

Notwithstanding Article 29A of Chapter 116 of the General Statutes, as enacted by this section, no earlier than April 1, 2017, each constituent institution of The University of North Carolina with an educator preparation program shall adopt a resolution to create a lab school under G.S. 116-239.7 to begin operation of its lab school in the 2017-2018 school year.

SECTION 11.6.(e) The nonrecurring funds in the amount of one million dollars ($1,000,000) appropriated by this act to the Board of Governors for the UNC Teacher and Principal Preparation Laboratory School Program shall be allocated to The University of North Carolina General Administration to provide administrative and technical assistance to constituent institutions with educator preparation programs to support the establishment of lab schools in accordance with this section.

SECTION 11.6.(f) By November 15, 2017, the Board of Governors shall submit a report to the Joint Legislative Education Oversight Committee on the progress of establishing the lab schools as required by Article 29A of Chapter 116 of the General Statutes, including information on student enrollment numbers and the admissions process and any other information the Board deems relevant. By November 15, 2018, the Board of Governors shall submit the initial report required by G.S. 116-239.13 to the Joint Legislative Education Oversight Committee.

UNC ADVANCEMENT ACTIVITY

SECTION 11.7. The Board of Governors shall distribute the five million dollars ($5,000,000) in nonrecurring funds appropriated to it by this act for the 2016-2017 fiscal year for the purpose of partially offsetting the reduction required by the cap on campus advancement activities established in Section 11.6 of S.L. 2015-241 proportionately among the constituent institutions as follows: the proportionate distributions shall be based on the proportion by which each constituent institution exceeded expenditures of one million dollars ($1,000,000) in State funds on advancement programs for the 2015-2016 fiscal year.

LRC/STUDY TAXATION OF LESSEES AND USERS OF TAX-EXEMPT CROPLAND OR FORESTLAND

SECTION 11.8.(a) The Legislative Research Commission may study the laws regarding taxation of lessees and users of tax-exempt cropland or forestland, such as Hofmann Forest, to determine the effect of those laws with regard to a governmental entity that owns the property, a governmental entity in which the property is located, a person as defined in G.S. 105-273(12) that leases or uses the property in connection with business conducted for profit, and a person as defined in G.S. 105-273(12) that leases or uses the property in connection with an eleemosynary enterprise of some kind. In addition to the laws regarding taxation, the Commission may study any other issue it deems relevant to this study.

SECTION 11.8.(b) The Legislative Research Commission shall report its findings, together with any recommended legislation, to the 2017 General Assembly upon its convening.

SUBPART XI-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

MODIFICATIONS TO THE SPECIAL EDUCATION SCHOLARSHIP GRANT PROGRAM FOR CHILDREN WITH DISABILITIES

SECTION 11A.2.(a) G.S. 115C-112.6 reads as rewritten:

"**§ 115C-112.6. Scholarships.**

…

(b1) Disbursement of Scholarship Funds. – The Authority shall disburse scholarship funds for tuition and for the reimbursement of costs incurred by the parent of an eligible student as follows:

(1) ~~Scholarship~~ Tuition 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 (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) 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.~~ and reimbursement. – The Authority shall disburse scholarship funds awarded to eligible students for tuition at a nonpublic school based upon the method selected by the nonpublic school. A nonpublic school may elect to participate in the scholarship endorsement for tuition option or the reimbursement for tuition option as set forth in this subdivision. Scholarship funds shall not be provided for tuition for home schooled students. ~~If the student is attending a nonpublic school, the school must be deemed eligible by the Division of Nonpublic Education, pursuant to G.S. 115C-562.4, and the school shall be 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. 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. 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.~~Scholarship funds for tuition shall be disbursed as follows:

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. 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. 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.

b. Reimbursement for tuition. – The parent or guardian of an eligible student who enrolls in a school that is (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) 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 not subject to G.S. 115C-562.5, shall pay tuition directly to the school. The Authority shall reimburse the parent or guardian no sooner than the midpoint of each semester. A parent or guardian may receive reimbursement for tuition if the parent or guardian provides documentation that the student was enrolled in a school under this sub-subdivision.

(2) Scholarship reimbursements for costs. – Scholarship reimbursement for costs incurred shall be provided as follows:

a. Preapproval process. – Prior to the start of each school semester, the parent of an eligible student may submit documentation of the special education, related services, or educational technology the parent anticipates incurring costs on in that semester for preapproval by the Authority.

b. Reimbursement submissions. – Following the conclusion of each school semester, the parent of an eligible student shall submit to the Authority any receipts or other documentation approved by the Authority to demonstrate the costs incurred during the semester. In addition, parents shall provide documentation of the following to seek reimbursement:

1. Special education reimbursement. – Parents may only receive reimbursement for special education if the parent provides documentation that the student received special education for no

less than 75 days of the semester for which the parent seeks reimbursement. Special education reimbursement shall not be provided for special education instruction provided to a home schooled student by a member of the household of a home school, as defined in G.S. 115C-563(a).

2. Related services reimbursement. – Parents may only receive reimbursement for related services if the parent provides documentation that the student also received special education for no less than 75 days of the semester for which the parent seeks reimbursement for the related services. Related services reimbursement shall not be provided for related services provided to a home schooled student by a member of the household of a home school, as defined in G.S. 115C-563(a).

3. Educational technology reimbursement. – Parents may only receive reimbursement for educational technology if the parent provides documentation that the student used the educational technology for no less than 75 days of the semester for which the parent seeks reimbursement.

c. Scholarship award. – The Authority shall award a scholarship in the amount of costs demonstrated by the parent up to the maximum amount. If the costs incurred by the parent do not meet the maximum ~~amount,~~ amount for the fall semester, the Authority shall use the remainder of those funds for the award of scholarships to eligible students for the following ~~semester.~~ spring semester. The Authority shall award scholarships to the parents of eligible students at least semiannually.

d. Carryforward of funds for reimbursements. – Any unexpended scholarship funds 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 scholarships to eligible students but shall revert to the General Fund at the end of the that fiscal year.

(c) Student Continuing Eligibility. – After an eligible student's initial receipt of a scholarship, the Authority shall ensure that the student's continuing eligibility is assessed at least every three years by one of the following:

(1) The local educational agency. – The local school educational agency shall assess if the child continues to be a child with a disability and verify the outcome on a form to be provided to the Authority.

(2) A licensed psychologist with a school psychology ~~focus.~~ focus or a psychiatrist. – The psychologist or psychiatrist shall assess, after review of appropriate medical and educational records, if the education and related services received by the student in the nonpublic school setting have improved the child's educational performance and if the student would continue to benefit from placement in the nonpublic school setting. The psychologist or psychiatrist shall verify the outcome of the assessment on a form to be provided to the Authority.

…."

SECTION 11A.2.(b) Notwithstanding G.S. 115C-112.5(2)f.1., for the 2016-2017 school year only, a child shall be deemed to have met the eligibility requirement of enrollment in a

North Carolina public school during the previous semester under G.S. 115C-112.5(2)f.1. if (i) the child's parent or guardian submitted an application and was eligible to receive a scholarship grant under Part 1H of Article 9 of Chapter 115C of the General Statutes for the 2015-2016 school year and was enrolled in a public school for at least 75 days during the spring semester of the 2014-2015 school year or (ii) the child was enrolled for at least 75 days during the spring semester of the 2015-2016 school year.

SECTION 11A.2.(c) Except as otherwise provided in this section, this section applies beginning with the 2016-2017 school year.

OPPORTUNITY SCHOLARSHIP PROGRAM FORWARD FUNDING

SECTION 11A.3.(a) It is the intent of the General Assembly to move the Opportunity Scholarship Grant program funding into the Opportunity Scholarship Grant Fund Reserve (Reserve) established under G.S. 115C-562.8, as enacted by this act, so that funds appropriated for scholarship grants in a fiscal year are awarded to students for the following school year. This change shall provide additional program stability.

SECTION 11A.3.(b) G.S. 115C-562.1 is amended by adding a new subdivision to read:

"(5a) Reserve. – The Opportunity Scholarship Grant Fund Reserve established under G.S. 115C-562.8."

SECTION 11A.3.(c) G.S. 115C-562.2 is amended by adding a new subsection to read:

"(b1) Beginning with the 2017-2018 school year, within the funds appropriated by the General Assembly to award scholarship grants to eligible students under this Part, the Authority may award scholarship grants to at least 2,000 more eligible students each school year than were served in the prior school year."

SECTION 11A.3.(d) Part 2A of Article 39 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be administered by the Board of Governors of The University of North Carolina for the purpose of allocating funds to the Authority for the award of scholarship grants in accordance with this Part. The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the General Assembly. These funds shall be used to award scholarship grants to eligible students for the school year that begins in the fiscal year following the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this section. The unobligated balance of funds in the Reserve at the end of each fiscal year shall not revert to the General Fund but shall be used for those purposes set forth in this section for the next fiscal year."

SECTION 11A.3.(e) G.S. 115C-562.8, as enacted by subsection (d) of this section, reads as rewritten:

"**§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

(a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be administered by the Board of Governors of The University of North Carolina for the purpose of allocating funds to the Authority for the award of scholarship grants in accordance with this Part. The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the General Assembly to be used to award scholarship grants to eligible students for the school year that begins in the fiscal year following the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this section. The unobligated balance of funds in the Reserve at the end of each fiscal year shall not revert to the General Fund, but shall be used for those purposes set forth in this section for the next fiscal year.

(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.

(c) Of the funds allocated to the Authority to award scholarship grants under this Part, the Authority may retain the lesser of up to four percent (4%) of the funds appropriated or one million five hundred thousand dollars ($1,500,000) each fiscal year for administrative costs associated with the scholarship grant program."

SECTION 11A.3.(f) Section 5(b) of S.L. 2013-364, as amended by Section 3.2 of S.L. 2013-363 and Section 11.18 of S.L. 2015-241, is repealed.

SECTION 11A.3.(g) Subsections (e) and (f) of this section become effective July 1, 2017.

ELIMINATE THE TRANSFORMING PRINCIPAL PREPARATION PROGRAM

SECTION 11A.4. Section 11.9 of S.L. 2015-241 is repealed.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 12A.1. Section 12A.7 of S.L. 2015-241 reads as rewritten:

"**SECTION 12A.7.(a)** Funds appropriated in this act in the amount of five million eight hundred three thousand dollars ($5,803,000) for the 2015-2016 fiscal year and thirteen million fifty-two thousand dollars ($13,052,000) for the 2016-2017 fiscal year along with prior year earned revenue in the amount of nine million four hundred thousand dollars ($9,400,000) for the 2015-2016 fiscal year and ten million nine hundred eighty-nine thousand seventeen dollars ($10,989,017) for the 2016-2017 fiscal year; and for each of those fiscal years, the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing Services through Technology (NC FAST) project shall be used to match federal funds ~~in the 2015-2016 and 2016-2017 fiscal years~~ to expedite the development and implementation of Child Care, Low Income Energy Assistance, Crisis Intervention Programs, Child Services, ~~and~~ NC FAST Federally-Facilitated Marketplace (FFM) ~~Interoperability~~ Interoperability, and Additional Medicaid Eligibility Requirements and Enterprise Program Integrity components of the NC FAST

program. 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 Committees on Health and Human Services and Information Technology and the Fiscal Research Division.

"**SECTION 12A.7.(b)** Departmental receipts appropriated in this act in the amount of nine million eight hundred seventy-one thousand fifty-nine dollars ($9,871,059) for the 2015-2016 fiscal year and ~~thirteen million two hundred twenty thousand six hundred sixty-five dollars ($13,220,665)~~ twenty-five million eight hundred fifty-eight thousand one hundred eighty-seven dollars ($25,858,187) for the 2016-2017 fiscal year shall be used to provide ongoing maintenance and operations for the NC FAST system, including the creation of three full-time equivalent technology support analyst positions."

ELIMINATION OF NC TRACKS ICD-10 IMPLEMENTATION REPORT

SECTION 12A.2. Section 12A.6(b) of S.L. 2015-241 is repealed.

FINAL REPORT ON COMMUNITY PARAMEDICINE PILOT PROGRAM

SECTION 12A.3. Section 12A.12(e) of S.L. 2015-241reads as rewritten:

"**SECTION 12A.12.(e)** The Department of Health and Human Services shall submit a final report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by ~~November 1, 2016.~~March 1, 2017. At a minimum, the final report shall include all of the following:

(1) An updated version of the evaluation plan required by subsection (d) of this section.
(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."

CONTRACTING SPECIALIST TRAINING PROGRAM

SECTION 12A.4.(a) The School of Government at the University of North Carolina at Chapel Hill (SOG), in collaboration with the Director of Procurement, Contracts and Grants for the Department of Health and Human Services, shall prepare a proposal for the design of a contracting specialist training program for management level personnel within the Department that is based on both national standards and the Certified Local Government Purchasing Officer Program administered by the SOG. By August 1, 2016, the SOG and the Department shall submit the proposal prepared pursuant to this subsection to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

SECTION 12A.4.(b) The SOG, in collaboration with the Director of Procurement, Contracts and Grants for the Department of Health and Human Services, shall prepare a proposal for the implementation and administration of the contracting specialist training program for management level personnel within the Department. The proposal shall include budget estimates for program implementation and administration based on the requirements of the program design. The SOG and the Department shall submit the proposal prepared pursuant to this subsection, including budget estimates for program implementation and administration, to the House Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division for consideration during the 2017 Regular Session.

SECTION 12A.4.(c) This section is effective when it becomes law.

REVISE LIST OF INITIATIVES/COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS

SECTION 12A.5. Section 12A.8(b)(4) of S.L. 2015-241 is amended by adding the following new sub-subdivision to read:

"**SECTION 12A.8.(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:

...

(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:

...

n. A program that provides year-round sports training and athletic competition for children and adults with disabilities."

FUNDS FOR CONTINUED DEVELOPMENT OF HEALTH ANALYTICS PILOT PROGRAM

SECTION 12A.7. Section 12A.17 of S.L. 2015-241 reads as rewritten:

"**SECTION 12A.17.(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 seven hundred fifty thousand dollars ($750,000) in nonrecurring funds for the 2015-2016 fiscal ~~year and~~year; the sum of two hundred fifty thousand dollars ($250,000) in recurring funds for each year of the ~~2015-2016 fiscal year~~2015-2017 fiscal biennium; and the sum of one million two hundred fifty thousand dollars ($1,250,000) in nonrecurring funds for the 2016-2017 fiscal year shall be used for the ~~development and implementation~~ phased development, implementation, and operation of a pilot program for Medicaid claims analytics and population health management.

"**SECTION 12A.17.(b)** The Department shall coordinate with the Government Data Analytics Center (GDAC) to develop the pilot program and to provide access to needed data sources, including Medicaid claims data, Medicaid beneficiary files, and local management entity/managed care organization (LME/MCO) encounter data for the pilot program. The pilot program shall utilize the subject matter expertise and technology available through existing GDAC public-private partnerships in order to apply analytics in a manner that would maximize health care savings and efficiencies to the State and optimize positive impacts on health outcomes.

"**SECTION 12A.17.(b1)** During the 2016-2017 fiscal year, the scope of the pilot program shall be expanded to include all of the following:

(1) The integration of new data sources, such as patient level Healthcare Effectiveness Data and Information Set (HEDIS) quality measures, as prioritized by the Department and GDAC.

(2) Customized reporting and analytics capabilities.

(3) A tool to construct and analyze claims as clinical episodes of care in order to assist North Carolina in its transition to capitated managed care and value-based purchasing arrangements.

(4) Operationalization of the pilot program, including an ongoing feed of the data sources described in subsection (b) of this section and any other data sources mutually agreed upon by the Department and GDAC.

"**SECTION 12A.17.(c)** By November 30, 2015, the Department shall execute all contractual agreements and interagency data-sharing agreements necessary for development and implementation of the pilot program authorized by this section.

"**SECTION 12A.17.(d)** The Department and GDAC shall make the following reports on the pilot program authorized by this section:

(1) By January 15, 2016, the Department and GDAC shall provide a progress report on the pilot program authorized by this section to the Senate Appropriations Committee on Health and Human Services, the House of

Representatives Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

(2) By May 31, 2016, the Department and GDAC shall make ~~a final~~an interim report of their findings and recommendations on the pilot program authorized by this section to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

(3) By May 31, 2017, the Department and GDAC shall make a final report of their findings and recommendations on the pilot program authorized by this section to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division."

GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL CENTER

SECTION 12A.8.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, for the 2016-2017 fiscal year for Graduate Medical Education, the sum of up to seven million seven hundred thousand dollars ($7,700,000) in recurring funds shall be allocated to Cape Fear Valley Medical Center to support the establishment of a residency program affiliated with Campbell University Medical School. The amount of funds allocated to Cape Fear Valley Medical Center pursuant to this section shall not exceed the lesser of the following two amounts:

(1) The total amount of lost Medicare revenues attributed to the hospital's reclassification by the Centers for Medicare and Medicaid Services as a rural hospital minus three million dollars ($3,000,000) in private donations.

(2) Seven million seven hundred thousand dollars ($7,700,000).

SECTION 12A.8.(b) No funds shall be allocated to Cape Fear Valley Medical Center pursuant to subsection (a) of this section until the Office of State Budget and Management certifies, in writing, that the hospital has met the following criteria by June 30, 2017:

(1) Received private donations for the residency program in the amount of at least three million dollars ($3,000,000). No funds shall be allocated to Cape Fear Valley Medical Center in any subsequent fiscal year pursuant to this section unless OSBM certifies, in writing, that Cape Fear Valley Medical Center has received three million dollars ($3,000,000) in private donations for the residency program by June 30th of that fiscal year.

(2) Received approval from the federal Centers for Medicare and Medicaid Services for reclassification as a rural hospital.

(3) Obtained accreditation of the residency program with a minimum of 130 additional residency slots by the Accreditation Council for Graduate Medical Education or the American Osteopathic Association.

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K/CLARIFY BUILDING STANDARDS

SECTION 12B.1.(a) Section 12B.1 of S.L. 2015-241 is amended by adding a new subsection to read:

"**SECTION 12B.1.(b1)** Building Standards. – Notwithstanding G.S. 110-91, private child care facilities and public schools operating prekindergarten classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1."

SECTION 12B.1.(b) Section 12B.1(c) of S.L. 2015-241 reads as rewritten:

"**SECTION 12B.1.(c)** Programmatic Standards. – ~~All~~ Except as provided in subsection (b1) of this section, entities operating prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements."

STUDY CHILD CARE SUBSIDY RATE SETTING

SECTION 12B.2. The Department of Health and Human Services, Division of Child Development and Early Education, shall study how rates are set for child care subsidy. In conducting the study, the Division shall, at a minimum, review market rate studies and other methodologies for establishing rates, including any cost estimation models, along with the pros and cons of each method reviewed. The Division shall report to the House Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by March 1, 2017, on any recommendations, including the suggested methodology to be used for setting rates, as well as time frames for implementing the methodology.

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

CHILD WELFARE SYSTEM CHANGES

SECTION 12C.1.(a) Federal Improvement Plan Implementation. – The Department of Health and Human Services, Division of Social Services, shall implement 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. During the first two years of implementing the Program Improvement Plan, the Division shall ensure the three new Human Services/Planner Evaluator positions funded by this act are used to carry out the activities detailed in the Plan. Upon complete implementation of the Plan, these positions shall be used in child welfare services to continually improve outcomes for children and families.

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 the first report submitted on August 1, 2016, and the final report on February 1, 2019.

SECTION 12C.1.(b) Statewide Strategic Plan. – The Division of Social Services shall develop a statewide strategic plan for child welfare services that complements the required federal Program Improvement Plan. The statewide strategic plan shall, at a minimum, address the findings of the North Carolina Statewide Child Protective Services Evaluation, which was conducted as required by Section 12C.1(f) of S.L. 2014-100, in the areas of county performance, caseload sizes, administrative structure, adequacy of funding, social worker turnover, and monitoring and oversight. The plan shall also address measures for ensuring that Native American children in this State are served in a culturally appropriate manner, including in placements for adoption and foster care. The Division shall submit the plan to the Joint Legislative Oversight Committee on Health and Human Services by December 1, 2016, for consideration by the 2017 General Assembly.

SECTION 12C.1.(c) 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.

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 beginning October 1, 2016, and ending with a final report on October 1, 2018. 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.

SECTION 12C.1.(d) G.S. 7B-101(3) reads as rewritten:

"**§ 7B-101. Definitions.**

As used in this Subchapter, unless the context clearly requires otherwise, the following words have the listed meanings:

...

(3) Caretaker. – Any person other than a parent, guardian, or custodian who has responsibility for the health and welfare of a juvenile in a residential setting. A person responsible for a juvenile's health and welfare means a stepparent, foster parent, an adult member of the juvenile's household, an adult relative entrusted with the juvenile's care, a potential adoptive parent during a visit or trial placement with a juvenile in the custody of a department, any person such as a house parent or cottage parent who has primary responsibility for supervising a juvenile's health and welfare in a residential child care facility or residential educational facility, or any employee or volunteer of a division, institution, or school operated by the Department of Health and Human Services. Nothing in this subdivision shall be construed to impose a legal duty of support under Chapter 50 or Chapter 110 of the General Statutes. The duty imposed upon a caretaker as defined in this subdivision shall be for the purpose of this Subchapter only."

SECTION 12C.1.(e) G.S. 7B-302(a1)(1) reads as rewritten:

"(a1) All information received by the department of social services, including the identity of the reporter, shall be held in strictest confidence by the department, except under the following circumstances:

(1) The department shall disclose confidential information to any federal, State, or local government entity or its ~~agent~~ agent, or any private child placing or adoption agency licensed by the Department of Health and Human Services, in order to protect a juvenile from abuse or neglect. Any confidential information disclosed to any federal, State, or local government entity or its agent under this subsection shall remain confidential with the other ~~government~~ entity or its agent and shall only be redisclosed for purposes directly connected with carrying out that entity's mandated responsibilities."

SECTION 12C.1.(f) G.S. 7B-401.1(h) reads as rewritten:

"(h) Intervention. – Except as provided in G.S. 7B-1103(b) and subsection (e1) of this section, the court shall not allow intervention by a person who is not the juvenile's parent, guardian, or custodian, ~~or caretaker~~ but may allow intervention by another county department of

social services that has an interest in the proceeding. This section shall not prohibit the court from consolidating a juvenile proceeding with a civil action or claim for custody pursuant to G.S. 7B-200."

SECTION 12C.1.(g) G.S. 7B-901(c) reads as rewritten:

"(c) If the disposition order places a juvenile in the custody of a county department of social services, the court shall direct that reasonable efforts for reunification as defined in G.S. 7B-101 shall not be required if the court makes written findings of fact pertaining to any of the ~~following:~~following, unless the court concludes that there is compelling evidence warranting continued reunification efforts:

(1) A court of competent jurisdiction has determined that aggravated circumstances exist because the parent has committed or encouraged the commission of, or allowed the continuation of, any of the following upon the juvenile:
   a. Sexual abuse.
   b. Chronic physical or emotional abuse.
   c. Torture.
   d. Abandonment.
   e. Chronic or toxic exposure to alcohol or controlled substances that causes impairment of or addiction in the juvenile.
   f. Any other act, practice, or conduct that increased the enormity or added to the injurious consequences of the abuse or neglect.

(2) A court of competent jurisdiction has terminated involuntarily the parental rights of the parent to another child of the parent.

(3) A court of competent jurisdiction has determined that (i) the parent has committed murder or voluntary manslaughter of another child of the parent; (ii) has aided, abetted, attempted, conspired, or solicited to commit murder or voluntary manslaughter of the child or another child of the parent; (iii) has committed a felony assault resulting in serious bodily injury to the child or another child of the parent; (iv) has committed sexual abuse against the child or another child of the parent; or (v) has been required to register as a sex offender on any government-administered registry."

SECTION 12C.1.(h) G.S. 7B-906.2 is amended by adding a new subsection to read:

"(a1) Concurrent planning shall continue until a permanent plan has been achieved."

REVISE REPORT DATE/EBCI ASSUMPTION OF SERVICES

SECTION 12C.2.(a) Section 12C.10 of S.L. 2015-241, as amended by Section 4.2 of S.L. 2015-268, reads as rewritten:

"…

"**SECTION 12C.10.(d)** Approval for the Eastern Band of Cherokee Indians to administer the eligibility process for Medicaid and NC Health Choice is contingent upon federal approval of State Plan amendments and Medicaid waivers by the Centers for Medicare & Medicaid Services (CMS). The Department of Health and Human Services, Division of Medical Assistance (DMA), shall submit any State Plan amendments and Medicaid waivers necessary for the delegation of authority and administrative transfer of function to the Eastern Band of Cherokee Indians or to effectuate the changes required by this section and Section 12C.3 of S.L. 2014-100. All State Plan amendments and Medicaid waivers submitted as allowed under this subsection shall have an effective date of ~~October 1, 2016.~~April 1, 2017. DMA shall submit the State Plan amendments and waivers allowed under this subsection and any related responses to CMS requests for additional information to the Eastern Band of Cherokee Indians for review prior to submission to CMS. If CMS does not approve the State Plan amendments and Medicaid waivers allowed by this subsection, the counties shall continue serving individuals living on the federal lands held in trust by the United States.

"**SECTION 12C.10.(e)** ~~Within 30 days of CMS approval of the State Plan amendments and Medicaid waivers submitted as allowed under subsection (d) of this section, the Department of Health and Human Services shall submit an Advanced Planning Document Update (APDU)~~When an Advanced Planning Document Update (APDU) is required, the Department of Health and Human Services shall submit an APDU within 30 days after CMS approval of the State Plan amendments allowed under subsection (d) of this section. The Department shall submit the APDU to CMS, the United States Department of Agriculture (USDA), and the Administration for Children and Families (ACF). If CMS, USDA, and ACF do not approve the APDU, the counties shall continue serving individuals living on the federal lands held in trust by the United States.

...

"**SECTION 12C.10.(f1)** The Department, in collaboration with the Eastern Band of Cherokee Indians, shall draft a project plan to meet the ~~October 1, 2016,~~April 1, 2017, effective date required by subsection (d) of this section. The Department shall report on the project plan to the Joint Legislative Oversight Committee on Health and Human Services on or before January 1, 2016.

…."

SECTION 12C.2.(b) Section 12C.3(b) of S.L. 2014-100, as amended by Section 12C.10(e1) of S.L. 2015-241, reads as rewritten:

"**SECTION 12C.3.(b)** Beginning October 1, 2014, or upon federal approval, the Eastern Band of Cherokee Indians may begin assuming the responsibility for the Supplemental Nutrition Assistance Program (SNAP). When the Eastern Band of Cherokee Indians assumes responsibility for SNAP, then any State statutes, portions of statutes, or rules relating to the provision of social services regarding SNAP services by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those social services are thereby delegated to the Eastern Band of Cherokee Indians.

No later than ~~October 1, 2016,~~April 1, 2017, and with the exception of services related to special assistance, childcare, and adult care homes, the Eastern Band of Cherokee Indians may assume responsibility for other programs as described under G.S. 108A-25(e), enacted in subsection (c) of this section. When the Eastern Band of Cherokee Indians assumes responsibility for any of those other programs, then any State statutes, portions of statutes, or rules relating to the provision of services for those programs by a county department of social services for members of the Eastern Band of Cherokee Indians shall no longer apply to the Tribe, and the functions, administration, and funding requirements relating to those programs are thereby delegated to the Eastern Band of Cherokee Indians."

PILOT PROGRAM/INCREASE ACCESS TO PUBLIC BENEFITS FOR OLDER DUAL ELIGIBLE SENIORS

SECTION 12C.3.(a) The Department of Health and Human Services, Division of Social Services (Division), shall establish 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. On or before January 1, 2017, the Division shall 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 towards 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 12C.3.(b) The Division of Social Services 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 12C.3.(c) If funding and capacity exist, the Division of Social Services may expand the pilot program to include other public benefits programs.

UPDATE DATES/TANF BENEFIT IMPLEMENTATION PLAN

SECTION 12C.5.(a) Section 12C.1 of S.L. 2015-241 is amended by adding a new subsection to read:

"**SECTION 12C.1.(f)** This section expires September 30, 2016."

SECTION 12C.5.(b) Beginning October 1, 2016, 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 12C.5.(c) 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 12C.5.(d) 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, 2016. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2019.

SECTION 12C.5.(e) For the 2016-2017 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2015-2016 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 12C.5.(f) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2016-2017 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.

SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES [RESERVED]

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

USE OF AIDS DRUG ASSISTANCE PROGRAM (ADAP) FUNDS TO PURCHASE HEALTH INSURANCE

SECTION 12E.1.(a) The Department of Health and Human Services, Division of Public Health, shall create within the North Carolina AIDS Drug Assistance Program (ADAP) a health insurance premium assistance program that utilizes federal funds from Part B of the Ryan White HIV/AIDS Program and ADAP funds to provide eligible beneficiaries with premium and cost-sharing assistance for the purchase or maintenance of private health insurance coverage, including premiums, co-payments, and deductibles. In creating this program, the Department shall ensure full compliance with federal Health Resource and Services Administration (HRSA) guidance, including the methodology used to do all of the following:

(1) Assess and compare the cost of providing prescription drugs to eligible beneficiaries through the health insurance premium assistance program created pursuant to this section versus the existing ADAP program.

(2) Ensure that insurance premium assistance program funds are used solely to pay for premium and cost-sharing assistance for the purchase or maintenance of private health insurance coverage that provides, at a minimum, prescription coverage equivalent to the formulary available under Part B of the Ryan White HIV/AIDS Program.

(3) Limit the total annual amount of funds expended for the health insurance premium assistance program authorized by this section to no more than the total annual cost of maintaining the same individuals on the existing ADAP Program.

SECTION 12E.1.(b) By March 1, 2017, the Department shall submit a report to the House Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the operation of the program authorized by subsection (a) of this section, including any obstacles to implementation.

FUNDING FOR THE ELIMINATION OF HEALTH DISPARITIES

SECTION 12E.3.(a) The Department of Health and Human Services, Division of Public Health, shall not award any new Community-Focused Eliminating Health Disparities Initiative grants under Section 12E.3 of S.L. 2015-241 after June 30, 2016.

SECTION 12E.3.(b) By September 30, 2016, the Department shall terminate all existing grants awarded pursuant to Section 12E.3 of S.L. 2015-241.

SECTION 12E.3.(c) Section 12E.3 of S.L. 2015-241 is repealed effective October 1, 2016.

SECTION 12E.3.(d) Funds appropriated to the Department of Health and Human Services, Division of Public Health, for the Community-Focused Eliminating Health Disparities

Initiative for the 2016-2017 fiscal year shall be used by the Office of Minority Health to fund evidence-based programs designed to address health disparities affecting minority populations. The Office of Minority Health shall award these funds utilizing a methodology approved by the Secretary of Health and Human Services.

VECTOR SURVEILLANCE PROGRAM

SECTION 12E.4.(a) As used in this section, the term vector means a living transporter and transmitter of the causative agent of a disease.

SECTION 12E.4.(b) The Department of Health and Human Services, Division of Public Health, shall establish and administer a vector surveillance program to protect the public health. In conducting the program, the Department shall do all of the following:

(1) Conduct vector surveillance.
(2) Characterize vector-borne disease risk.
(3) Recommend appropriate vector control measures.
(4) Evaluate the effectiveness of vector control measures.
(5) Provide comprehensive vector-borne disease consultation, communication, and education.

SECTION 12E.4.(c) The Commission for Public Health is authorized to adopt rules necessary to implement the vector surveillance program established pursuant to this section.

INCREASED FEE FOR NEWBORN SCREENING PROGRAM

SECTION 12E.5.(a) G.S. 130A-125(c), as amended by Section 12E.12 of S.L. 2015-241 reads as rewritten:

"(c) A fee of ~~twenty-four dollars ($24.00)~~forty-four dollars ($44.00) applies to a laboratory test performed by the State Laboratory of Public Health pursuant to this section. The fee for a laboratory test is a departmental receipt of the Department and shall be used to offset the cost of the Newborn Screening Program."

SECTION 12E.5.(b) Subsection (a) of this section becomes effective July 1, 2016, and applies to fees imposed for laboratory tests performed on or after that date.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

MEDICATION-ASSISTED OPIOID USE DISORDER TREATMENT PILOT PROGRAM

SECTION 12F.1.(a) Definitions. – As used in this section, the following terms have the following meanings:

(1) Department. – The North Carolina Department of Health and Human Services.
(2) FQHC. – A federally qualified health center located in this State.
(3) Prescriber. – Anyone authorized to prescribe drugs pursuant to the laws of this State.
(4) Program participant. – An individual who (i) has been clinically assessed and diagnosed with opioid addiction, (ii) is selected by an FQHC to participate in the pilot program authorized by this section, and (iii) as part of the pilot program, receives the nonnarcotic, nonaddictive, extended-release, injectable formulation of opioid antagonist approved by the United States Food and Drug Administration for the prevention of relapse to opioid dependence.
(5) Randomized control group member. – An individual who (i) has been clinically assessed and diagnosed with opioid addiction, (ii) is selected by a FQHC to participate in the pilot program authorized by this section, and (iii) as part of the pilot program, does not receive the nonnarcotic, nonaddictive, extended-release,

injectable formulation of opioid antagonist approved by the United States Food and Drug Administration for the prevention of relapse to opioid dependence.

SECTION 12F.1.(b) Pilot Program. – The Department shall oversee the administration of a three-year pilot program to be conducted by designated FQHCs to address North Carolina's growing opioid addiction and overdose crisis. The goal of the pilot program is to study the effectiveness of combining behavioral therapy with the utilization of a nonnarcotic, nonaddictive, extended-release, injectable formulation of opioid antagonist approved by the United States Food and Drug Administration for the prevention of relapse to opioid dependence. In conducting the pilot program, selected FQHCs may collaborate with the Department, the School of Government at the University of North Carolina at Chapel Hill (UNC School of Government), and any other State agency that may be of assistance in accomplishing the objectives of the pilot program. Prior to the initiation of this pilot program, the Department shall, in collaboration with UNC School of Government, determine the number of program participants and randomized control group members needed to participate in the pilot program in order to ensure sufficient statistical significance to support any conclusions about the effectiveness of the pilot program.

SECTION 12F.1.(c) Selection of Participating FQHCs. – Not later than 30 days after the effective date of this section, the Department shall select a minimum of three and not more than five FQHCs located in different areas of the State to participate in the pilot program authorized by this section, giving first priority to FQHCs that have received supplemental grant funds from the United States Department of Health and Human Services, Health Resources and Services Administration, for substance abuse service expansion with a focus on medication-assisted treatment in opioid use disorders.

SECTION 12F.1.(d) Selection of Program Participants. – Not later than 60 days after the effective date of this section, the Department shall develop, in collaboration with UNC School of Government, a methodology for selecting program participants and randomized control group members at each FQHC. Only individuals who have been clinically assessed and diagnosed with opioid addiction may be selected and treated as program participants and randomized control group members. Individuals who have been referred from local criminal justice agencies may be selected as program participants and randomized control group members.

SECTION 12F.1.(e) Treatment Standards. – As a condition of participating in the pilot program authorized by this section, each FQHC shall sign a written participation agreement provided by the Department that requires the FQHC to adhere to at least all of the following treatment standards for the duration of its participation in the pilot program:

(1) Treatment may be provided to program participants and randomized control group members only by a treatment provider who is affiliated with a participating FQHC.

(2) Only individuals who have been clinically assessed and diagnosed with opioid addiction may be selected and treated as program participants and randomized control group members.

(3) Treatment providers at participating FQHCs shall do all of the following:

a. Provide treatment based on an integrated service delivery model that consists of the coordination of care between a prescriber and an addiction services provider.

b. Conduct any necessary additional professional, comprehensive substance use disorder and mental health diagnostic assessments of individuals under consideration for selection as pilot program participants to determine if they would benefit from substance use disorder treatment and monitoring.

c. Determine, based on the assessments described in sub-subdivision b. of this subdivision, the treatment needs of the program participants served by the treatment provider.
d. Develop individualized treatment goals and objectives for each program participant.
e. Provide program participants with access to medication-assisted treatment utilizing a nonnarcotic, nonaddictive, extended-release, injectable formulation of opioid antagonist.
f. In addition to medication-assisted treatment, provide program participants with other types of therapies, including behavioral therapies, outpatient programs, and community support, for opioid use disorder and any other disorders that are determined by the treatment provider to be co-occurring disorders.
g. In the case of medication-assisted treatment provided under the pilot program, a drug may be used only if it has been approved by the United States Food and Drug Administration for use in combination with behavioral therapy for the prevention of relapse to opioid dependence.
h. Comply with all applicable federal opioid treatment standards.
i. Monitor the progress of program participants and randomized control group members through the use of regular drug testing, including urinalysis.

SECTION 12F.1.(f) FQHC Reports. – No later than 60 days after the effective date of this section, the Department shall, in collaboration with the UNC School of Government, develop a standardized methodology for the collection of information on program participants and randomized control group members at each FQHC. As a condition of participating in the pilot program authorized by this section, each selected FQHC must agree to follow this standardized methodology for (i) collecting information on program participants and randomized control group members and (ii) annually reporting that information to the Department, in the format prescribed by the Department. The annual report shall include at least all of the following information, in the format prescribed by the Department:

(1) For each program participant and randomized control group member, that individual's age, sex, and length of treatment. This information shall be reported to the Department in a manner that does not disclose personally identifying information about program participants and randomized control group members.
(2) The total number of program participants and the total number of randomized control group members who successfully transitioned to opioid abstinence for a minimum of 30 days, 60 days, 90 days, six months, 12 months, and 18 months.
(3) A comparison of program participants to the randomized control group members.
(4) The amount of State appropriations expended on a per program participant basis at each participating FQHC.

SECTION 12F.1.(g) Evaluation of Pilot Program. – By November 1, 2020, the Department shall conduct and submit to the Joint Legislative Oversight Committee on Health and Human Services a comprehensive evaluation of the effectiveness of this pilot program in addressing North Carolina's growing opioid addiction and overdose crisis. The Department may contract with an institution of higher education or other qualified entity with expertise in evaluating programs similar to the pilot program authorized by this section. The comprehensive evaluation shall include whether this pilot program was successful as measured by at least all of the following:

(1) The total number of program participants who successfully transitioned to opioid abstinence for a minimum of 30 days, 60 days, 90 days, six months, 12 months, and 18 months.
(2) A comparison of the program participants to the randomized control group members.
(3) A cost-benefit analysis of the pilot program.

SECTION 12F.1.(h) Expiration. – The pilot program conducted at each selected FQHC shall expire no later than three years after the date of its commencement at that particular FQHC.

SECTION 12F.1.(i) Funds in the amount of five hundred thousand dollars ($500,000) from the federal Substance Abuse Prevention and Treatment Block Grant shall be allocated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2016-2017 fiscal year. These funds shall be allocated to the FQHCs selected to participate in the pilot program authorized by this section on a per program participant basis to offset the cost of the following services:

(1) Medication dispensed to program participants.
(2) Provider fees for services rendered to program participants.
(3) Up to 14 days of detoxification services.
(4) Behavioral therapy for program participants.
(5) Drug testing and monitoring of program participants.

SECTION 12F.1.(j) Subsection (i) of this section becomes effective July 1, 2016. The remainder of this section is effective when it becomes law.

SINGLE-STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

SECTION 12F.2. Section 12F.2(d) of S.L. 2015-241 reads as rewritten:

"**SECTION 12F.2.(d)** If, on or after June 1, 2016, the Office of State Budget and Management (OSBM) certifies a Medicaid budget surplus in funds 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year 2015-2016, 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. If, on or after June 1, 2017, (i) the OSBM certifies a Medicaid budget surplus in funds 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for fiscal year ~~2016-2017,~~ 2016-2017 and (ii) the LME/MCOs have met the milestones set by the Department of Health and Human Services for consolidation that are required by that date, 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 the total cash on hand of all the LME/MCOs in the State, calculated in accordance with subsection (b) of this section. These funds shall be allocated as prescribed by June 30 of each State fiscal year."

USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS

SECTION 12F.4.(a) It is the intent of the General Assembly to increase short-term inpatient behavioral health bed capacity in rural areas of the State with the highest need. Toward 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 2016-2017 fiscal year, the sum of twelve million dollars ($12,000,000) shall be used to pay for the following costs incurred in establishing new psychiatric units or new facility-based crisis centers in rural areas of

the State with the most limited inpatient behavioral health bed capacity in comparison to their needs:

(1) The construction of new licensed short-term, inpatient behavioral health beds.

(2) The conversion of existing inpatient acute care beds into licensed short-term, inpatient behavioral health beds.

(3) A combination of subdivision (1) and subdivision (2) of this subsection.

Any psychiatric unit or facility-based crisis center that has short-term, inpatient behavioral health beds purchased with funds appropriated under this subsection shall be named in honor of Dorothea Dix.

By December 1, 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 number and location of additional licensed short-term, inpatient behavioral health beds brought into operation with funds allocated under this subsection along with a proposal for funding the recurring operating costs of these additional beds, including the identification of potential new funding sources.

SECTION 12F.4.(b) It is the intent of the General Assembly to increase the number of facility-based crisis centers in North Carolina for children and adolescents. Toward 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 2016-2017 fiscal year the sum of two million dollars ($2,000,000) 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.

TRAUMATIC BRAIN INJURY FUNDING

SECTION 12F.5. Section 12F.6 of S.L. 2015-241 reads as rewritten:

"**SECTION 12F.6.** 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 ~~the 2015-2016 fiscal year,~~each year of the 2015-2017 fiscal biennium, the sum of two million three hundred seventy-three thousand eighty-six dollars ($2,373,086) shall be used exclusively to support traumatic brain injury (TBI) services as follows:

(1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars ($359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina, Carolinas Rehabilitation, or other appropriate service providers.

(2) The sum of seven hundred ninety-six thousand nine hundred thirty-four dollars ($796,934) shall be used to support residential programs across the State that are specifically designed to serve individuals with TBI.

(3) The sum of one million two hundred sixteen thousand nine hundred thirty-four dollars ($1,216,934) shall be used to support requests submitted by individual consumers for assistance with residential support services, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity and primary care physician."

IMPROVE CONTROLLED SUBSTANCES REPORTING SYSTEM ACCESS AND UTILIZATION

SECTION 12F.6. G.S. 90-113.74, as amended by Section 12F.16(d) of S.L. 2015-241, reads as rewritten:

"**§ 90-113.74. Confidentiality.**

…

(f) The Department ~~shall~~ shall, on a quarterly basis, purge from the controlled substances reporting system database all information more than six years old. The Department shall maintain in a separate database all information purged from the controlled substances reporting system database pursuant to this subsection and may release data from that separate database only as provided in subsection (d) of this section.

…."

CONTROLLED SUBSTANCES REPORTING SYSTEM IMPROVEMENTS

SECTION 12F.7.(a) It is the intent of the General Assembly to improve the security, functionality, and interface capabilities of the Controlled Substances Reporting System (CSRS), thereby improving the system's data management and advanced analytics capabilities. Toward that end, funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS), for the 2016-2017 fiscal year for the CSRS shall be used as follows:

(1) Six hundred thousand dollars ($600,000) in nonrecurring funds shall be used to upgrade the CSRS database to meet the most current architecture standards of the American Society for Automation in Pharmacy and Prescription Monitoring Information Exchange (PMIX). The upgrade shall be designed to facilitate connectivity with controlled substances reporting systems in surrounding states and the statewide health information exchange network in this State, while protecting the privacy of patient information stored in the system in a manner consistent with federal and State laws. The upgraded database shall be hosted within the Department of Information Technology.

(2) Three hundred seventy-five thousand dollars ($375,000) in recurring funds shall be used for ongoing maintenance and operation of the CSRS.

(3) Six hundred fifty-three thousand four hundred dollars ($653,400) in nonrecurring funds shall be used to pay for contractual hours to develop software for the performance of advanced analytics within the CSRS in order 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 solicited by persons or entities 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.

c. To aggregate data sources, including those available through the Government Data Analytics Center (GDAC), relevant to the identification of unusual prescribing patterns or behavior indicative of abuse, addiction, or criminal activity.

In improving the CSRS as specified in subdivision (3) of this subsection, the DMH/DD/SAS 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 DMH/DD/SAS shall coordinate with the Division of Public Health and any other appropriate division within the Department of Health and Human Services to ensure that advanced analytics are performed in a manner that achieves the purposes specified in G.S. 90-113.71.

SECTION 12F.7.(b) By December 1, 2016, the Department shall execute all contractual agreements and interagency data sharing agreements necessary to complete the improvements to the CSRS described in subdivision (3) of subsection (a) of this section.

SECTION 12F.7.(c) Article 5E of Chapter 90 of the General Statutes is amended by adding a new section to read:

"**§ 90-113.74A. Mandatory use of controlled substances reporting system by prescribers; disciplinary actions.**

(a) Within 30 days after obtaining an initial or renewal license that confers the authority to prescribe a controlled substance for the purpose of providing medical care for a patient, the licensee shall demonstrate to the satisfaction of the licensing board that he or she is registered for access to the controlled substances reporting system. A violation of this section shall constitute cause for the licensing board having jurisdiction over the licensee to suspend or revoke the license.

(b) Each person authorized to prescribe a controlled substance for the purpose of providing medical care for a patient shall, prior to prescribing a controlled substance, review all information pertaining to the patient in the controlled substances reporting system for the preceding 12-month period to determine if the prescription is medically necessary and appropriate. This section does not apply to an emergency situation in which immediate action is necessary to preserve the life or health of a patient. A violation of this section shall constitute cause for the licensing board having jurisdiction over the licensee to suspend or revoke the license.

(c) Each licensing board with jurisdiction over persons with prescribing authority is authorized to adopt rules as necessary to implement this section."

SECTION 12F.7.(d) G.S. 90-113.74A, as enacted by subsection (c) of this section, becomes effective on the date the State Chief Information Officer notifies the Revisor of Statutes that (i) the upgrades to the CSRS database described in subdivisions (1) and (3) of subsection (a) of this section have been completed and (ii) the upgraded CSRS database is fully operational within the Department of Information Technology and connected to the statewide health information exchange; and it applies to acts committed on or after that date. The remainder of this section becomes effective July 1, 2016.

CLOSURE OF WRIGHT SCHOOL

SECTION 12F.8.(a) The Department of Health and Human Services shall not allow any new admissions or readmissions to the Wright School after June 30, 2016. The Department shall, in consultation with local management entities/managed care organizations, develop a plan to transition all students enrolled at the Wright School to other appropriate educational and treatment settings.

SECTION 12F.8.(b) By September 30, 2016, the Department shall permanently cease operations at the Wright School.

SECTION 12F.8.(c) G.S. 122C-181(a)(5)b. is repealed effective October 1, 2016.

EXPANDED USE OF FUNDS FOR INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 12F.9. Subsection (a) of Section 12F.1 of S.L. 2015-241 reads as rewritten:

"**SECTION 12F.1.(a)** Use of Funds. – Of the funds appropriated in Section 2.1 of this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of forty million five hundred eighty-three thousand three hundred ninety-four dollars ($40,583,394) for the 2015-2016 fiscal year and the sum of forty million five hundred eighty-three thousand three hundred ninety-four dollars ($40,583,394) for the 2016-2017 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.

The Department may use up to ten percent (10%) of the funds allocated in this subsection for the 2016-2017 fiscal year for the State's three-way contracts to pay for facility-based crisis services and non-hospital detoxification services for individuals in need of these services, regardless if the individuals are medically indigent, as defined in subsection (b) of this section."

STRATEGIC PLAN FOR IMPROVEMENT OF BEHAVIORAL HEALTH SERVICES

SECTION 12F.10.(a) The General Assembly finds that behavioral health services within the State are fragmented and a statewide comprehensive plan is necessary to ensure that individuals with behavioral health needs are timely served in the most appropriate settings and with the most appropriate services in order to achieve the best possible outcomes. The General Assembly further finds the absence of a statewide strategic plan that defines, coordinates, and facilitates the allocation of resources for needed services is an obstacle to improving the desired outcomes for behavioral health services in this State. It is the intention of the General Assembly to improve the delivery and coordination of behavioral health services across the State by targeting State resources to identified needs of covered populations and to treatments and services most effective at producing positive, measurable outcomes.

SECTION 12F.10.(b) By November 1, 2017, 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. The plan shall include at least all of the following:

(1) Identification of the Division that will (i) assume lead responsibility for the organization and delivery of publicly funded behavioral health services and (ii) define the current and future roles and responsibilities of local management entities/managed care organizations (LME/MCOs) with respect to the organization and delivery of publicly funded behavioral health services.

(2) A process for ensuring that all State contracts with behavioral health providers and managed care organizations responsible for managing Medicaid behavioral health services (including LME/MCOs) contain goals for overall behavioral health services, along with specific measurable outcomes for all publicly funded mental health, developmental disabilities, substance abuse, and traumatic brain injury services. The process must require that the lead Division utilize a single contract with each provider or managed care organization for all publicly funded behavioral health services regardless of the source of funding.

(3) A statewide needs assessment for mental health, developmental disabilities, substance abuse, and traumatic brain injury services by county and type of service, broken down by the source of funding. The needs assessment must include a defined service continuum to address identified needs for targeted populations.

(4) Specific solvency standards to be incorporated into State contracts with LME/MCOs that define appropriate cash balances, predictors for sustainability, and measures for performance that the LME/MCOs will monitor and report to the Department on a monthly, quarterly, and annual basis.

(5) Any other component 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 12F.10.(c) The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Oversight Committee on Medicaid and NC Health Choice shall each establish a subcommittee on Behavioral Health Services. The subcommittees shall meet jointly to do the following:

(1) Oversee the Department's development of the strategic plan required by subsection (a) of this section.

(2) Review the strategic plan developed by the Department in accordance with subsection (b) of this section, including a review of all performance-related goals and measures for the delivery of mental health, developmental disabilities, substance abuse, and traumatic brain injury services.

(3) Review consolidated monthly, quarterly, and annual reports and analyses of behavioral health services funded by Medicaid and State-only appropriations.

The subcommittees shall jointly make recommendations about the areas of oversight and review described in subdivisions (1) through (3) of this subsection and report their findings and recommendations to their respective committees. In conducting the required oversight and review, the subcommittees may seek input from other states, stakeholders, and national experts as they deem necessary in conducting their examination and developing their recommendations.

SECTION 12F.10.(d) This section is effective when it becomes law.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE SERVICES

SECTION 12G.1.(a) Section 12G.4(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 12G.4.(a)** For the period commencing on the effective date of this section, and ending ~~June 30, 2016,~~ June 30, 2019, and notwithstanding the provisions of the Home Care Agency Licensure Act set forth in Part 3 of Article 6 of Chapter 131E of the General Statutes or any rules adopted pursuant to that Part, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. This prohibition does not apply to ~~companion and sitter~~companion, sitter, or respite services and shall not restrict the Department from doing any of the following:

(1) Issuing a license to a certified home health agency as defined in G.S. 131E-176(12) that intends to offer in-home aide services.

(2) Issuing a license to an agency that needs a new license for an existing home care agency being acquired.

(3) Issuing a license for a new home care agency in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to care is necessary in that area."

SECTION 12G.1.(b) This section is effective when it becomes law.

ADULT CARE HOME COST REPORTING

SECTION 12G.2. G.S. 131D-4.2 reads as rewritten:

"**§ 131D-4.2. Adult care homes; family care homes; ~~annual~~ cost reports; exemptions; enforcement.**

(a) Except for family care homes, adult care homes with a licensed capacity of seven to twenty beds, which are licensed pursuant to this Chapter, to Chapter 122C of the General Statutes, and to Chapter 131E of the General Statutes, shall submit audited reports of actual costs to the Department at least every two years in accordance with rules adopted by the Department under

G.S. 143B-10. ~~For years in which an audited report of actual costs is not required, an annual cost report shall be submitted to the Department in accordance with rules adopted by the Department under G.S. 143B-10.~~ Adult care homes licensed under Chapter 131D of the General Statutes that have special care units shall include in reports required under this subsection cost reports specific to the special care unit and shall not average special care costs with other costs of the adult care home.

(b) Except for family care homes, adult care homes with a licensed capacity of twenty-one beds or more, which are licensed pursuant to this Chapter, to Chapter 122C of the General Statutes, and to Chapter 131E of the General Statutes, shall submit ~~annual~~ audited reports of actual costs at least every two years to the Department of Health and Human Services, in accordance with rules adopted by the Department under G.S. 143B-10. Adult care homes licensed under Chapter 131D of the General Statutes that have special care units shall include in the reports required under this subsection cost reports specific to the special care unit and shall not average special care costs with other costs of the adult care home.

(c) Repealed by Session Laws 1999-334, s. 3.1.

(d) Facilities that do not receive State/County Special Assistance or Medicaid personal care are exempt from the reporting requirements of this section.

(e) ~~Except as otherwise provided in this subsection, the annual reporting period for facilities licensed pursuant to this Chapter or Chapter 131E of the General Statutes shall be October 1 through September 30, with the annual report due by the following December 31, unless the Department determines there is good cause for delay. The annual report for combination facilities and free-standing adult care home facilities owned and operated by a hospital shall be due 15 days after the hospital's Medicare cost report is due. The annual report for combination facilities not owned and operated by a hospital shall be due 15 days after the nursing facility's Medicaid cost report is due. The annual reporting period for facilities licensed pursuant to Chapter 122C of the General Statutes shall be July 1 through June 30, with the annual report due by the following December 31, unless the Department determines there is good cause for delay. Under this subsection, good cause is an action that is uncontrollable by the provider.~~ The Department shall establish specific reporting deadlines for each type of facility required to report under this section. If the Department finds good cause for delay, it may extend the deadline for filing a report for up to an additional 30 days.

(f) The Department shall have the authority to conduct audits and review audits submitted pursuant to subsections ~~(a), (b), and (c) above.~~(a) and (b) of this section.

(g) The Department shall suspend admissions to facilities that fail to submit annual reports ~~by December 31, or~~ by the applicable reporting deadline or by the date established by the Department when good cause for delay is found pursuant to G.S. 131D-4.2(e). Suspension of admissions shall remain in effect until reports are submitted or licenses are suspended or revoked under subdivision (2) of this subsection. The Department may take either or both of the following actions to enforce compliance by a facility with this section, or to punish noncompliance:

(1) Seek a court order to enforce compliance;

(2) Suspend or revoke the facility's license, subject to the provisions of Chapter 150B of the General Statutes.

(h) The report documentation shall be used to adjust the adult care home rate ~~annually,~~ at least every two years, an adjustment that is in addition to the annual standard adjustment for inflation as determined by the Office of State Budget and Management. Rates for family care homes shall be based on market rate data. The Secretary of Health and Human Services shall adopt rules for the rate-setting methodology and audited cost reports in accordance with G.S. 143B-10."

FACILITIES INCLUDED UNDER SINGLE HOSPITAL LICENSE

SECTION 12G.3.(a) G.S. 131E-77 is amended by adding a new subsection to read:

"(e1) Any license issued by the Department shall include only facilities, premises, buildings, outpatient clinics, and other locations (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 operated by a hospital in an immediately adjoining county shall only be included under the same license if the applicant demonstrates to the satisfaction of the Department that there was previously a single hospital licensed by the Department in the immediately adjoining county that closed or otherwise ceased providing services to patients no more than three years prior to the applicant's initial establishment of a facility, premises, building, outpatient clinic, or location in the immediately adjoining county. If a hospital establishes its initial facility, premises, building, outpatient clinic, or other location in an immediately adjoining county within three years after the closure of, or cessation of patient services at, a previously licensed hospital within the immediately adjoining county, then any additional facilities, premises, buildings, outpatient clinics, or other locations thereafter developed and operated by the applicant in accordance with applicable law in such immediately adjoining county may also be included within and covered by the license issued to the hospital by the Department."

SECTION 12G.3.(b) This section is effective when it becomes law.

REPEAL OF CERTIFICATE OF PUBLIC ADVANTAGE LAWS

SECTION 12G.4. Section 6 of S.L. 2015-288 reads as rewritten:

"**SECTION 6.** Section 4 of this act is effective ~~January 1, 2018.~~September 30, 2016. The remainder of this act is effective when it becomes law."

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.1. Section 12H.10(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 12H.10.(b)** For the 2015-2016 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars ($139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2016-2017 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred ~~thirty-nine~~ forty-seven million dollars ~~($139,000,000)~~ ($147,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and 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."

MEDICAID RECOVERY AND ABLE ACCOUNTS

SECTION 12H.2.(a) G.S. 147-86.73 is amended by adding a new subsection to read:

"(g1) Notice for Designated Beneficiary Receiving Medicaid. – The ABLE Account application form approved in accordance with G.S. 147-86.71(b)(1) shall include notice of the State's right under subsection (e) of this section to file a claim for payment from a designated beneficiary's ABLE account following the death of a beneficiary who received medical assistance benefits."

SECTION 12H.2.(b) G.S. 147-86.73(g) is repealed.

MEDICAID AND HEALTH CHOICE PROVIDER SCREENING

SECTION 12H.3. G.S. 108C-3 reads as rewritten:

"**§ 108C-3. Medicaid and Health Choice provider screening.**

...

(g) High Categorical Risk Provider Types. – The following provider types are hereby designated as "high" categorical risk:

...

(10) Providers that were excluded, or whose owners, operators, or managing employees were excluded, by the U.S. Department of Health and Human Services Office of Inspector ~~General~~ General, the Medicare program, or another state's Medicaid ~~program~~ or Children's Health Insurance Program within the previous 10 years.

...

(j) For out-of-state providers, the Department may rely on the results of the provider screening performed by the Medicaid agencies or Children's Health Insurance Program ~~for Children~~ agencies of other states."

CONTRACT TO RECOVER CERTAIN OVERPAYMENTS

SECTION 12H.3A. No later than October 1, 2016, the Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) to recover Medicaid and NC Health Choice overpayments to providers when the total amount owed to the State by the provider is less than one hundred fifty dollars ($150.00). The RFP shall specify that payment under the contract shall be made only in the form of a contingent fee. The contingent fee shall be set at a percentage of the State share of the final overpayment, as defined in G.S. 108C-2(5).

CLARIFY DHHS AUTHORITY TO ADMINISTER MEDICAID AND NC HEALTH CHOICE PROGRAMS

SECTION 12H.4. G.S. 108A-54(e) reads as rewritten:

"(e) The Secretary of the Department of Health and Human ~~Services, through the Division of Health Benefits,~~Services shall have the following powers and duties:

(1) Administer and operate the Medicaid and NC Health Choice programs, provided that the total expenditures, net of agency receipts, do not exceed the authorized budget for ~~each program.~~the Medicaid program and NC Health Choice program. None of the powers and duties enumerated in the other subdivisions of this subsection shall be construed to limit the broad grant of authority to administer and operate the Medicaid and NC Health Choice programs.

...."

EXPAND SUPPORT FOR PATIENTS WITH ALZHEIMER'S DISEASE AND THEIR FAMILIES THROUGH COMMUNITY ALTERNATIVES PROGRAM FOR DISABLED ADULTS WAIVER SLOTS

SECTION 12H.5.(a) The Department of Health and Human Services, Division of Medical Assistance, shall amend the North Carolina Community Alternatives Program for Disabled Adults (CAP/DA) waiver to increase number of slots available under the waiver by a maximum of 213 slots. These additional slots shall be made available on January 1, 2017.

SECTION 12H.5.(b) Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, one million dollars ($1,000,000) for fiscal year 2016-2017 shall be used to fund these additional slots.

ADULT MEDICAID COVERAGE FOR ROUTINE EYE EXAMINATIONS

SECTION 12H.5A.(a) Effective January 1, 2017, the Department of Health and Human Services (Department) shall provide Medicaid coverage for routine eye examinations for adults. Medicaid coverage for adult routine eye examinations shall be limited to once every 30 months. The routine eye examinations shall include blood sugar screening, repeat blood sugar screening with fasting when clinically appropriate, and appropriate physician referral, and these services shall not be billed separately. The Department shall adopt clinical coverage policies pursuant to G.S. 108A-54.2 in accordance with the requirements of this section.

SECTION 12H.5A.(b) Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, two million one hundred forty-three thousand five hundred sixty-four dollars ($2,143,564) shall be used to fund Medicaid coverage for routine eye examinations for adults pursuant to this section.

REMOVE SUNSET ON MEDICAID ELIGIBILITY/COLA DISREGARD

SECTION 12H.7. Section 10.6(c) of S.L. 2012-142 reads as rewritten:

"**SECTION 10.6.(c)** Subsection (a) of this section becomes effective January 1, 2013. The remainder of this section is effective when it becomes law. ~~G.S. 108A-54.4, as enacted by subsection (a) of this section, expires on December 31, 2017.~~"

COMPLETION OF PERFORMANCE AUDIT OF COUNTY DEPARTMENTS OF SOCIAL SERVICES' ADMINISTRATION OF MEDICAID PROGRAM

SECTION 12H.16. Section 11.5(c) of S.L. 2015-7 reads as rewritten:

"**SECTION 11.5.(c)** The State Auditor shall submit a preliminary report on the performance audit required by this section to the Joint Legislative Oversight Committee on Health and Human Services and to the Fiscal Research Division by June 1, 2015, and shall complete the performance audit by ~~February 1, 2016.~~December 31, 2016. The Department of Health and Human Services and county departments of social services shall give the State Auditor full access to all data necessary to complete the audit and the report."

MEDICAID ELIGIBILITY DETERMINATION TIMELINESS

SECTION 12H.17.(a) The Department of Health and Human Services, Division of Medical Assistance (DHHS), shall submit a report annually for the 2015-2016 and 2016-2017 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 in Part 10 of Article 2 of Chapter 108A of the General Statutes.

(6) The number of months during the fiscal year that each county department of social services failed to meet the timely processing standards in Part 10 of Article 2 of Chapter 108A of the General Statutes.

(7) A description of all corrective action activities conducted by DHHS and county departments of social services in accordance with G.S. 108A-70.36.

(8) A description of how DHHS 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.

The report for the 2015-2016 fiscal year shall be submitted by November 1, 2016, and the report for the 2016-2017 fiscal year shall be submitted by November 1, 2017.

SECTION 12H.17.(b) Article 2 of Chapter 108A of the General Statutes is amended by adding a new Part to read:

"Part 10. Medicaid Eligibility Decision Processing Timeliness.

"**§ 108A-70.31. Applicability.**

If a federally recognized Native American tribe within the State has assumed responsibility for the Medicaid program pursuant to G.S. 108A-25(e), then this Part applies to the tribe in the same manner as it applies to county departments of social services.

"**§ 108A-70.32. Timely decision standards.**

The county department of social services shall render a decision on an individual's application for Medicaid within 45 calendar days from the date of application, except for applications in which a disability determination has already been made or is needed. For those applications, the county department of social services shall render a decision on an individual's eligibility within 90 calendar days from the date of application.

"**§ 108A-70.33. Timely processing standards.**

(a) The Department shall require counties to comply with timely processing standards. The timely processing standards are the average processing time standards and the percentage processed timely standards set forth in G.S. 108A-70.34 and G.S. 108A-70.35. The Department shall monitor county department of social services' compliance with these standards in accordance with this Part.

(b) For purposes of this Part, processing time is the number of days between the date of application and the date of disposition of the application, except in cases where an eligibility determination is dependent upon receipt of information related to one or more of the following:

(1) Medical expenses sufficient to meet a deductible.
(2) The applicant's need for institutionalization.
(3) The applicant's plan of care for the home- and community-based waivers.
(4) The disability decision made by the Disability Determination Services Section of the Division of Vocational Rehabilitation of the Department.
(5) Medical records needed to determine emergency dates for nonqualified aliens.
(6) The applicant's application or other information from the federally facilitated marketplace.
(7) The applicant's application or other information in connection with an application for a Low Income Subsidy for Medicare prescription drug coverage.

In these cases, processing time shall exclude the number of days between the date when the county determines all eligibility criteria other than the criteria in subdivisions (1) through (7) of this subsection and the date when the county receives the information related to the criteria in subdivisions (1) through (7) of this subsection.

(c) Processing times for the following types of cases shall be excluded from the calculation of the average processing time and percent processed timely:

(1) Newborns who are automatically enrolled based on their mother's eligibility.
(2) Applications for individuals who are presumptively eligible for Medicaid.
(3) Active cases in which an individual who is eligible for one program is transferred to another program, regardless of whether the transfer occurs between allowable or nonallowable program categories.

(4) Cases in which an individual transfers from an open case to another case, including establishing a new administrative case for the individual.

(5) Actions to post eligibility to a terminated or denied case within one year of the termination or denial.

(6) Cases that are reopened because they were terminated in error or because reopening of the terminated case is allowed by policy.

(7) Cases in which the eligibility decision was appealed and the decision was reversed or remanded.

(d) The Department may, in its discretion, exclude days, other than those required by subsection (b) of this section, from the calculation of processing time under this section if the Department determines that the delay was caused by circumstances outside the control of county departments of social services. The Department also may, in its discretion, exclude types of cases, other than those described in subsection (c) of this section, from the calculation of processing time. When the Department exercises its discretion pursuant to this subsection, the Department's determination regarding circumstances outside the control of county departments of social services and the Department's decision to exclude types of cases shall be applied uniformly to all county departments of social services.

"**§ 108A-70.34. Average processing time standards.**

(a) Average processing time is calculated by finding the processing time for each case that received a disposition during a given month and finding the average of those processing times.

(b) The standard for average processing time is 90 days for cases in which the individual has applied for the Medicaid Aid to the Disabled category (M-AD) and 45 days for all other cases.

"**§ 108A-70.35. Percentage processed timely standards.**

(a) Percentage processed timely is the percentage of cases that received a timely disposition in a given month. The percentage processed timely is calculated by expressing the number of cases during a given month with a processing time equal to or less than the standard set in G.S. 108A-70.32 as a percentage of the total cases receiving a disposition during that month. When the deadline for meeting the timely decision standard in G.S. 108A-70.32 falls on a weekend or holiday, an application that receives a disposition on the first workday following the deadline shall be considered timely for purposes of calculating the percentage processed timely.

(b) The Department is authorized to adopt rules to establish a percentage standard for each county department of social services that will be the percentage processed timely standard for that county department of social services. Until the Department adopts rules establishing percentage standards for each county, the percentage processed timely standards are those established in 10A NCAC 23C .0203 as of April 2016.

"**§ 108A-70.36. Corrective action.**

(a) If for any three consecutive months or for any five months out of a period of 12 consecutive months a county department of social services fails to meet either the average processing time standard or the percentage processed timely standard or both standards, the Department and the county department of social services shall enter into a joint corrective action plan to improve the timely processing of applications.

(b) A joint corrective action plan entered into pursuant to this section shall specifically identify the following components:

(1) The duration of the joint corrective action plan, not to exceed 12 months. If a county department of social services shows measurable progress in meeting the performance requirements in the joint corrective action plan, then the duration of the joint corrective action plan may be extended by six months, but in no case shall a joint corrective action plan exceed 18 months.

(2) A plan for improving timely processing of applications that specifically describes the actions to be taken by the county department of social services and the Department.

(3) The performance requirements for the county department of social services that constitute successful completion of the joint corrective action plan.

(4) Acknowledgement that failure to successfully complete the joint corrective action plan will result in temporary assumption of Medicaid eligibility administration by the Department, in accordance with G.S. 108A-70.37.

"**§ 108A-70.37. Temporary assumption of Medicaid eligibility administration.**

(a) If a county department of social services fails to successfully complete its joint corrective action plan, the Department shall give the county department of social services, the county manager, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) at least 90 days' notice that the Department intends to temporarily assume Medicaid eligibility administration, in accordance with subsection (b) of this section. The notice shall include the following information:

(1) The date on which the Department intends to temporarily assume administration of Medicaid eligibility decisions.

(2) The performance requirements in the joint corrective action plan that the county department of social services failed to meet.

(3) Notice of the county department of social services' right to appeal the decision to the Office of Administrative Hearings, pursuant to Article 3 of Chapter 150B of the General Statutes.

(b) Notwithstanding any provision of law to the contrary, if a county department of social services fails to successfully complete its joint corrective action plan, the Department shall temporarily assume Medicaid eligibility administration for the county upon giving notice as required by subsection (a) of this section. During a period of temporary assumption of Medicaid eligibility administration, the following shall occur:

(1) The Department shall administer the Medicaid eligibility function in the county. Administration by the Department may include direct operation by the Department, including supervision of county Medicaid eligibility workers, or contracts for operation to the extent permitted by federal law and regulations.

(2) The county department of social services is divested of Medicaid administration authority.

(3) The Department shall direct and oversee the expenditure of all funding for the administration of Medicaid eligibility in the county.

(4) The county shall continue to pay the nonfederal share of the cost of Medicaid eligibility administration and shall not withdraw funds previously obligated or appropriated for Medicaid eligibility administration.

(5) The county shall pay the nonfederal share of additional costs incurred to ensure compliance with the timely processing standards required by this Part.

(6) The Department shall work with the county department of social services to develop a plan for the county department of social services to resume Medicaid eligibility administration and perform Medicaid eligibility determinations in a timely manner.

(7) The Department shall inform the county board of commissioners, the county manager, the county director of social services, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) of key activities and any ongoing concerns during the temporary assumption of Medicaid eligibility administration.

(c) Upon the Department's determination that Medicaid eligibility determinations can be performed in a timely manner based on the standards set forth in G.S. 108A-70.34 and G.S. 108A-70.35 by the county department of social services, the Department shall notify the county department of social services, the county manager, and the board of social services or the consolidated human services board created pursuant to G.S. 153A-77(b) that temporary

assumption of Medicaid eligibility administration will be terminated and the effective date of termination. Upon termination, the county department of social services resumes its full authority to administer Medicaid eligibility determinations."

SECTION 12H.17.(c) G.S. 150B-23 is amended by adding a new subsection to read:

"(a5) A county that appeals a decision of the Department of Health and Human Services to temporarily assume Medicaid eligibility administration in accordance with G.S. 108A-70.37 may commence a contested case under this Article in the same manner as any other petitioner. The case shall be conducted in the same manner as other contested cases under this Article."

SECTION 12H.17.(d) The corrective action procedures described in this section supersede the corrective action procedures in 10A NCAC 23C .0204 and 10A NCAC 23C .0205 related to timeliness processing of Medicaid applications by county departments of social services.

SECTION 12H.17.(e) The Department of Health and Human Services may adopt and amend rules to implement subsections (b) through (d) of this section.

SECTION 12H.17.(f) Subsections (b) through (d) of this section become effective January 1, 2017, and apply to monthly timely processing standards beginning on that date. The remainder of this section becomes effective July 1, 2016.

SUBPART XII-I. MISCELLANEOUS

STUDY ESTABLISHMENT OF OPTOMETRY SCHOOL AT WINGATE UNIVERSITY

SECTION 12I.1.(a) Wingate University is encouraged to examine and report on or before May 1, 2017, 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 on the feasibility of establishing an affiliated school of optometry in North Carolina. The report should include at least all of the following:

(1) A breakdown of any projected capital, operational, or other expenditures necessary for establishing and operating an affiliated school of optometry.
(2) A breakdown of all funds available to assist the university with these expenses.
(3) A projected number of applicants for the affiliated school of optometry.

SECTION 12I.1.(b) This section is effective when it becomes law.

SUBPART XII-J. DIVISIONS OF VOCATIONAL REHABILITATION, SERVICES FOR THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF HEARING

DATA COLLECTION AND SERVICE MANAGEMENT INFORMATION SYSTEM

SECTION 12J.1. The Department of Health and Human Services shall develop and implement a Data Collection and Service Management Information System to replace the current system in use by the Division of Services for the Deaf and Hard of Hearing. The 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's Touchdown System. Upon approval, funds available in Budget Code 67425, Fund Code 6726, may be budgeted for transfer to Budget Code 24410 for information technology projects in an amount not to exceed seven hundred fifty thousand dollars ($750,000).

SUBPART XII-K. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 12K.1. Section 12I.1 of S.L. 2015-241, as amended by Section 4.6 of S.L. 2015-268, reads as rewritten:

"**DHHS BLOCK GRANTS**

"**SECTION 12I.1.(a)** Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**FY 2015-2016**	**FY 2016-2017**
Local Program Expenditures		
Division of Social Services		
01. Work First Family Assistance	$57,167,454	~~$57,167,454~~$54,167,454
02. Work First County Block Grants	80,093,566	~~78,073,437~~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 Collaborative	632,416	632,416
06A. Child Welfare Initiatives	0	1,400,000
Division of Child Development and Early Education		
07. Subsidized Child Care Program	35,248,910	~~37,419,801~~35,248,910
08. Swap Child Care Subsidy	6,352,644	6,352,644
08A. Additional One-Time Swap/Child Care Subsidy	0	3,600,000
09. Pre-K Swap Out	16,829,306	~~12,333,981~~18,764,790
Division of Public Health		
10. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
DHHS Administration		
11. Division of Social Services	2,482,260	2,482,260
12. Office of the Secretary	34,042	34,042
13. Eligibility Systems – Operations and Maintenance	2,738,926	4,206,640
14. NC FAST Implementation	1,313,384	1,865,799

Transfers to Other Block Grants		
Division of Child Development and Early Education		
15. Transfer to the Child Care and Development Fund	71,773,001	71,773,001
Division of Social Services		
16. Transfer to Social Services Block Grant for Child Protective Services – Training	1,300,000	1,300,000
17. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
18. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001	~~4,148,001~~4,500,000
19. Transfer to Social Services Block Grant – Foster Care Services	1,385,152	1,385,152
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	**$303,306,543**	**~~$300,982,109~~$309,614,155**
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		
Local Program Expenditures		
Division of Child Development and Early Education		
01. Subsidized Child Care	29,033,340	28,600,000
02. Subsidized Child Care Swap Out	4,547,023	0
Division of Social Services		
03. County Child Welfare Program Improvement Resources	0	603,580
DHHS Administration		
04. DSS State Child Welfare Program Improvement Resources	0	400,000
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	**$33,580,363**	**~~$28,600,000~~$29,603,580**

SOCIAL SERVICES BLOCK GRANT		
Local Program Expenditures		
Divisions of Social Services and Aging and Adult Services		
01. County Departments of Social Services (Transfer From TANF $4,148,001)	$27,335,458	~~$27,108,324~~$27,215,583
01A. EBCI Tribal Public Health and Human Services	0	244,740
02. Child Protective Services (Transfer From TANF)	5,040,000	5,040,000
03. State In-Home Services Fund	2,209,023	1,943,950
04. Adult Protective Services	1,245,363	1,245,363
05. State Adult Day Care Fund	2,039,647	1,994,084
06. Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	563,868	563,868
07. Special Children Adoption Incentive Fund	462,600	462,600
08. Child Protective Services – Child Welfare Training for Counties (Transfer From TANF)	1,300,000	1,300,000
08A. Child Protective Services – Child Welfare Training for Counties/Mobile Training	0	737,067
09. Home and Community Care Block Grant (HCCBG)	1,788,157	1,696,888
10. Child Advocacy Centers	375,000	375,000
11. Guardianship	4,107,032	4,035,704
12. Foster Care Services (Transfer From TANF)	1,385,152	1,385,152
Division of Central Management and Support		
13. DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
14. NC FAST – Operations and Maintenance	712,324	939,315

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
15. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,030,730	4,030,730
DHHS Program Expenditures		
Division of Services for the Blind		
16. Independent Living Program	3,361,323	3,361,323
Division of Health Service Regulation		
17. Adult Care Licensure Program	381,087	381,087
18. Mental Health Licensure and Certification Program	190,284	190,284
DHHS Administration		
19. Division of Aging and Adult Services	577,745	577,745
20. Division of Social Services	559,109	559,109
21. Office of the Secretary/Controller's Office	127,731	127,731
22. Division of Child Development and Early Education	13,878	13,878
23. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446	27,446
24. Division of Health Service Regulation	118,946	118,946
TOTAL SOCIAL SERVICES BLOCK GRANT	**$61,804,403**	**~~$61,331,027~~$62,420,093**
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		
Division of Social Services		
01. Low-Income Energy Assistance Program (LIEAP)	$40,244,534	~~$39,303,674~~37,156,492
02. Crisis Intervention Program (CIP)	40,244,534	~~39,303,674~~37,156,492
Local Administration		

Division of Social Services		
03. County DSS Administration	6,454,961	~~6,454,961~~6,102,324
DHHS Administration		
04. Office of the Secretary/DIRM	412,488	412,488
05. Office of the Secretary/Controller's Office	18,378	18,378
06. NC FAST Development	1,075,319	3,381,373
Transfers to Other State Agencies		
Department of ~~Environment and Natural Resources (DENR)~~Environmental Quality (DEQ)		
07. Weatherization Program	11,847,017	~~11,570,050~~10,937,968
08. Heating Air Repair and Replacement Program (HARRP)	6,303,514	~~6,156,147~~5,819,833
09. Local Residential Energy Efficiency Service Providers – Weatherization	475,046	~~475,046~~449,094
10. Local Residential Energy Efficiency Service Providers – HARRP	252,761	~~252,761~~238,953
11. ~~DENR~~ DEQ – Weatherization Administration	475,046	~~475,046~~449,094
12. ~~DENR~~ DEQ – HARRP Administration	252,760	~~252,760~~238,952
Department of Administration		
13. N.C. Commission on Indian Affairs	87,736	87,736
TOTAL LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT	**$108,144,094**	**~~$108,144,094~~$102,449,177**
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)	$154,278,008	~~$152,370,856~~$155,125,867
02. Electronic Tracking System	1,201,240	~~401,492~~1,201,240
03. Transfer from TANF Block Grant		

for Child Care Subsidies	71,773,001	71,773,001
04. Quality and Availability Initiatives (TEACH Program $3,800,000)	26,514,964	~~26,019,987~~35,878,600
DHHS Administration		
Division of Child Development and Early Education		
05. DCDEE Administrative Expenses	9,049,505	~~9,049,505~~9,042,159
Division of Social Services		
06. Local Subsidized Child Care Services Support	15,930,279	~~15,930,279~~16,094,325
06A. Direct Deposit for Child Care Payments	0	969,610
07. NC FAST Development	186,404	586,152
Division of Central Administration		
08. DHHS Central Administration – DIRM Technical Services	775,000	775,000
09. Central Regional Maintenance	202,000	202,000
09A. DHHS Central Administration	0	7,346
10. Child Care Health Consultation Contracts	62,205	62,205
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	**$279,972,606**	**~~$277,170,477~~291,717,505**
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Mental Health Services – Child	$3,619,833	$3,619,833
~~02. Administration~~	~~200,000~~	~~200,000~~
03. Mental Health Services – Adult/Child	11,755,152	~~11,755,152~~10,904,077
04. Crisis Solutions Initiative – Critical Time Intervention	750,000	750,000
05. Mental Health Services – First Psychotic Symptom Treatment	643,491	~~643,491~~1,430,851
DHHS Administration		

Division of Mental Health		
06. Administration	200,000	200,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	**$16,968,476**	**~~$16,968,476~~$16,904,761**
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	8,669,284	8,669,284
03. Substance Abuse Services – Treatment for Children/Adults (Medication-Assisted Treatment Pilot $500,000; First Step Farm of WNC, Inc. $100,000)	29,519,883	~~29,519,883~~30,028,039
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
08. Crisis Solutions Initiatives – Veteran's Crisis	250,000	250,000
DHHS Administration		
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
09. DMH Administration	454,000	454,000
09A. Controlled Substance Reporting System Enhancement	0	150,000
Division of Public Health		
10. HIV Testing for Individuals in Substance Abuse Treatment	765,949	765,949

TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	**$45,184,839**	**~~$45,184,839~~$45,842,995**
MATERNAL AND CHILD HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Public Health		
01. Children's Health Services (Safe Sleep Campaign $45,000; Prevent Blindness $560,837; Community-Based Sickle Cell Centers $100,000)	$7,574,703	~~$7,574,703~~$7,674,703
02. Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives ~~$650,000;~~$650,000 [Public Health Division $400,000 & SHIFT NC $250,000]; 17P Project $52,000; Nurse-Family Partnership $509,018; Carolina Pregnancy Care Fellowship $300,000)	6,520,148	~~6,520,148~~6,920,148
03. Oral Health	44,901	44,901
04. Evidence-Based Programs in Counties With Highest Infant Mortality Rates	1,575,000	1,575,000
DHHS Program Expenditures		
Division of Public Health		
05. Children's Health Services	1,342,928	~~1,342,928~~1,427,323
06. Women's Health – Maternal Health	107,714	~~107,714~~169,864
07. State Center for Health Statistics	158,583	158,583
08. Health Promotion – Injury and Violence Prevention	87,271	87,271
DHHS Administration		
Division of Public Health		
09. Division of Public Health Administration	552,571	552,571
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	**$17,963,819**	**~~$17,963,819~~$18,610,364**

PREVENTIVE HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01. Physical Activity and Prevention	$2,444,718	$2,642,322
02. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	173,476	~~173,476~~237,707
03. Community-Focused Eliminating Health Disparities Initiative Grants	2,756,855	0
DHHS Program Expenditures		
Division of Public Health		
04. HIV/STD Prevention and Community Planning	145,819	145,819
05. Oral Health Preventive Services	320,074	451,809
06. Laboratory Services – Testing, Training, and Consultation	21,012	21,012
07. Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	192,315	~~192,315~~172,561
08. State Laboratory Services – Testing, Training, and Consultation	199,634	199,634
09. Performance Improvement and Accountability	702,850	768,717
10. State Center for Health Statistics	107,291	107,291
DHHS Administration		
Division of Public Health		
11. Division of Public Health	172,820	172,820
12. Division of Public Health – Physical Activity and Nutrition Branch	1,311,972	68,073
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	**$8,548,836**	**~~$4,943,288~~$4,987,765**
COMMUNITY SERVICES BLOCK GRANT		
Local Program Expenditures		

Office of Economic Opportunity		
01. Community Action Agencies	$24,047,065	~~$24,047,065~~$21,428,074
02. Limited Purpose Agencies	1,335,948	~~1,335,948~~1,190,448
DHHS Administration		
03. Office of Economic Opportunity	1,335,948	~~1,335,948~~1,190,448
TOTAL COMMUNITY SERVICES BLOCK GRANT	**$26,718,961**	**~~$26,718,961~~$23,808,970**

"**GENERAL PROVISIONS**

"**SECTION 12I.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 12I.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 2015-2016 and 2016-2017, 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 12I.1.(d)** Except as otherwise provided, appropriations from federal Block Grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the schedule enacted for State fiscal years 2015-2016 and 2016-2017 or until a new schedule is enacted by the General Assembly.

"**SECTION 12I.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 12I.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 12I.1.(g)** The sum of eighty million ninety-three thousand five hundred sixty-six dollars ($80,093,566) for the 2015-2016 fiscal year and the sum of ~~seventy-eight million seventy-three thousand four hundred thirty-seven dollars ($78,073,437)~~eighty million ninety-three thousand five hundred sixty-six dollars ($80,093,566) for the 2016-2017 fiscal year 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 12I.1.(h)** The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for each year of the 2015-2017 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 2015-2016 and 2016-2017 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

"**SECTION 12I.1.(i)** The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2015-2017 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 12I.1.(i1)** 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 the 2016-2017 fiscal year 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 12I.1.(j)** The sum of twenty-seven million three hundred thirty-five thousand four hundred fifty-eight dollars ($27,335,458) for the 2015-2016 fiscal year and the sum of ~~twenty-seven million one hundred eight thousand three hundred twenty-four dollars ($27,108,324)~~ twenty-seven million two hundred fifteen thousand five hundred eighty-three dollars ($27,215,583) for the 2016-2017 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.

"**SECTION 12I.1.(k)** The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2015-2017 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 12I.1.(l)** 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 12I.1.(m)** Social Services Block Grant funds appropriated for the Special Children Adoption Incentive Fund will require a fifty-percent (50%) local match.

"**SECTION 12I.1.(n)** The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for each year of the 2015-2017 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 12I.1.(o)** The sum of three million eight hundred fifty-two thousand five hundred dollars ($3,852,500) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Central Management and Support, shall be used for DHHS competitive block grants pursuant to Section 12A.8 of this act for each year of the 2015-2017 fiscal biennium. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

"**SECTION 12I.1.(p)** The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for each year of the 2015-2017 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 12I.1.(q)** The sum of four million one hundred seven thousand thirty-two dollars ($4,107,032) for the 2015-2016 fiscal year and the sum of four million thirty-five thousand seven hundred four dollars ($4,035,704) for the 2016-2017 fiscal year 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 (i) existing corporate guardianship contracts during the 2015-2016 and 2016-2017 fiscal years and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2015-2016 and 2016-2017 fiscal years.

"**SECTION 12I.1.(q1)** The sum of seven hundred thirty-seven thousand sixty-seven dollars ($737,067) appropriated in this section in the Social Services Block Grant for the 2016-2017 fiscal year 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 12I.1.(r)** 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 12I.1.(s)** The sum of forty million two hundred forty-four thousand five hundred thirty-four dollars ($40,244,534) for the 2015-2016 fiscal year and the sum of ~~thirty-nine million three hundred three thousand six hundred seventy-four dollars ($39,303,674)~~thirty-seven million one hundred fifty-six thousand four hundred ninety-two dollars ($37,156,492) for the 2016-2017 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 12I.1.(t)** 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 12I.1.(u)** 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 12I.1.(v)** The sum of six hundred forty-three thousand four hundred ninety-one dollars ($643,491) 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 year of the 2015-2017 fiscal biennium~~ the 2015-2016 fiscal year and the sum of one million four hundred thirty thousand eight hundred fifty-one dollars ($1,430,851) for the 2016-2017 fiscal year 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, 2016.

"**SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

"**SECTION 12I.1.(w)** 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 year of the 2015-2017 fiscal biennium shall be allocated to the Department of Military and Veterans Affairs, as created in Section 24.1 of this act, to establish a call-in center to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the Department of Military and Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

"**SECTION 12I.1.(w1)** 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 the 2016-2017 fiscal year shall be used for a medication-assisted opioid use disorder treatment pilot program.

"**MATERNAL AND CHILD HEALTH BLOCK GRANT**

"**SECTION 12I.1.(x)** 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 2015-2016 fiscal year or the 2016-2017 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 12I.1.(y)** The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

"**SECTION 12I.1.(z)** 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 year of the 2015-2017 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 evidenced-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, 2016.

"**SECTION 12I.1.(aa)** 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 2015-2017 fiscal biennium for community-based sickle cell centers shall not be used to supplant existing State or federal funds.

"**SECTION 12I.1.(bb)** 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."

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

FUTURE FARMERS OF AMERICA PILOT PROGRAM

SECTION 13.3.(a) Notwithstanding G.S. 143-720 or G.S. 143-721, of the funds appropriated to the Tobacco Trust Fund, three hundred thousand dollars ($300,000) shall be allocated to the North Carolina Future Farmers of America Foundation (Foundation) for the 2016-2017 fiscal year to establish a pilot program focused on increasing the availability of local Future Farmers of America program activities to prepare members for a broad range of agricultural career pathways through leadership development, personal growth, and agriculture education. Funds shall be used only for programming and facilities and shall be allocated as follows:

(1) Sixty thousand dollars ($60,000), to be allocated in equal amounts, to the following schools in Beaufort County:
   a. Northside High School.
   b. Pungo Christian Academy.
   c. Southside High School.
   d. Washington High School.

(2) Sixty thousand dollars ($60,000), to be allocated in equal amounts, to high schools with Future Farmers of America programs located in Duplin, Johnston, and Sampson Counties.

(3) Sixty thousand dollars ($60,000), to be allocated in equal amounts, to the following schools:
   a. Jones Senior High School in Jones County.
   b. Richlands High School in Onslow County.
   c. White Oak High School in Onslow County.

(4) Sixty thousand dollars ($60,000) to Southern Guilford High School in Guilford County.
(5) Thirty thousand dollars ($30,000) to North Iredell High School in Iredell County.
(6) Thirty thousand dollars ($30,000) to West Rowan High School in Rowan County.

SECTION 13.3.(b) By September 1, 2017, the Foundation shall report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on program activities, objectives, and accomplishments and itemized expenditures from the funds provided in this section. The Foundation shall assist local Future Farmers of America programs receiving funds pursuant to this section in reporting on the activities for which the funds were used. In addition, the Foundation shall compile a consolidated report of such activities, itemized by recipient.

FUNDING FOR DUPONT STATE RECREATIONAL FOREST

SECTION 13.4.(a) Timber receipts generated from DuPont State Recreational Forest may be used by the Department of Agriculture and Consumer Services for capital, repair, and renovation activities at DuPont State Recreational Forest.

SECTION 13.4.(b) G.S. 106-887(c) reads as rewritten:

"(c) Notwithstanding subsection (a) of G.S. 106-877, with respect to DuPont State Recreational Forest, the Department may cut and remove timber for forest management purposes only, including for the purposes of fire, pest, and disease prevention and control. The Department may cut, remove, and sell timber for the purpose of revenue generation only ~~upon approval of the Governor and the Council of State.~~for capital, repair, and renovation activities at DuPont State Recreational Forest upon appropriation of the receipts by the General Assembly."

SECTION 13.4.(c) G.S. 106-878 is amended by adding a new subsection to read:

"(e) DuPont Forest Fund. – The DuPont Forest Fund is created within the Department of Agriculture and Consumer Services, North Carolina Forest Service, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from DuPont State Recreational Forest as authorized in G.S. 106-877 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, or otherwise invest in the DuPont State Recreational Forest."

PART XIV. DEPARTMENT OF ENVIRONMENTAL QUALITY

MERCURY SWITCH SUNSET MODIFICATION

SECTION 14.1.(a) Section 9 of S.L. 2007-142 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. ~~This act expires on 31 December 2017.~~Effective June 30, 2017, Part 6 of Article 9 of Chapter 130A of the General Statutes, as amended by this act, is repealed."

SECTION 14.1.(b) Section 13.10B of S.L. 2011-145 is repealed.

SECTION 14.1.(c) Subsection (b) of this section becomes effective June 30, 2017. 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).

AIR AND WATER QUALITY ACCOUNT FUNDING

SECTION 14.3. G.S. 105-449.125, as amended by Section 4.11(a) of S.L. 2016-5, reads as rewritten:

"**§ 105-449.125. Distribution of tax revenue among various funds and accounts.**

(a) Distribution to Funds. – The Secretary shall allocate the amount of revenue collected under this Article from an excise tax of one-half cent (1/2¢) a gallon to the following funds and accounts in the fraction indicated:

Fund or Account	Amount
Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund	~~Nineteen thirty-seconds~~Sixty-two and one-half percent (62.5%)
Water and Air Quality Account	~~Five-sixteenths.~~Twenty-eight and one-tenth percent (28.1%).

(b) Distribution of Remaining Revenue. – The Secretary shall allocate the remaining excise tax revenue collected under this Article, including any revenue that is allocated but not distributed under subsection (a) of this section, as follows:

(1) Seventy-one percent (71%) to the Highway Fund.

(2) Twenty-nine percent (29%) to the Highway Trust Fund.

(c) Accounting. – The Secretary shall charge a proportionate share of a refund allowed under this Article to each fund or account to which revenue collected under this Article is credited. The Secretary shall credit revenue or charge refunds to the appropriate funds or accounts on a monthly basis."

RISK-BASED MANAGEMENT ACTIONS PREAPPROVAL

SECTION 14.5. G.S. 143-215.94E(e5) is amended by adding a new subdivision to read:

"(10) Each fiscal year, the Department may preapprove and authorize tasks, the cost of which is to be paid or reimbursed from the Commercial Fund and the sum total of which shall not exceed five hundred thousand dollars ($500,000), that have not been authorized pursuant to subdivisions (5) and (6) of this subsection for the purpose of completing risk-based management actions leading to no further action or closure. A claim for payment or reimbursement of costs for tasks that are authorized under this subdivision shall be paid or reimbursed on the same basis as tasks that are authorized under subdivisions (5) and (6) of this subsection."

EXPEDITE CLOSURE OF LOW-RISK PRE-1983 LANDFILLS

SECTION 14.6. Of the funds appropriated to the Inactive Hazardous Sites Cleanup Fund (Fund Code 65304-6379), the sum of five million dollars ($5,000,000) may be used by the Department of Environmental Quality in the 2016-2017 fiscal year to expedite closure of lower risk pre-regulatory landfills by funding the assessment and remedial activities needed to achieve a risk-based closure. The Department's activities under this section may proceed notwithstanding the site's relative priority for action established under G.S. 130A-310.6(c), provided that the Department shall only proceed with remediation and expend funds for cleanup of a site pursuant to this section if the cleanup method proposed is determined to be the most cost-effective cleanup for the site, except if cleanup to a more protective standard is necessary to make the site suitable for a proposed economic development opportunity at the site. The Department shall issue written findings of fact to demonstrate that a cleanup method for a site to be remediated pursuant to this section is the most cost-effective cleanup method and, if applicable, a description of a proposed economic development opportunity for a site that would support a cleanup to a more protective standard. For purposes of this section, the term "cost-effective cleanup" means a cleanup method that is the least expensive cleanup based on total cost.

PROMOTE SHELLFISH INDUSTRY

SECTION 14.11.(a) G.S. 113-202(j) reads as rewritten:

"(j) Initial leases begin upon the issuance of the lease by the Secretary and expire at noon on the first day of July following the tenth anniversary of the granting of the lease. Renewal leases are issued for a period of 10 years from the time of expiration of the previous lease. At the time of making application for renewal of a lease, the applicant must pay a filing fee of one hundred dollars ($100.00). The rental for initial leases is one dollar ($1.00) per acre until noon on the first day of July following the first anniversary of the lease. Thereafter, for initial leases and from the beginning for renewals of leases entered into after that date, the rental is ten dollars ($10.00) per acre per year. Rental must be paid annually in advance prior to the first day of ~~April~~ July each year. Upon initial granting of a lease, the pro rata amount for the portion of the year left until the first day of July must be paid in advance at the rate of one dollar ($1.00) per acre per year; then, on or before the first day of ~~April~~ July next, the lessee must pay the rental for the next full year."

SECTION 14.11.(b) G.S. 113-202.1 reads as rewritten:

"**§ 113-202.1. Water column leases for aquaculture.**

(a) To increase the productivity of leases for shellfish culture issued under G.S. 113-202, the Secretary may amend shellfish cultivation leases to authorize use of the water column superjacent to the leased bottom under the terms of this section when he determines the public interest will benefit from amendment of the leases. Leases with water column amendments must produce shellfish in commercial quantities at four times the minimum production rate of leases issued under G.S. 113-202, or any higher quantity required by the Marine Fisheries Commission through duly adopted rules.

...

(f) Amendments of shellfish cultivation leases to authorize use of the water column ~~are not transferrable except when the Secretary approves the transfer after public notice and hearing consistent with subsection (c) of this section.~~may be transferred with a bottom lease for the remainder of the term of the amendment at the same rental rate and term as set forth in subsection (d) of this section, and so long as notice of the transfer is provided to the Secretary as required by G.S. 113-202(k).

...

(i) To the extent required by demonstration or research aquaculture development projects, the Secretary may amend existing leases and issue leases that authorize use of the bottom and the water column. Demonstration or research aquaculture development projects may be authorized for ~~two~~ five years with no more than one renewal and when the project is proposed or formally sponsored by an educational institution which conducts research or demonstration of aquaculture. Production of shellfish with a sales value in excess of ~~one thousand dollars ($1,000)~~five thousand dollars ($5,000) per acre per year shall constitute commercial production. Demonstration or research aquaculture development projects shall be exempt for the rental rate in subsection (d) of this section unless commercial production occurs as a result of the project."

SECTION 14.11.(c) G.S. 113-202.2 reads as rewritten:

"**§ 113-202.2. Water column leases for aquaculture for perpetual franchises.**

(a) To increase the productivity of shellfish grants and perpetual franchises for shellfish culture recognized under G.S. 113-206, the Secretary may lease the water column superjacent to such grants or perpetual franchises (hereinafter "perpetual franchises") under the terms of this section when it determines the public interest will benefit from the lease. Perpetual franchises with water column leases must produce shellfish in commercial quantities at four times the minimum production rate of leases issued under G.S. 113-202, or any higher quantity required by the Marine Fisheries Commission by rule.

...

(d) Water column leases to perpetual franchises shall be issued for a period of ~~five~~ 10 years and may be renewed pursuant to subsection (g) of this section. The rental for an initial water column lease issued under this section is the same as the rental set in G.S. 113-202.1 for an initial water column amendment issued under that section, and the rental for a renewed water column lease issued under this section is the same as the rental set in G.S. 113-202.1 for a renewed water column amendment issued under that section.

...

(f) Water column leases to perpetual franchises ~~are not transferrable except when the Secretary approves the transfer after public notice and hearing consistent with G.S. 113-202(f) and (g).~~may be transferred with a perpetual franchise for the remainder of the term of the lease at the same rental rate and term as set forth in subsection (d) of this section, and so long as notice of the transfer is provided to the Secretary as required by G.S. 113-202(k).

...

(i) Demonstration or research aquaculture development projects may be authorized for ~~two~~ five years with no more than one renewal and when the project is proposed or formally sponsored by an educational institution which conducts aquaculture research or demonstration projects. Production of shellfish with a sales value in excess of ~~one thousand dollars ($1,000)~~five thousand dollars ($5,000) per acre per year shall constitute commercial production. Demonstration or research aquaculture development projects shall be exempt from the rental rate in subsection (d) of this section unless commercial production occurs as a result of the project."

SECTION 14.11.(d) The Chief Sustainability Officer of the University of North Carolina Chapel Hill 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 oyster populations and habitats; (ii) the use of nonnative 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 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; (vii) options that expand the use of private 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 deems relevant.

SECTION 14.11.(e) In the conduct of the study required by subsection (d) of this section, the Officer 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.

SECTION 14.11.(f) The University of North Carolina Chapel Hill shall report the results of its study, including any recommendations and suggested legislation needed to implement the recommendations to the Environmental Review Commission and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources no later than December 31, 2018.

SECTION 14.11.(g) Of the funds appropriated in this act to the Clean Water Management Trust Fund for the 2016-2017 fiscal year, the sum of one million five hundred thousand dollars ($1,500,000) is allocated to the Department of Environmental Quality to provide funding for the Senator Jean Preston Oyster Sanctuary Network. Funds not expended or encumbered by June 30, 2017, shall revert to the Clean Water Management Trust Fund.

SECTION 14.11.(h) Notwithstanding any other provision of law, funds provided to the Division of Marine Fisheries of the Department of Environmental Quality for contracting with the University of North Carolina Wilmington to develop oyster brood stock to provide seed for

aquaculture shall be transferred to, and not through a contractual arrangement with, the University of North Carolina Wilmington for that purpose. No indirect facilities and administrative costs shall be charged by the University against the funds transferred by this subsection.

CLARIFY AQUATIC WEED CONTROL FUNDING ELIGIBILITY

SECTION 14.12.(a) Part 8B of Article 21 of Chapter 143 of the General Statutes reads as rewritten:

"Part 8B. Shallow Draft Navigation Channel Dredging and ~~Lake Dredging~~ Aquatic Weed Fund.

"**§ 143-215.73F. Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund.**

(a) Fund Established. – The Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund is established as a special revenue fund. The Fund consists of fees credited to it under G.S. 75A-3 and G.S. 75A-38, taxes credited to it under G.S. 105-449.126, and funds contributed by non-State entities.

(b) Uses of Fund. – Revenue in the Fund may only be used for the following purposes:

(1) To provide the State's share of the costs associated with any dredging project designed to keep shallow draft navigation channels located in State waters or waters of the state located within lakes navigable and safe.

(2) For aquatic weed control projects in waters of the State ~~located within lakes~~ under Article 15 of Chapter 113A of the General Statutes. Funding for aquatic weed control projects is limited to five hundred thousand dollars ($500,000) in each fiscal year.

(c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared with non-State dollars as follows:

...

(3) The cost-share for ~~a lake maintenance~~ an aquatic weed control project shall be at least one non-State dollar for every dollar from the Fund. The cost-share for ~~a lake~~ an aquatic weed control project located within a component of the State Parks System shall be provided by the Division of Parks and Recreation of the Department of Natural and Cultural Resources. The Division of Parks and Recreation may use funds allocated to the State Parks System for capital projects under G.S. 143B-135.56 for the cost-share.

(4) The cost-share for the dredging of the access canal around the Roanoke Island Festival Park may be paid from the Historic Roanoke Island Fund established by G.S. 143-202.3.

...."

SECTION 14.12.(b) G.S. 75A-3(c) reads as rewritten:

"(c) The Boating Account is established within the Wildlife Resources Fund created under G.S. 143-250. Interest and other investment income earned by the Account accrues to the Account. All moneys collected pursuant to the numbering and titling provisions of this Chapter shall be credited to this Account. Motor fuel excise tax revenue is credited to the Account under G.S. 105-449.126. The Commission shall use revenue in the Account, subject to the Executive Budget Act and the Personnel Act, for the administration and enforcement of this Chapter; for activities relating to boating and water safety including education and waterway marking and improvement; and for boating access area acquisition, development, and maintenance. The Commission shall use at least three dollars ($3.00) of each one-year certificate of number fee and at least nine dollars ($9.00) of each three-year certificate of number fee collected under the numbering provisions of G.S. 75A-5 for boating access area acquisition, development, and maintenance. The Commission shall transfer on a quarterly basis fifty percent (50%) of each one-year certificate of number fee and fifty percent (50%) of each three-year certificate of number

fee collected under the numbering provisions of G.S. 75A-5 to the Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund established by G.S. 143-215.73F."

SECTION 14.12.(c) G.S. 75A-38(b) reads as rewritten:

"(b) The Commission shall charge a fee of thirty dollars ($30.00) to issue a new or transfer certificate of title. The Commission shall transfer on a quarterly basis at least ten dollars ($10.00) of each new or transfer certificate of title to the Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~Aquatic Weed Fund established by G.S. 143-215.73F. The Commission shall charge a fee of ten dollars ($10.00) for each duplicate title it issues and for the recording of a supplemental lien."

SECTION 14.12.(d) G.S. 105-449.126 reads as rewritten:

"**§ 105-449.126. Distribution of part of Highway Fund allocation to Wildlife Resources Fund and Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund.**

...

(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~Aquatic Weed Fund one percent (1%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging and ~~Lake Maintenance~~ Aquatic Weed Fund on a quarterly basis. The Secretary must make the distribution within 45 days of the end of each quarter."

DEVELOPMENT OF NEW COMPREHENSIVE NUTRIENT MANAGEMENT REGULATORY FRAMEWORK

SECTION 14.13.(a) The General Assembly finds all of the following:

(1) It is necessary for the State to have a comprehensive management strategy to protect and improve water quality.

(2) Four nutrient management strategies currently exist in North Carolina in the Neuse River Basin, Tar-Pamlico Basin, Falls Lake Watershed, and Jordan Lake Watershed (collectively, the State Nutrient Management Strategies). Some of these strategies have now been in place for more than 12 years.

(3) Existing nutrient management strategies have shown little to no improvement in water quality, have created an increased regulatory and economic burden in the billions of dollars to the State, its municipalities, and its citizens, and have rendered thousands of acres of public and private property useless.

(4) Instead of continuing a regulatory solution that is not improving, nor may ever improve, water quality standards, a new comprehensive management strategy that includes in situ treatment of impaired water bodies must be developed to replace the current flawed, economically irresponsible, and scientifically unjustified approach.

SECTION 14.13.(b) For the reasons set forth in subsection (a) of this section, subsections (a) and (c) of Section 14.5 of S.L. 2015-241 are repealed and the Department shall terminate the Jordan Lake demonstration project. Any funds allocated under subsection 14.5(a) that are unspent and unencumbered on the effective date of this act shall revert to the Clean Water Management Trust Fund.

SECTION 14.13.(c) Of the funds appropriated in this act to the Clean Water Management Trust Fund for the 2016-2017 fiscal year, the sum of five hundred thousand dollars ($500,000) is allocated to the Office of the Chancellor at the University of North Carolina Chapel Hill to designate an entity to study and analyze nutrient management strategies (including in situ strategies) specifically in the context of the State's impaired water bodies. As part of this study, the

entity shall review the data collected by the Department of Environmental Quality from water sampling in areas subject to one of the State Nutrient Management Strategies and compare trends in water quality to the implementation of the various elements of each of the State Nutrient Management Strategies. The entity shall also examine the costs and benefits of basinwide nutrient strategies in other states and the impact (or lack of impact) those strategies have had on water quality. The entity shall report the results of its study and its recommendations for further action (including any statutory or regulatory changes necessary to implement the recommendations) to the Environmental Review Commission, the Environmental Management Commission, and the Department of Environmental Quality no later than December 31, 2018. No indirect or facilities and administrative costs shall be charged by the University against the funds allocated by this section. The Department of Environmental Quality shall provide all necessary data and staff assistance as requested by the entity for the duration of the study required by this subsection. The Department shall also designate from existing positions an employee to serve as liaison between the Department and the entity to facilitate communication and handle data requests for the duration of the project.

SECTION 14.13.(d) As part of the periodic review of rules required by G.S. 150B-21.3A, the Environmental Management Commission shall, based on the study required by subsection (c) of this section, review and revise the State Nutrient Management Strategies, consisting of the following:

(1) The Neuse River Basin Nutrient Sensitive Waters Management Strategy, 15A NCAC 2B .0232 through .0242 and .0315.
(2) The Tar-Pamlico Basin Nutrient Sensitive Waters Management Strategy, 15A NCAC 2B .0255 through .0261 and .0316.
(3) The Falls Water Supply Nutrient Strategy, 15A NCAC 2B .0275 through .0282 and .0315.
(4) The Jordan Lake Water Supply Nutrient Strategy, 15A NCAC 2B .0263 through .0273 and .0311.
(5) The Randleman Lake Water Supply Watershed: Protection and Maintenance of Existing Riparian Buffers, 15A NCAC 2B .0250.
(6) Catawba River Basin: Protection and Maintenance of Existing Riparian Buffers, 15A NCAC 2B .0243.
(7) The Site Specific Water Quality Management Plan for the Goose Creek Watershed (Yadkin Pee-Dee River Basin), 15A NCAC 2B .0605 and .0607.
(8) All other regulations imposing riparian buffer requirements for the purpose of nutrient management identified by the report required of the Department of Environmental Quality in this subsection.
(9) Any changes to these regulations imposed by subsequent acts of the General Assembly.

No later than December 31, 2016, the Department of Environmental Quality shall report to the Environmental Review Commission a list of any other rules and any subsequent acts of the General Assembly changing the rules that impose buffer requirements pertaining to water quality, and the Commission's review shall include the rules identified in this section and in that report. No later than December 31, 2019, and no earlier than October 1, 2019, the Commission shall, based on its review and the study required by subsection (c) of this section, adopt temporary rules based on the revisions to the State Nutrient Management Strategies. As part of its rule-making process, the Commission shall (i) hold public hearings in the upstream and downstream portions of all impacted river basins and subbasins and (ii) no later than December 31, 2016, convene a stakeholder working group that represents all classes of users and all geographic parts of the impacted river basins and subbasins.

SECTION 14.13.(e) The existing rules identified in subsection (d) of this section as well as any other rules and modifications in the Department's December 31, 2016, report required

by that subsection are repealed on the earlier of the effective date of the temporary rules or December 31, 2019.

SECTION 14.13.(f) Of the funds appropriated in this act to the Clean Water Management Trust Fund for the 2016-2017 fiscal year, the sum of five hundred thousand dollars ($500,000) is allocated to the Wildlife Resources Commission to conduct applied research on endemic freshwater mussel species, including species listed as federally threatened or endangered. Specific research goals shall include determination of filtration capacity, nutrient cycling, and diet preference; development and refinement of in vitro propagation; and determination of population status, restoration goals, and opportunities to augment or restore mussel communities. The Commission shall also assess strategies for use of freshwater mussel species in impaired water bodies in the State, including Jordan and Falls Lakes. The Commission shall provide an interim report no later than March 1, 2017, and a final report no later than May 1, 2018, regarding its implementation of this section to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division. Funds allocated under this subsection that are not expended or encumbered at the conclusion of the demonstration project shall revert to the Clean Water Management Trust Fund.

SECTION 14.13.(g) Rules that are a part of the nutrient management strategy for the Jordan Lake watershed and the Falls Lake watershed, but that have effective dates between the effective date of this act and December 31, 2019, shall not take effect and are subject to the repeal set forth in subsection (e) of this section. While delayed, these rules are not subject to existing rule review under G.S. 150B-21.3A.

SECTION 14.13.(h) The cost for nutrient offsets in any watershed subject to a State Nutrient Management Strategy shall be, notwithstanding any other provision of law, no higher than those currently established for the Falls Lake watershed. This subsection expires on the earlier of the effective date of new temporary rules established under subsection (d) of this section or December 31, 2019.

SECTION 14.13.(i) Subsection (b) of this section becomes effective on the earlier of July 1, 2016, or the date of termination of a contract related to in situ water quality remediation strategies that was previously extended pursuant to Section 14.5 of S.L. 2015-241.

RIGHT OF ENTRY CLARIFICATION

SECTION 14.15. Article 17 of Chapter 113 of the General Statutes is amended by adding a new section to read:

"**§ 113-221.5. Right of entry to enforce certain sanitation requirements.**

(a) The Secretary of Environmental Quality and a local health director shall each have the delegable right of entry upon the premises of any place where entry is necessary to enforce the provisions of G.S. 113-221.2(a) or the rules adopted by the Marine Fisheries Commission or a local board of health. If consent for entry is not obtained, an administrative search and inspection warrant shall be obtained pursuant to G.S. 15-27.2. However, if an imminent hazard exists, no warrant is required for entry upon the premises."

MARINE FISHERIES COMMISSION AMENDMENTS

SECTION 14.16.(a) G.S. 143B-289.52 reads as rewritten:

"**§ 143B-289.52. Marine Fisheries Commission – powers and duties.**

...

(e1) A supermajority of the Commission shall be ~~six~~ five members. A supermajority shall be necessary ~~to override recommendations from the Division of Marine Fisheries regarding measures needed to end overfishing or to rebuild overfished stocks.~~for any action taken under the powers and duties set forth in this section, including, but not limited to, rule making and the regulation of fisheries under a fishery management plan.

...."

SECTION 14.16.(b) G.S. 143B-289.54(a)(7)-(8) are repealed.

FISHERIES MANAGEMENT PLANS

SECTION 14.17. G.S. 113-182.1(e1) reads as rewritten:

"(e1) If the Secretary determines that it is in the interest of the long-term viability of a fishery, the Secretary may authorize the Commission to develop expedited temporary management measures to supplement an existing Fishery Management Plan pursuant to this subsection. Management measures considered in a supplement shall be strictly limited to those management strategies contained in the original fishery management plan or subsequent amendments to the plan adopted by the Marine Fisheries Commission and shall not include management measures that were either (i) not originally developed in accordance with this section or (ii) that result in severe curtailment of the usefulness or value of equipment as provided by G.S. 113-221(d). Development of temporary management measures pursuant to this subsection is exempt from subsections (c), (c1), and (e) of this section and the Priority List, Schedule, and guidance criteria established by the Marine Fisheries Commission under G.S. 143B-289.52. During the next review period for a Fishery Management Plan supplemented pursuant to this subsection, the Commission shall either incorporate the temporary management measures into the revised Fishery Management Plan or the temporary management measures shall expire on the date the revised Fishery Management Plan is adopted."

CRAB POT REMOVAL PILOT PROGRAM

SECTION 14.18. Of the funds appropriated to the Department of Environmental Quality, Division of Marine Fisheries, for the 2016-2017 fiscal year, one hundred thousand dollars ($100,000), nonrecurring, shall be used for a pilot program to be administered by North Carolina Sea Grant at North Carolina State University (Sea Grant) for the removal of derelict crab pots in State waters. Sea Grant may contract with nonprofit organizations to conduct and oversee the removal of derelict crab pots, provided that the nonprofit organizations involved are required to report expenditures and performance data to Sea Grant. No indirect facilities and administrative costs shall be charged by Sea Grant or any constituent institution of the University of North Carolina System against the funds allocated by this section. Sea Grant shall submit a report on the performance of the pilot program, including expenditures and number of derelict crab pots retrieved, to the chairs of the Joint Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on or before May 1, 2017.

SHALLOW DRAFT FUND SPONSORED COASTAL MANAGEMENT POSITION

SECTION 14.19. G.S. 143-215.73F(b) is amended by adding a new subdivision to read:

"(3) For the compensation of a beach and inlet management project manager with the Division of Coastal Management of the Department of Environmental Quality for the purpose of overseeing all activities related to beach and inlet management in the State. Funding for the position is limited to ninety-nine thousand dollars ($99,000) in each fiscal year."

WASTEWATER DISCHARGE MITIGATION

SECTION 14.20. Of the funds appropriated in this act to the Department of Environmental Quality, Division of Water Infrastructure, the sum of four hundred thousand dollars ($400,000), nonrecurring, for the 2016-2017 fiscal year shall be used to provide a grant for wastewater infrastructure improvements to a municipality located in a development tier three county where the municipality has a population under 100 according to the most recent decennial

census and has been issued Notices of Violation from both a county and the Division of Water Resources for illegal wastewater discharges.

CATALOG OF WETLAND AND STREAM MITIGATION CREDITS

SECTION 14.21. The Division of Mitigation Services shall catalog all wetland and stream mitigation credits in State ownership. The Department of Transportation shall provide support and assistance to the Division in carrying out the requirements of this section, including providing access to data on mitigation credits acquired by the Department of Transportation associated with completed, ongoing, and planned transportation projects. The Division shall provide the catalog along with any relevant supporting information to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Joint Legislative Transportation Oversight Committee no later than December 31, 2016.

BEACH NOURISHMENT STUDIES

SECTION 14.22.(a) The Division of Coastal Management and the Department of Environmental Quality shall study and provide an executive summary of readily available data on the physical and economic, storm mitigation, and public safety benefits of beach nourishment. Specific items benefitted by beach nourishment shall include, at a minimum, public infrastructure, private property, and tourism. The results of the study shall be reported no later than November 1, 2016, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

SECTION 14.22.(b) The Register of Deeds of each covered county shall identify all privately owned beachfront property in the county. A covered county includes the Counties of Brunswick, New Hanover, Pender, Onslow, Carteret, Hyde, Dare, and Currituck. Each Register of Deeds shall determine whether the mailing address on the tax record of such property is in a county in this State other than the county where such property is located. Each Register shall send a list of such properties no later than November 1, 2016, to the Department of Environmental Quality and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

SECTION 14.22.(c) The Department of Commerce shall study and provide an executive summary of readily available economic data related to the coastal economy of the State for the purpose of quantifying the contribution of the coastal economy to the economy of the State as a whole, considering, at a minimum, the benefits of travel and tourism, job creation and opportunity, and tax revenues, including property, sales, and income taxes. The Department shall report the results of the study no later than November 1, 2016, to the Department of Environmental Quality and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

SECTION 14.22.(d) The Department of Environmental Quality shall include the studies required by each subsection of this section as appendices to the Beach and Inlet Management Plan required by Section 14.6(b)(4) of S.L. 2015-241.

EXTEND THE SUNSET ON ALLOWABLE TERM LENGTH OF CERTAIN STATE REVOLVING FUND LOANS

SECTION 14.23.(a) G.S. 159G-40(b), as amended by Section 4(a) of S.L. 2015-207, reads as rewritten:

"(b) Interest Rate and Maturity. – The interest rate payable on and the maximum maturity of a loan are subject to the following limitations:

…

(2) Maturity. – The maximum maturity for a loan for a project that is not a ~~high-unit-cost project may not exceed~~ targeted interest rate project is 20 years

or the project's expected life, whichever is shorter. The maximum maturity for a loan for a ~~high-unit-cost~~ targeted interest rate project is 30 years or the project's expected life, whichever is shorter."

SECTION 14.23.(b) Section 4(b) of S.L. 2015-207 reads as rewritten:

"**SECTION 4.(b)** This section is effective when it becomes law and expires ~~July~~ October 1, 2016. The sunset does not affect the validity of any loan agreement approved by the Local Government Commission prior to the sunset or loan increases approved after the sunset, provided the loan was approved in accordance with G.S. 159G-40, as amended by this section, prior to the sunset."

SECTION 14.23.(c) Subsection (a) of this section becomes effective October 1, 2016. The remainder of this section is effective when it becomes law.

PART XV. DEPARTMENT OF COMMERCE

USE OF DEOBLIGATED CDBG AND FEDERAL FUNDS

SECTION 15.1.(a) Section 15.6(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 15.6.(b)** To allow the Department of Commerce and the Department of Environment and Natural Resources to quickly deploy deobligated CDBG funds and surplus federal administrative funds as they are identified throughout each program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds, unless otherwise expressly provided by law:

...

(2) In the 2015-2017 fiscal biennium, the Department of Commerce shall use the sum of ~~five million nine hundred eight thousand four hundred ninety-seven dollars ($5,908,497)~~ ten million six hundred forty-eight thousand one hundred eighty-nine dollars ($10,648,189) in deobligated CDBG funds as follows:

a. ~~Four~~ Three million six hundred fifty-eight thousand four hundred ninety-seven dollars ~~($4,658,497) for:~~($3,658,497) for providing

~~1.~~ ~~Providing~~ public services and public facilities. The category of public services includes providing substance abuse services and employment services, including job training, to homeless and at-risk veterans in the State.

~~2.~~ ~~If House Bill 108, 2015 Regular Session, becomes law, providing up to one million dollars ($1,000,000) in the 2016-2017 fiscal year to be used to fund a loan fund for site, infrastructure, and building development. Program income generated from awards made from the loan fund shall be captured in the existing CDBG revolving loan fund.~~

b. Five hundred thousand dollars ($500,000) for existing CDBG programs that encounter cost overruns.

c. Up to ~~seven~~three hundred thirty-seven~~fifty~~ thousand two hundred eighty-four dollars ~~($750,000)~~ ($337,284) for providing training and guidance to local governments relative to the CDBG program, its management, and administration requirements.

d. Four million nine hundred two thousand four hundred eight dollars ($4,902,408) to be transferred to the Department of Environmental Quality for water and sewer projects for public schools.

e. One million two hundred fifty thousand dollars ($1,250,000) to the Department of Commerce to be used for the State Broadband Plan in coordination with the Broadband Infrastructure Office at the Department of Information Technology.

(3) ~~All deobligated CDBG funds that arise in a category that the Department of Commerce is responsible for administering after the provisions of subdivision (2) of this subsection have been met, and any~~ 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 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.

...."

SECTION 15.1.(b) The Department of Commerce shall report on its proposed broadband initiative and its proposed use of deobligated CDBG funds to support that initiative. The report shall include details about how the initiative complies with the State broadband plan and the State's CDBG requirements. The report shall also include details about (i) the type of sites it intends to serve, (ii) a time line for proposed projects, (iii) the constituents it intends to serve, and (iv) any other expected outcomes. The Department shall submit the report to the chairs of the Economic Development and Global Engagement Committee and the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources on or before February 1, 2017.

TRAVEL AND TOURISM BOARD CHANGES

SECTION 15.6.(a) G.S. 143B-434.1 reads as rewritten:

"**§ 143B-434.1. The North Carolina Travel and Tourism Board – creation, duties, membership.**

...

(b) The function and duties of the Board shall be:

...

(2) To advise the Secretary of Commerce in the development of a budget for achieving the goals of the Travel and Tourism Policy Act, as provided in G.S. ~~143B-434.2.~~143B-434.2 and the nonprofit corporation contracted to promote and market tourism.

...

~~(5) To name a three-member subcommittee, with one member from each of the eastern, central, and western regions of the State, to make recommendations to the Secretary of Commerce regarding any revisions in the matching funds tourism grants program, project applications, and criteria for projects that qualify for participation in the program.~~

...

(9) To promote policies that support tourism in North Carolina.

(10) To advise the General Assembly on tourism policy matters upon request of the Joint Legislative Oversight Committee on Governmental Operations or the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.

(c) The Board shall consist of ~~29~~ 15 members as follows:

(1) The Secretary of Commerce, who shall not be a voting member.

(2) The chief executive officer of the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b), who shall not be a voting member.

(3) ~~Two members~~One member designated by the Board of Directors of the North Carolina Restaurant and Lodging Association, representing the lodging sector.

(4) ~~Two members~~One member designated by the Board of Directors of the North Carolina Restaurant and Lodging Association, representing the restaurant sector.

(5) ~~Three Directors of Convention and Visitor Bureaus designated by the Board of Directors of the North Carolina Association of Convention and Visitor Bureaus.~~One member of the Destination Marketing Association of North Carolina designated by the Board of Directors of the Destination Marketing Association of North Carolina.

(6) The ~~Chairperson~~ Chair of the Travel and Tourism Coalition or the ~~Chairperson's~~ Chair's designee.

(7) ~~The President of the North Carolina Travel Industry Association.~~One person who is a member of the Travel and Tourism Coalition designated by the Board of Directors of the Travel and Tourism Coalition.

(8) A member designated by the Board of Directors of the North Carolina Travel Industry Association.

~~(9) The President of the North Carolina Chamber.~~

~~(10) One member designated by the North Carolina Petroleum Marketers Association.~~

(11) Two persons appointed by the Speaker of the House of Representatives; ~~One person~~one of whom shall be associated with the tourism ~~attractions in North Carolina, appointed by the Speaker of the House of Representatives. One~~industry and one of whom ~~person who is~~shall not be a member of the General ~~Assembly, appointed by the Speaker of the House of Representatives.~~Assembly.

(12) Two persons appointed by the President Pro Tempore of the Senate; ~~One person~~one of whom shall be associated with the ~~tourism-related transportation industry,~~tourism industry and one of whom shall not be ~~appointed by the President Pro Tempore of the Senate. One person who is not~~ a member of the General ~~Assembly, appointed by the President Pro Tempore of the Senate.~~Assembly.

~~(13) Four public members each interested in matters relating to travel and tourism, two appointed by the Governor (one from a rural area and one from an urban area), one appointed by the Speaker of the House, and one appointed by the President Pro Tempore of the Senate.~~

(14) ~~One member associated with the major cultural resources and activities of the State in North Carolina,~~ Two members appointed by the ~~Governor.~~Governor, one of whom is involved in the tourism industry.

(15) ~~Two members of the House of Representatives, appointed by the Speaker of the House of Representatives.~~One at-large member appointed by the Board of the nonprofit corporation with which the Department contracts pursuant to G.S. 143B-431.01(b).

~~(16) Two members of the Senate, appointed by the President Pro Tempore of the Senate.~~

~~(17) Two members designated by the Board of Directors of North Carolina Watermen United who represent the charter boat/headboat industry.~~

(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 ~~Chairperson~~ Chair of the Travel and Tourism ~~Coalition,~~Coalition ~~the President of the North Carolina Travel Industry Association, and the~~

~~President of the North Carolina Chamber~~ 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 shall serve two-year terms beginning on ~~January~~ September 1 of odd-numbered years and ending on ~~December 31 of the following year.~~August 31. The first such term shall begin on ~~January 1, 1991,~~September 1, 2016, or as soon thereafter as the member is appointed to the Board, and end on ~~December 31, 1992.~~August 31, 2018. All other members of the Board shall serve a term which ~~consists of~~includes the portion of calendar year ~~1991~~ 2016 that remains following their appointment or designation and ends on August 31, 2017, and, thereafter, two-year terms which shall begin on ~~January~~ September 1 of an even-numbered year and end on ~~December 31 of the following year.~~August 31. The first such two-year term shall begin on ~~January 1, 1992,~~September 1, 2017, and end on ~~December 31, 1994.~~August 31, 2019.

...

(g) Board members who are employees of the State shall receive travel allowances at the rate set forth in G.S. 138-6. Board members who are legislators shall be reimbursed for travel and subsistence in accordance with G.S. 120-3.1. All other Board members, except those serving pursuant to subdivisions (3) through ~~(10)~~ (7) of subsection (c) of this section, shall receive per diem, subsistence, and travel expenses, paid by the Department of Commerce, at the rate set forth in G.S. 138-5. Board members serving pursuant to subdivisions (3) through ~~(10)~~(7) of subsection (c) of this section shall not receive per diem, subsistence, or travel ~~expenses. The expenses set forth in this section shall be paid by the Department of Commerce.~~expenses but shall be reimbursed at the discretion of the appointing organization.

(h) ~~At its first meeting in 1991, the~~The Board shall elect one of its voting members to serve as ~~Chairperson during calendar year 1991.~~Chairperson. At its last regularly scheduled meeting ~~in 1991, and at its last regularly scheduled meeting in~~ each ~~year thereafter,~~year, the Board shall elect one of its voting members to serve as Chairperson for the coming calendar year. No person shall serve as Chairperson during more than three consecutive calendar years. The Chairperson shall continue to serve until his or her successor is elected.

...."

SECTION 15.6.(b) G.S. 143B-431.01(c) reads as rewritten:

"(c) Oversight. – There is established the Economic Development Accountability & Standards Committee, which shall be treated as a board for purposes of Chapter 138A of the General Statutes. The Committee shall consist of seven members as follows: the Secretary of Commerce as Chair of the Committee, the Secretary of Transportation, the Secretary of Environmental Quality, the Secretary of Revenue, the Chair of the North Carolina Travel and Tourism Board, one member appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives, and one member appointed by the General Assembly upon recommendation of the President Pro Tempore of the ~~Senate, and one member appointed by the General Assembly upon the joint recommendation of the Speaker of the House of Representatives and the President Pro Tempore of the~~ Senate. Members appointed by the General Assembly shall be appointed for four-year terms beginning July 1 and may not be members of the General Assembly.

The Committee shall be administratively housed in the Department of Commerce. The Department of Commerce shall provide for the administrative costs of the Committee and shall provide staff to the Committee. The Committee shall meet at least quarterly upon the call of the Chair. The duties of the Committee shall include all of the following:

...

(4) Auditing, at least biennially, by the Office of State Budget and Management, State Auditor, or internal auditors of the Department, the records of the North Carolina nonprofit corporation with which the Department has contracted pursuant to this section during and after the term of the contract to review

financial documents of the corporation, performance of the corporation, and compliance of the corporation with applicable laws. A copy of any audit performed at the request of the Committee shall be forwarded to the North Carolina Travel and Tourism Board.

...."

SECTION 15.6.(c) Subsection (a) of this section is effective when it becomes law and applies to appointments made on or after that date. Terms of appointees serving on the Board at that time expire on the effective date, but members may continue to serve until new members are appointed under this section.

PART XVI. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

UMSTEAD ACT CONFORMING CHANGES

SECTION 16.3. G.S. 66-58 reads as rewritten:

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

(a) Except as may be provided in this section, it shall be unlawful for any unit, department or agency of the State government, or any division or subdivision of the unit, department or agency, or any individual employee or employees of the unit, department or agency in his, or her, or their capacity as employee or employees thereof, to engage directly or indirectly in the sale of goods, wares or merchandise in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias or other eating places in any building owned by or leased in the name of the State, or to maintain service establishments for the rendering of services to the public ordinarily and customarily rendered by private enterprises, or to provide transportation services, or to contract with any person, firm or corporation for the operation or rendering of the businesses or services on behalf of the unit, department or agency, or to purchase for or sell to any person, firm or corporation any article of merchandise in competition with private enterprise. The leasing or subleasing of space in any building owned, leased or operated by any unit, department or agency or division or subdivision thereof of the State for the purpose of operating or rendering of any of the businesses or services herein referred to is hereby prohibited.

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

...

(9) ~~The Department of Environmental Quality.~~ The North Carolina Wildlife Resources Commission ~~may sell~~ for the sale of wildlife memorabilia as a service to members of the public interested in wildlife conservation.

(9a) The North Carolina Forest Service.

(9b) The Department of Natural and Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related items and revenues from public and private special events, activities, and programming at State parks, State aquariums, historic sites and museums administered by the Department, provided that the resulting profits are used to support the operation of ~~historic sites or museums and provided further that the~~ those sites. This exemption does not allow the Department ~~shall not~~ to construct, maintain, operate, or lease a hotel or tourist inn in any ~~park~~ site or facility over which it has ~~jurisdiction.~~jurisdiction; provided, however, that the North Carolina Zoological Park and the State parks may enter into public-private partnerships for the construction, operation, or lease of a hotel or tourist inn.

...."

GRASSROOTS SCIENCE AMENDMENTS

SECTION 16.5. G.S. 143B-135.227 reads as rewritten:

"**§ 143B-135.227. ~~Grassroots science competitive grant program.~~North Carolina Science Museums Grant Program.**

(a) The North Carolina State Museum of Natural Sciences (hereinafter "Museum of Natural Sciences") shall administer the ~~Grassroots Science~~North Carolina Science Museums Grant Program as a competitive grant program. Any museum in the State may apply for a grant under the program, including a museum that has previously received a grant-in-aid from the Program or as a grassroots science museum in prior fiscal years, but grant funds shall be awarded only if the museum meets the criteria established in subsection (d) of this section. No museum shall be guaranteed a grant under the competitive grant program.

...

(d) To be eligible to receive a grant under the competitive grant program, a museum shall demonstrate:

(1) That it is a science center or museum or a children's museum that is physically located in the State.

(2) That it has been open, operating, and exhibiting science or science, technology, engineering, and math (STEM) education objects to the general public at least 120 days of each year for the past two or more years.

(3) That it is either (i) a nonprofit organization that is exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue ~~Code.~~Code or (ii) an organization that received funding in fiscal year 2015-2016 from the Grassroots Science Program.

(4) That it has on its staff at least one full-time professional person.

(5) That its governing body has adopted a mission statement that includes language that shows the museum has a concentration on science or STEM ~~education and that the adopted mission statement has been in effect for the past two or more years.~~education.

(6) In its application, in a format to be determined by the Museum of Natural Sciences, a detailed plan for (i) the proposed use of the funds and (ii) measurements to demonstrate at the end of the grant cycle that the use of the funds has had the projected results.

...

(f) The Department may create one new position to administer the program using no more than fifty thousand dollars ($50,000) of funds appropriated to the North Carolina Science Museums Grant Program in each fiscal year. In addition to administering the Grant Program, this position shall also (i) serve as a liaison between grant applicants or recipients and the Museum to answer questions and assist with grant applications; (ii) foster collaboration between the Museum and grant recipients with respect to education program development and the loaning of exhibits from the Museum or between grantee institutions; and (iii) undertake other duties in support of the Grant Program at the discretion of the Director of the Museum."

MODIFY ZOO AND AQUARIUM SPECIAL FUNDS

SECTION 16.6.(a) G.S. 143B-135.209 reads as rewritten:

"**§ 143B-135.209. North Carolina Zoo Fund.**

...

(b) Disposition of ~~Fees.~~Receipts. – All ~~fee~~ 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 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 ~~one million dollars ($1,000,000).~~the sum of one million five hundred thousand dollars ($1,500,000) and any private donations received by the North Carolina Zoological Park.

(c) Approval. – The Secretary may approve the use of the North Carolina Zoo Fund for repair and renovation projects at the North Carolina Zoological Park recommended by the Council that comply with the following:

(1) The total project cost is less than three hundred thousand dollars ($300,000).

(2) The project meets the requirements of G.S. 143C-4-3(b).

(3) The project is paid for from funds appropriated to the Fund.

(4) The project does not obligate the State to provide increased recurring funding for operations.

(d) Report. – The Department shall submit to the ~~House and Senate appropriations committees with jurisdiction over natural and economic resources~~Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Zoo Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 16.6.(b) G.S. 143B-135.188 reads as rewritten:

"**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

...

(c) Disposition of ~~Fees.~~Receipts. – All ~~fee~~ 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:

(1) ~~One million dollars ($1,000,000).~~One million five hundred thousand dollars ($1,500,000).

(2) The amount needed to cover the expenses described by subdivision (2) of subsection (b) this section.

(3) Any private donations received by the North Carolina aquariums.

(d) Approval. – The Secretary may approve the use of the North Carolina Aquariums Fund for repair and renovation projects at the aquariums-related facilities that comply with the following:

(1) The total project cost is less than three hundred thousand dollars ($300,000).

(2) The project meets the requirements of G.S. 143C-4-3(b).

(3) The project is paid for from funds appropriated to the Fund.

(4) The project does not obligate the State to provide increased recurring funding for operations.

...

(f) Report. – The Department shall submit to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division by September 30 of each year a report on the North Carolina Aquariums Fund that shall include the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

ROANOKE ISLAND ATTRACTIONS STAFFING

SECTION 16.8. The Director of the North Carolina Aquarium on Roanoke Island shall also serve as the Director of Jennette's Pier. The Department of Natural and Cultural Resources may adjust the salary for the merged position commensurate with the increase in duties and shall use receipts from Jennette's Pier to pay for fifty percent (50%) of the adjusted salary.

UPDATE SYMPHONY CONTRACT

SECTION 16.9. The North Carolina Symphony and the North Carolina Symphony Society, Inc., shall review and update the contractual agreement used with all nonsymphony

performers no later than October 1, 2016, and shall submit for review the updated agreement to the Joint Legislative Commission on Government Operations by November 1, 2016, together with a summary of all changes made to the agreement as a result of the review.

ZOO STATE CONSTRUCTION EXEMPTIONS

SECTION 16.10.(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:

…

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 16.10.(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 one million dollars ($1,000,000) 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) Develop procedures and reasonable limitations governing the use of open-end design agreements, subject to the approval of the State Building Commission.

(4) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the Board 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 does not exempt any capital improvement project from review and approval as may be required by law by the city or county having jurisdiction over the 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)."

PART XVII. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVII-A. GENERAL PROVISIONS

REPEAL POSITION RECLASSIFICATION AUTHORITY

SECTION 17A.1. Section 16A.3 of S.L. 2015-241 is repealed.

NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES

SECTION 17A.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 2015-2017 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 17A.2.(b) This section becomes effective July 1, 2015. 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.

CLARIFY THAT SBI DIRECTOR EXERCISES POWERS INDEPENDENTLY

SECTION 17A.3. G.S. 143B-600(b) reads as rewritten:

"(b) The powers and duties of the deputy secretaries, commissioners, directors, and the divisions of the Department shall be subject to the direction and control of the Secretary of Public Safety, except that the powers and duties of the ~~North Carolina Alcoholic Beverage Control Commission shall be exercised independently of the Secretary, in accordance with G.S. 18B-200.~~following agencies shall be exercised independently of the Secretary in accordance with the following statutes:

(1) The North Carolina Alcoholic Beverage Control Commission, in accordance with G.S. 18B-200.

(2) The State Bureau of Investigation, in accordance with G.S. 143B-915."

SUBPART XVII-B. DIVISION OF LAW ENFORCEMENT

REQUIRE QUARTERLY VIPER REPORT

SECTION 17B.1. Section 16B.2 of S.L. 2015-241 reads as rewritten:

"**SECTION 16B.2.** The Department of Public Safety shall report ~~annually~~ no later than March 1 and quarterly thereafter to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the progress of the State's VIPER system."

CHANGE DOMESTIC VIOLENCE HOMICIDE REPORT DUE DATE

SECTION 17B.2. G.S. 143B-901 reads as rewritten:

"**§ 143B-901. Reporting system and database on certain domestic-violence-related homicides; reports by law enforcement agencies required; annual report to the General Assembly.**

The Department of Public Safety, in consultation with the North Carolina Council for Women/Domestic Violence Commission, the North Carolina Sheriffs' Association, and the North

Carolina Association of Chiefs of Police, shall develop a reporting system and database that reflects the number of homicides in the State where the offender and the victim had a personal relationship, as defined by G.S. 50B-1(b). The information in the database shall also include the type of personal relationship that existed between the offender and the victim, whether the victim had obtained an order pursuant to G.S. 50B-3, and whether there was a pending charge for which the offender was on pretrial release pursuant to G.S. 15A-534.1. All State and local law enforcement agencies shall report information to the Department of Public Safety upon making a determination that a homicide meets the reporting system's criteria. The report shall be made in the format adopted by the Department of Public Safety. The Department of Public Safety shall report to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety, no later than ~~February~~ April 1 of each year, with the data collected for the previous calendar year."

SUBPART XVII-C. DIVISION OF ADULT CORRECTION

MISDEMEANANT CONFINEMENT PROGRAM

SECTION 17C.1.(a) Funds appropriated for the Statewide Misdemeanant Confinement Program shall not be transferred to a special fund. This section shall remain in effect until repealed or amended by the General Assembly.

SECTION 17C.1.(b) G.S. 148-10.4(e) is repealed.

SECTION 17C.1.(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.

SECTION 17C.1.(d) G.S. 148-32.1 reads as rewritten:

"**§ 148-32.1. Local confinement, costs, alternate facilities, parole, work release.**

...

(b1) It is the intent of the General Assembly to authorize the Division of Adult Correction to enter into voluntary agreements with counties to provide housing for misdemeanants serving periods of confinement of more than 90 days and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. It is further the intent of the General Assembly that the Division of Adult Correction, in conjunction with the North Carolina Sheriffs' Association, Inc., establish a program for housing misdemeanants serving periods of confinement of more than 90 days and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. It is also the intent of the General Assembly that the Division of Adult Correction contract with the North Carolina Sheriffs' Association, Inc., to provide a service that identifies space in local confinement facilities that is available for housing these misdemeanants.

The General Assembly intends that the cost of housing and caring for these misdemeanants, including, but not limited to, care, supervision, transportation, medical, and any other related costs, be covered by State funds and not be imposed as a local cost. Therefore, the General Assembly intends that the funds ~~in the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4~~appropriated for the Statewide Misdemeanant Confinement Program be used to provide funding to cover the costs of managing a system for providing that housing of misdemeanants in local confinement facilities as well as reimbursing the counties for housing and related expenses for those misdemeanants.

(b2) The Statewide Misdemeanant Confinement Program is established. The Program shall provide for the housing of misdemeanants from all counties serving sentences imposed for a

period of more than 90 days and for all sentences imposed for impaired driving under G.S. 20-138.1, regardless of length. Those misdemeanants shall be confined in local confinement facilities except as provided in subsections (b3) and (b4) of this section. The Program shall address methods for the placement and transportation of inmates and reimbursement to counties for the housing of those inmates. Any county that voluntarily agrees to house misdemeanants from that county or from other counties pursuant to the Program may enter into a written agreement with the Division of Adult Correction to do so.

~~This Program shall only operate as long as sufficient State funds are available through the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4(c).~~

...."

INMATE GRIEVANCE RESOLUTION BOARD REPORT CHANGES

SECTION 17C.2. Section 16C.13B(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 16C.13B.(b)** The Department of Public Safety and the Inmate Grievance Resolution Board shall report by October 1 of each year to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the Inmate Grievance Resolution Board. The annual report shall include the following with respect to the prior fiscal year:

(1) Brief summary of the inmate grievance process.
(2) Number of ~~grievances submitted to~~grievance appeals received by the Board.
(3) Number of ~~grievances~~grievance appeals resolved by the Board.
(4) Type of grievance by category.
(5) Number of orders ~~filed~~written by examiners."

MEDICAL COSTS FOR INMATES AND JUVENILE OFFENDERS

SECTION 17C.2A. G.S. 143B-707.3 reads as rewritten:

"**§ 143B-707.3. Medical costs for inmates and juvenile offenders.**

...

(c) The Department of Public Safety shall report November 1, 2016 and quarterly thereafer to the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on:

(1) The number of the total inmates and juvenile offenders requiring hospitalization or hospital services who receive that treatment at each hospital.
~~(2) The volume of services provided by community medical providers that can be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.~~
~~(3) The volume of services provided by community medical providers that cannot be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.~~
~~(4) The volume of services provided by community medical providers that are emergent cases requiring hospital admissions and emergent cases not requiring hospital admissions.~~
(4a) The volume of scheduled and emergent services listed by hospital and, of that volume, the number of those services that are provided by contracted and noncontracted providers.
(4b) The volume of scheduled and emergent admissions listed by hospital and, of that volume, the percentage of those services that are provided by contracted and noncontracted providers.
(5) The volume of inpatient medical services provided to Medicaid-eligible inmates and juvenile offenders, the cost of treatment, ~~and~~ the estimated savings of paying the nonfederal portion of Medicaid for the ~~services.~~services, and the

length of time between the date the claim was filed and the date the claim was paid.

(5a) The status of the implementation of the claims processing system and efforts to address the backlog of unpaid claims.

(6) The hospital utilization, including the amount paid to individual hospitals, the number of inmates and juvenile offenders served, ~~and~~ the number of ~~claims.~~claims, and whether the hospital was a contracted or noncontracted facility.

(7) The total cost and volume for the previous fiscal quarter for emergency room visits originating from Central Prison and NCCIW Hospitals to UNC Hospitals, UNC Rex Healthcare, and WakeMed Hospital.

(8) The total payments for Medicaid and non-Medicaid eligible inmates to UNC Hospitals, UNC Rex Healthcare, and WakeMed Hospital, including the number of days between the date the claim was filed and the date the claim was paid.

(9) A list of hospitals under contract.

Reports submitted on August 1 shall include totals for the previous fiscal year for all the information requested.

(d) The Department of Public Safety shall study whether contracts to provide inmate health services can be expanded to additional hospitals. The Department shall report the findings of its study to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety no later than February 1, 2017. The report shall include a list of hospitals considered for expansion and reasons for or against expanding to each hospital."

STUDY WHETHER PROBATION AND PAROLE OFFICERS SHOULD TAKE STATE VEHICLES HOME

SECTION 17C.3. The Department of Public Safety, in consultation with the Department of Administration and the Department of Revenue, shall study whether probation and parole officers should be allowed to take their State vehicles home with them, and the possible tax implications of doing so, and report their findings and recommendations to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2017.

REVISION TO TREATMENT FOR EFFECTIVE COMMUNITY SUPERVISION REPORT

SECTION 17C.4. G.S. 143B-1155(c) reads as rewritten:

"(c) ~~The Division of Adult Correction~~ The Department of Public Safety, Community Corrections Section, shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the programs funded through the Treatment for Effective Community Supervision Program. The report shall include the following ~~information:~~information from each of the following components:

(1) ~~The dollar amount and purpose of funds provided on a contractual basis to service providers for the previous fiscal year and the amount of any funds carried over from the previous fiscal year.~~Recidivism Reduction Services:

a. The method by which offenders are referred to the program.

b. The target population.

c. The amount of services contracted for and the amount of funding expended in each fiscal year.

d. The supervision type.

e. The risk level of the offenders served.

f. The number of successful and unsuccessful core service exits with a breakdown of reasons for unsuccessful exits.

g. The demographics of the population served.
h. The number and kind of mandatory and optional services received by offenders in this program.
i. Employment status at entry and exit.
j. Supervision outcomes, including completion, revocation, and termination.

(2) ~~An analysis of offender participation data received, including the following:~~Community Intervention Centers (CIC):

a. ~~The number of people on probation and post-release supervision that are in the priority population that received services.~~The target population.
b. ~~The number of people on probation and post-release supervision that are in the priority population that did not receive services.~~The amount of funds contracted for and expended each fiscal year.
c. ~~The number of people on probation and post-release supervision outside of the priority population that received services.~~The supervision type.
d. ~~The type of services provided to these populations, including data on each program's utilization, capacity, and completion rates.~~The risk level of the offenders served.
e. ~~The rate of revocations and the educational progress and employment status of people who received services.~~The number of successful and unsuccessful core service exits with a breakdown of reasons for unsuccessful exits.
f. ~~Other measures as determined appropriate.~~The demographics of the population served.
g. Supervision outcomes, including completion, revocation, and termination.

(3) ~~The dollar amount needed to provide additional services to meet the needs of the priority population in the upcoming budget year.~~Transitional and Temporary Housing:

a. The target population.
b. The amount of funds contracted for and expended each fiscal year.
c. The supervision type.
d. The risk level of the offenders served.
e. The number of successful and unsuccessful core service exits with a breakdown of reasons for unsuccessful exits.
f. The demographics of the population served.
g. The employment status at entry and exit.
h. Supervision outcomes, including completion, revocation, and termination.

(4) ~~Details of personnel, travel, contractual, operating, and equipment expenditures for each program type.~~Local Reentry Councils (LRC):

a. The target population.
b. The amount of funds contracted for and expended each fiscal year.
c. The supervision type.
d. The risk level of the offenders served.
e. The number of successful and unsuccessful core service exits with a breakdown of reasons for unsuccessful exits.
f. The demographics of the population served.
g. The employment status at entry and exit including, wherever possible, the average wage received at entry and exit.

h. Supervision outcomes, including completion, revocation, and termination.

(5) Intensive Outpatient Services. – If the Department enters into a contract for Intensive Outpatient Services, the Department of Public Safety shall report in the next fiscal year on this service including the following:

a. The target population.

b. The amount of funds contracted for and expended each fiscal year.

c. The supervision type.

d. The risk level of the offenders served.

e. The number of successful and unsuccessful core service exits with a breakdown of reasons for unsuccessful exits.

f. The demographics of the population served.

g. Supervision outcomes, including completion, revocation, and termination."

CHANGE PAYMENT STRUCTURE FOR RECIDIVISM REDUCTION SERVICES

SECTION 17C.5. G.S. 143B-1156 is amended by adding a new subsection to read:

"(e) The Department shall pay service providers the contract base award upon initiation of services with the remaining payments made as milestones are reached as stated in the contract for services. Should the vendor cancel or terminate the contract prior to its conclusion, the vendor shall reimburse the Department for the unearned pro rata portion of the base award."

SUBPART XVII-D. NATIONAL GUARD [RESERVED]

PART XVIII. DEPARTMENT OF JUSTICE

CREATION OF SOCIAL MEDIA TRAINING FOR LAW ENFORCEMENT

SECTION 18.1. The North Carolina Justice Academy shall develop and make available to law enforcement officers in this State an online training course on the use of social media. The course shall include methods individual law enforcement officers can take to protect their personal information.

LAW ENFORCEMENT CERTIFICATION AND TRAINING CLARIFICATION

SECTION 18.2. G.S. 17C-6(a)(7) reads as rewritten:

"(7) Certify and recertify, suspend, revoke, or deny, pursuant to the standards that it has established for the purpose, criminal justice instructors and school directors who participate in programs or courses of instruction that are required by this ~~Chapter.~~Chapter or are required and approved by their respective criminal justice agency to include those certified under Chapter 17E or an educational institution accredited by the Commission."

PART XIX. JUDICIAL DEPARTMENT

SUBPART XIX-A. OFFICE OF INDIGENT DEFENSE SERVICES

STUDY CAPITAL CASE PROSECUTION

SECTION 19A.3.(a) The Office of Indigent Defense Services, in consultation with the Conference of District Attorneys, shall study what changes can be made to the current system of identifying, from the pool of cases in which a defendant is charged with first degree or undesignated murder, those that merit the cost of a capital prosecution and defense. The study shall also examine what steps can be taken to facilitate the appointment of local counsel in most

cases and determine if any costs or savings may be realized by changing the current procedures for prosecuting or defending capital cases. The Office of Indigent Defense Services shall report its findings and make any recommendations to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by October 1, 2016.

SECTION 19A.3.(b) The Office of Indigent Defense Services shall study the need for new satellite offices to handle potentially capital cases at the trial level which shall be staffed by full-time assistant capital defenders and appropriate support staff in areas in which the use of salaried attorneys will ensure that effective representation is provided in a cost-effective manner. The Office of Indigent Defense Services shall consider the addition of capital defenders to existing public defender offices before making a recommendation as to the creation of separate satellite offices. If it is determined that such offices should be established, the Office of Indigent Defense Services shall provide data regarding (i) the determination to create new satellite offices, (ii) the counties to be serviced by the offices, (iii) the number of attorney appointments made in the counties served, (iv) the number of attorney appointments made in the counties served in the past three fiscal years, and (v) the current number of eligible private counsel and local public defenders who are available in those counties. The Office of Indigent Services shall report its findings and recommendations to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 1, 2017.

UNIFORM FEE SCHEDULE FOR IDS PILOT PROJECT

SECTION 19A.4.(a) Pilot Project. – The Administrative Office of the Courts, in conjunction with the Office of Indigent Defense Services and the chief district court judges and judicial district bars of certain selected judicial districts, shall establish and implement a pilot project to establish a uniform fee schedule for the payment of attorneys' fees for legal representation of indigent persons in district court. The purpose of the project is to create a uniform fee schedule that (i) provides the funding necessary to cover the cost of legal representation of indigent persons and (ii) may be used as a standard to compare and evaluate attorneys' fees paid for the representation of persons in district court in any of the legal actions or proceedings listed in G.S. 7A-451(a).

SECTION 19A.4.(b) Sites. – The Administrative Office of the Courts shall, after consultation with the Office of Indigent Defense Services, select one or more counties in at least six judicial districts in which to implement the pilot project. Two of those counties shall have small caseloads in district court; two shall have medium caseloads in district court; and two shall have large caseloads in district court. Any judicial district selected by the Administrative Office of the Courts shall participate in the pilot project. The following districts shall not be selected as sites for the implementation of the pilot project: District 10, District 18, and District 26.

SECTION 19A.4.(c) Criteria. – The Administrative Office of the Courts shall consult with and collaborate with the Office of Indigent Defense Services and with the chief district court judges and district bar of each of the judicial districts selected to participate in the pilot project when developing the fee schedule and the plan for its implementation. All of the following criteria shall be considered and addressed when developing the fee schedule:

(1) The amount required to cover the full cost of providing adequate legal services and representation to indigent persons.

(2) The procedure for and time frame within which attorneys' fees shall be awarded.

(3) A methodology, to be implemented as part of the pilot project, that provides for review of the uniform fee schedule at least every biennium and that incorporates appropriate increases in the uniform fee schedule based on the information from the review.

(4) Any other criteria deemed relevant by the Administrative Office of the Courts.

SECTION 19A.4.(d) Time Frame. – The Administrative Office of the Courts shall select one or more counties in at least six judicial districts to participate in the pilot project by February 1, 2017. The Administrative Office of the Courts shall complete the development of the fee schedule for the pilot project by March 1, 2017. The Administrative Office of the Courts, the Office of Indigent Defense Services, and the selected judicial districts shall begin implementation of the pilot project within the district court of each judicial district by April 1, 2017.

SECTION 19A.4.(e) Report. – The Administrative Office of the Courts shall report by May 1, 2017, to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the status of the six judicial districts selected and the fee schedule developed. The Administrative Office of the Courts shall report on the results of the pilot project to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by March 15, 2018. The Administrative Office of the Courts shall continue to monitor the pilot project after making its initial report and shall report by March 15 every two years thereafter on its findings and any recommendations regarding the pilot projects to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

SUBPART XIX-B. ADMINISTRATIVE OFFICE OF THE COURTS

GRANT FUNDS

SECTION 19B.1. Section 18A.4 of S.L. 2015-241 reads as rewritten:

"**SECTION 18A.4.** 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 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 report to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds."

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 19B.2. Section 18A.5(a) of S.L. 2015-241 reads as rewritten

"**SECTION 18A.5.(a)** 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, 2015, for the purchase or repair of office or information technology equipment during the 2015-2016 fiscal ~~year.~~year and may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2016, for the purchase or repair of office or information technology equipment during the 2016-2017 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."

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 19B.3. G.S. 7A-60 reads as rewritten:

"**§ 7A-60. District attorneys and prosecutorial districts.**

...

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties ~~and the number of full-time assistant district attorneys~~ set forth in the following table:

Prosecutorial District	Counties	~~No. of Full-Time Asst. District Attorneys~~
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	~~11~~

2	Beaufort, Hyde, Martin, Tyrrell, Washington	~~8~~
3A	Pitt	~~11~~
3B	Carteret, Craven, Pamlico	~~12~~
4	Duplin, Jones, Onslow, Sampson	~~18~~
5	New Hanover, Pender	~~18~~
6	Bertie, Halifax, Hertford, Northampton	~~10~~
7	Edgecombe, Nash, Wilson	~~18~~
8	Greene, Lenoir, Wayne	~~14~~
9	Franklin, Granville, Vance, Warren	~~10~~
9A	Person, Caswell	~~6~~
10	Wake	~~41~~
11A	Harnett, Lee	~~9~~
11B	Johnston	~~10~~
12	Cumberland	~~23~~
13	Bladen, Brunswick, Columbus	~~13~~
14	Durham	~~18~~
15A	Alamance	~~11~~
15B	Orange, Chatham	~~10~~
16A	Scotland, Hoke	~~7~~
16B	Robeson	~~12~~
16C	Anson, Richmond	~~6~~
17A	Rockingham	~~7~~
17B	Stokes, Surry	~~8~~
18	Guilford	~~32~~
19A	Cabarrus	~~9~~
19B	Montgomery, Randolph	~~9~~
19C	Rowan	~~8~~
19D	Moore	~~5~~
20A	Stanly	~~5~~
20B	Union	~~10~~
21	Forsyth	~~25~~
22A	Alexander, Iredell	~~11~~
22B	Davidson, Davie	~~11~~
23	Alleghany, Ashe, Wilkes, Yadkin	~~8~~
24	Avery, Madison, Mitchell, Watauga, Yancey	~~7~~
25	Burke, Caldwell, Catawba	~~18~~
26	Mecklenburg	~~58~~
27A	Gaston	~~14~~
27B	Cleveland, Lincoln	~~11~~
28	Buncombe	~~14~~
29A	McDowell, Rutherford	~~7~~
29B	Henderson, Polk, Transylvania	~~8~~
30	Cherokee, Clay, Graham,	~~10~~

Haywood, Jackson, Macon,
Swain.

(a2) ~~Upon the convening of each regular session of the General Assembly and its reconvening in the even-numbered year, the~~ The Administrative Office of the Courts shall report by March 15 of each year on its ~~recommendations regarding the~~ allocation of assistant district attorneys for the upcoming fiscal biennium and fiscal year to the General Assembly, including any request for additional assistant district attorneys. The report shall include the number of assistant district attorneys that the Administrative Office of the Courts ~~recommends to be~~ has allocated to each prosecutorial district and the workload formula established through the National Center for State Courts on which each ~~recommended~~ allocation is based. Any reports required under this subsection shall be made to ~~the Joint Legislative Commission on Governmental Operations,~~ the House of Representatives and Senate Appropriations ~~Subcommittees~~ Committees on Justice and ~~Public,~~ Public Safety and the Fiscal Research Division.

...."

PART XX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

RENAME BLACK MOUNTAIN VETERANS HOME

SECTION 20.1. The North Carolina State Veterans Home in Black Mountain shall be renamed the "Zebulon Doyle Alley State Veterans Home".

STUDY CREATION OF NORTH CAROLINA MILITARY HALL OF FAME

SECTION 20.2. The Department of Military and Veterans Affairs shall study the feasibility of creating a North Carolina Military Hall of Fame to recognize the contributions to the State and nation of members of the military with connections to North Carolina. The Department shall report its findings to the chairs of the Joint Legislative Oversight Committee on General Government no later than November 1, 2016. The report required by this section shall address all of the following:

(1) The desirability and feasibility of creating a North Carolina Military Hall of Fame.
(2) Appropriate potential locations in this State for a Military Hall of Fame.
(3) Projected costs of creating a Military Hall of Fame and potential revenue streams associated with the Military Hall of Fame that could be used to offset some or all of those costs.
(4) Recommendations regarding the structure of the administration of the Military Hall of Fame.
(5) Potential processes for selecting members of the military for inclusion in the Military Hall of Fame.
(6) Methods for ensuring active involvement of the active and reserve components of the military in the operation of the Military Hall of Fame.
(7) Any other matter that the Department deems relevant.

CHANGE DAYS OF WEEK FOR BURIAL AT STATE VETERANS CEMETERIES

SECTION 20.3. G.S. 65-44 reads as rewritten:

"**§ 65-44. Days for burial.**

Notwithstanding any other provision of law, burial services shall be conducted at all State veterans cemeteries from Monday through ~~Sunday,~~Friday, except when the day for services falls on a State or federal holiday."

PART XXI. OFFICE OF ADMINISTRATIVE HEARINGS [RESERVED]

PART XXII. TREASURER

ABLE PROGRAM TRUST REPORT

SECTION 22.2. No later than December 1, 2016, the Department of State Treasurer shall report to the Joint Legislative Oversight Committee on General Government on the status of the Achieving a Better Life Experience (ABLE) Program Trust as established under Article 6F of Chapter 147 of the General Statutes. The report shall include all of the following:

(1) A description of various organizational structures and approaches that may be utilized to implement the ABLE Program Trust.

(2) A comparison of the advantages and disadvantages of the various organizational structures and approaches that may be utilized to implement the ABLE Program Trust.

(3) Information regarding implementation discussions and plans of the multistate ABLE consortium.

(4) Information about plan design and implementation in other states, including Virginia, South Carolina, and Tennessee.

(5) Detailed costs of implementing and operating the ABLE Program Trust as a single-state program operated within North Carolina as compared to entering into an agreement with another state or states for operation.

(6) Upon consideration of the various approaches to implementation of the ABLE Program Trust, a detailed plan for implementation in North Carolina and the status of that implementation. The cost of the detailed plan for implementation shall be within the Department of State Treasurer's current appropriation for the ABLE Program Trust.

PART XXIII. DEPARTMENT OF INSURANCE

INSURANCE REGULATORY CHARGE

SECTION 23.1. 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 2017 calendar year.

PART XXIV. STATE BOARD OF ELECTIONS

STATE BOARD OF ELECTIONS/ACCESS TO DMV RECORDS

SECTION 24.1. G.S. 20-43(a) reads as rewritten:

"(a) All records of the Division, other than those declared by law to be confidential for the use of the Division, shall be open to public inspection during office hours in accordance with G.S. 20-43.1. A signature recorded in any format by the Division for a drivers license or a special identification card is confidential and shall not be released except for law enforcement ~~purposes.~~purposes or to the State Chief Information Officer for purposes of G.S. 143B-1385 or the State Board of Elections in connection with its official duties under Chapter 163 of the General Statutes. A photographic image recorded in any format by the Division for a drivers license or a special identification card is confidential and shall not be released except for law enforcement purposes or to the State Chief Information Officer for the purposes of ~~G.S. 143B-1385.~~G.S. 143B-1385 or the State Board of Elections in connection with its official duties under Chapter 163 of the General Statutes."

PART XXV.GENERAL ASSEMBLY

SCHOOL CONSTRUCTION NEEDS STUDY

SECTION 25.1. The Joint Legislative Program Evaluation Oversight Committee shall amend the 2016-2017 Program Evaluation Division work plan to direct the Division to contract with an outside entity (i) to perform an independent assessment of school construction needs in certain local school administrative units determined under the low-wealth school funding formula to have the lowest ability to pay for school facilities and (ii) to determine which of those units have the highest facility needs in relation to their capacity to raise revenue to meet those needs. The Program Evaluation Division shall report the results of this study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Economic Development and Global Engagement Oversight Committee on or before March 15, 2017.

PART XXVI. OFFICE OF THE GOVERNOR [RESERVED]

PART XXVII. OFFICE OF STATE BUDGET AND MANAGEMENT

IMPROVE BUDGETING TRANSPARENCY/OFFICE OF STATE TREASURER

SECTION 27.1.(a) The Office of State Budget and Management shall study the feasibility of converting the following Funds within Budget Code 13410, Department of the State Treasurer, from receipt-supported to General Fund-supported: 1110 General Administration, 1130 Escheat Fund, 1150 Information Services, 1210 Investment Management Division, 1310 Local Government, 1410 Retirement Operations Division Fund, and 1510 Financial Operations Division. The Office of State Budget and Management shall develop a proposed plan and schedule to adjust the Base Budget as follows:

(1) Show that receipts from the Funds listed in this subsection are used to offset General Fund appropriations.

(2) Reflect that receipts generated from the Investment Management Division, the Escheat Fund, and the Local Government Operations Division Fund and any interest earnings be deposited as nontax revenue.

(3) Eliminate all transfers used to pay for administration in Funds 1110, 1150, and 1510 from Funds 1130, 1210, 1310, and 1410.

(4) Identify any amendments to current law needed to implement the proposed plan.

SECTION 27.1.(b) The Office of State Budget and Management shall present its proposed plan and recommendations to the December 2016 meeting of the Joint Legislative Oversight Committee on General Government. The Office of State Budget and Management shall not make any changes to the presentation format of the Treasurer's budget until the General Assembly enacts changes.

SECTION 27.1.(c) Effective on the date this act becomes law, all expenditures of the Department of State Treasurer shall be recorded into the North Carolina Accounting System.

DISPOSITION OF CERTAIN FUNDS

SECTION 27.4.(a) G.S. 143C-6-23(f1) shall not apply to school construction funds appropriated in the 2015-2016 fiscal year for the construction of a collocated middle and high school in Jones County.

SECTION 27.4.(b) This section is effective when it becomes law.

PART XXVIII. STATE AUDITOR [RESERVED]

PART XXIX. HOUSING FINANCE AGENCY [RESERVED]

PART XXX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]

PART XXXI. OFFICE OF LT. GOVERNOR [RESERVED]

PART XXXII. DEPARTMENT OF ADMINISTRATION

AUTOCLAVE MAINTENANCE

SECTION 32.4. The Department of Administration (DOA) shall, in conjunction with the Office of State Budget and Management and the Department of Health and Human Services, identify available funds which shall be used to pay the vendor with whom DOA has a contract for the 2016-2017 fiscal year for the maintenance of the autoclave in the State Public Health Laboratory. DOA shall not renew the contract when it expires and shall not enter into any other contract or agreement for the maintenance of the autoclave. Upon the expiration of the contract between DOA and the vendor, the Division of Public Health, Department of Health and Human Services, is authorized to enter into a contract for the maintenance of the autoclave.

TRANSFER FUNCTIONS OF YOUTH ADVOCACY AND INVOLVEMENT OFFICE TO COUNCIL FOR WOMEN

SECTION 32.5.(a) The North Carolina Council for Women and the Youth Advocacy and Involvement Office shall be consolidated within the Department of Administration and reorganized as the North Carolina Council for Women and Youth Involvement, as provided in subsection (b) of this section.

SECTION 32.5.(b) Part 10 of Article 9 of Chapter 143B of the General Statutes reads as rewritten:

"Part 10. North Carolina Council for ~~Women.~~Women and Youth Involvement.

"**§ 143B-393. North Carolina Council for Women and Youth Involvement – creation; powers and duties.**

(a) There is hereby created the North Carolina Council for Women and Youth Involvement of the Department of Administration. The ~~North Carolina~~ Council ~~for Women~~ shall have the following functions and duties:

...

(1a) To advise the Governor or Secretary of Administration upon any matter relating to the following programs and organizations:

a. North Carolina Internship Council and the North Carolina State Government Internship Program.

b. SADD (Students Against Destructive Decisions).

c. State Youth Councils.

d. Youth Legislative Assembly.

...

(b) The programs listed in subdivision (1a) of subsection (a) of this section shall be administered in a nonpartisan manner and shall not disseminate or advocate partisan principles or ideas, promote the candidacy of any person seeking public office or preferment, or use State funds to disseminate or advocate partisan principles or ideas or to promote political candidates or appointees.

…."

SECTION 32.5.(c) Article 9 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 10E. Youth Councils."

SECTION 32.5.(d) G.S. 143B-385 through G.S. 143B-388 are recodified as G.S. 143B-394.25 through G.S. 143B-394.29 under Part 10E of Article 9 of Chapter 143B of the General Statutes, as enacted by subsection (c) of this section.

SECTION 32.5.(e) Article 9 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 10F. North Carolina Internship Council."

SECTION 32.5.(f) G.S. 143B-417 through G.S. 143B-419 are recodified as G.S. 143B-394.31 through G.S. 143B-394.33 under Part 10F of Article 9 of Chapter 143B of the General Statutes, as enacted by subsection (e) of this section.

SECTION 32.5.(g) G.S. 143B-419, as recodified by subsection (f) of this section, reads as rewritten:

"**§ 143B-394.33. North Carolina Internship Council – committees for screening applications.**

The North Carolina Internship Council may designate one representative from each office or department enumerated in ~~G.S. 143B-417~~ G.S. 143B-394.31 to serve on a committee to assist pursuant to guidelines adopted by the Council, in the screening and selection of applicants for student internships."

SECTION 32.5.(h) G.S. 7B-1402 reads as rewritten:

"**§ 7B-1402. Task Force – creation; membership; vacancies.**

(a) There is created the North Carolina Child Fatality Task Force within the Department of Health and Human Services for budgetary purposes only.

(b) The Task Force shall be composed of 35 members, 11 of whom shall be ex officio members, four of whom shall be appointed by the Governor, 10 of whom shall be appointed by the Speaker of the House of Representatives, and 10 of whom shall be appointed by the President Pro Tempore of the Senate. The ex officio members other than the Chief Medical Examiner shall be nonvoting members and may designate representatives from their particular departments, divisions, or offices to represent them on the Task Force. The members shall be as follows:

...

(6) The ~~Director of the Governor's Youth Advocacy and Involvement Office;~~chair of the Council for Women and Youth Involvement;

...."

SECTION 32.5.(i) The Office of State Budget and Management shall make necessary revisions to the budget for the Council for Women and Youth Involvement, established in subsection (a) of this section, based upon the organizational structure provided for in this section, including the movement of positions or funds between fund codes.

DOMESTIC VIOLENCE CENTER FUND/DEVELOP NEW GRANT FORMULA

SECTION 32.6.(a) Development of New Grant Formula. – The Department of Administration, North Carolina Council for Women (hereinafter "Council"), in consultation with the Domestic Violence Commission, shall develop a new formula for awarding grants from the Domestic Violence Center Fund to eligible centers for victims of domestic violence (hereinafter "center") that is based upon the services provided by the centers. Current law, G.S. 50B-9, requires that each eligible center receive the same amount in grant funds. In developing the new formula, the Council shall consider the following:

(1) The types of services each center currently provides and the cost of those services, including around-the-clock shelter services, job search assistance, legal assistance, clothing costs, and child care costs.

(2) The number of clients served annually by each center and the service area of each center.

(3) The availability of external funding sources for each center, including federal, State, and local grants, and private donations.

(4) Any other relevant information that may be helpful in developing a new formula for the awarding of grants.

SECTION 32.6.(b) Report. – By November 1, 2016, the Council shall report its findings and recommendations to the Joint Legislative Oversight Committee on General Government. The Council shall not make any changes to the current allocation of funds until directed to do so by the General Assembly.

SECTION 32.6.(c) Grant Moratorium for New Grantees. – Notwithstanding the provisions of G.S. 50B-9, for the 2016-2017 fiscal year, the Council shall not award grants from the Domestic Violence Center Fund to any center that did not receive a grant for the 2015-2016 fiscal year. The Council shall continue to award grants to The North Carolina Coalition Against Domestic Violence, Inc., as provided in G.S. 50B-9.

PART XXXIII. DEPARTMENT OF REVENUE [RESERVED]

PART XXXIV. OFFICE OF STATE CONTROLLER [RESERVED]

PART XXXV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 35.2.(a) Subsections (a) and (b) of Section 29.1 of S.L. 2015-241 are repealed.

SECTION 35.2.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2017-2018	$2,027.8 million
For Fiscal Year 2018-2019	$2,077.8 million
For Fiscal Year 2019-2020	$2,121.9 million
For Fiscal Year 2020-2021	$2,170.2 million

SECTION 35.2.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2017-2018	$1,393.0 million
For Fiscal Year 2018-2019	$1,423.8 million
For Fiscal Year 2019-2020	$1,441.9 million
For Fiscal Year 2020-2021	$1,463.3 million

ELIMINATE PORTION OF DMV TRANSACTION FEES SET ASIDE FOR MERCURY SWITCH REMOVAL ACCOUNT

SECTION 35.3.(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 fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environmental Quality.~~"

SECTION 35.3.(b) This section becomes effective July 1, 2016, and applies to fees paid on or after that date.

PROMOTE NORTH CAROLINA HISTORICAL SITES

SECTION 35.4. G.S. 136-42.3 reads as rewritten:

"**§ 136-42.3. Historical marker program.**

The Department of Transportation may spend up to ~~forty~~sixty thousand dollars ~~($40,000)~~($60,000) a year to purchase historical markers prepared and delivered to it by the Department of Natural and Cultural Resources. The Department of Transportation shall erect the markers on sites selected by the Department of Natural and Cultural Resources. This expenditure is hereby declared to be a valid expenditure of State highway maintenance funds. No provision in this section shall be construed to prevent the expenditure of any federal highway funds that may be available for this purpose."

INCREASE DOT BID THRESHOLD & REPORT

SECTION 35.5.(a) G.S. 136-28.1 reads as rewritten:

"**§ 136-28.1. Letting of contracts to bidders after advertisement; exceptions.**

(a) All contracts over ~~two~~five million ~~five hundred thousand~~ dollars ~~($2,500,000)~~($5,000,000) that the Department of Transportation may let for construction, maintenance, operations, or repair necessary to carry out the provisions of this ~~Chapter~~Chapter, shall be let to a responsible bidder after public advertising under rules and regulations to be made and published by the Department of Transportation. The right to reject any and all bids shall be reserved to the Board of Transportation. Contracts for construction or repair for federal aid projects entered into pursuant to this section shall not contain the standardized contract clauses prescribed by 23 U.S.C. § 112(e) and 23 C.F.R. § 635.109 for differing site conditions, suspensions of work ordered by the engineer or significant changes in the character of the work. For those federal aid projects, the Department of Transportation shall use only the contract provisions for differing site conditions, suspensions of work ordered by the engineer, or significant changes in the character of the work developed by the North Carolina Department of Transportation and approved by the Board of Transportation.

(b) For contracts let to carry out the provisions of this Chapter in which the amount of work to be let to contract for transportation infrastructure construction or repair is ~~two~~five million ~~five hundred thousand~~ dollars ~~($2,500,000)~~($5,000,000) or less, and for transportation infrastructure maintenance, excluding resurfacing, that is ~~two~~five million ~~five hundred thousand~~ dollars ~~($2,500,000)~~($5,000,000) per year or less, at least three informal bids shall be solicited. The term "informal bids" is defined as bids in writing, received pursuant to a written request, without public advertising. All such contracts shall be awarded to the lowest responsible bidder. The Secretary of Transportation shall keep a record of all bids submitted, which record shall be subject to public inspection at any time after the bids are opened.

...

(f) Notwithstanding any other provision of law, the Department of Transportation may solicit proposals under rules and regulations adopted by the Department of Transportation for all contracts for professional engineering services and other kinds of professional or specialized services necessary in connection with the planning, operations, design, maintenance, repair, and construction of transportation infrastructure. In order to promote engineering and design quality and ensure maximum competition by professional firms of all sizes, the Department may establish fiscal guidelines and limitations necessary to promote cost-efficiencies in overhead, salary, and expense reimbursement rates. The right to reject any and all proposals is reserved to the Board of Transportation.

...."

SECTION 35.5.(b) The Department of Transportation shall provide an annual report by May 1 to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on the impact of the implementation of this section, specifically the impact of the implementation of this section on small businesses.

SECTION 35.5.(c) This section becomes effective July 1, 2016, and applies to bids solicited on or after that date.

REVISE DOT BIDDING PROCESS

SECTION 35.6.(a) G.S. 136-28.1, as amended by Section 35.5 of this act, reads as rewritten:

"**§ 136-28.1. Letting of contracts to bidders after advertisement; exceptions.**

...

(b) For contracts let to carry out the provisions of this Chapter in which the amount of work to be let to contract for transportation infrastructure construction or repair is five million dollars ($5,000,000) or less, and for transportation infrastructure maintenance, excluding resurfacing, that is five million dollars ($5,000,000) per year or less, at least three informal bids shall be solicited. The term "informal bids" is defined as bids in writing, received pursuant to a written request, without public advertising. All such contracts shall be awarded to the lowest responsible bidder. Where public advertising is used for a contract subject to this subsection, the Highway Division shall post the advertisement at least 14 calendar days prior to the letting date of the contract. The Secretary of Transportation shall keep a record of all bids submitted, which record shall be subject to public inspection at any time after the bids are opened. The Highway Divisions shall publish the results of a bidding process no later than three business days after the contract bid upon is awarded.

(b1) Notwithstanding any provision of G.S. 136-28.5 to the contrary, and except as prohibited by other State or federal law, the Department of Transportation shall, at the time and place bids solicited for a contract subject to this section are opened, make public all cost estimates prepared by the Department for the purpose of comparing the bids.

...."

SECTION 35.6.(b) This section becomes effective July 1, 2016, and applies to bids solicited on or after that date.

FUNDS FOR LITTER PREVENTION AND REMOVAL

SECTION 35.8.(a) Definition. – For purposes of this section, the terms "Tier 1 county," "Tier 2 county," and "Tier 3 county" are as defined in G.S. 143B-472.35.

SECTION 35.8.(b) Funds. – Of the additional funds appropriated in this act to the Department of Transportation for litter prevention and removal, the Department shall distribute the funds to each of the 14 Highway Divisions to be used for the purposes set forth in subsections (c) and (d) of this section. The amount of funds distributed by the Department to each Highway Division shall be based on the total lane miles within the respective Highway Division.

SECTION 35.8.(c) Matching Grants. – Fifty percent (50%) of the funds distributed under subsection (b) of this section shall be used to provide matching grants to local governments to use for the prevention and removal of litter alongside roads within the jurisdiction of the local government. The Department shall develop guidelines and procedures for the administration and distribution of these grants by the Highway Divisions, which shall include all of the following requirements and limitations:

(1) The maximum grant amount shall not exceed twenty percent (20%) of the total amount of funds distributed to the respective Highway Division under subsection (b) of this section.

(2) Recipient local governments shall be required to provide the following amounts in local funds for every one dollar ($1.00) of grant funds received:

a. For local governments within a Tier 1 county, twenty-five cents (25¢).

b. For local governments within a Tier 2 county, fifty cents (50¢).

c. For local governments within a Tier 3 county, seventy-five cents (75¢).

(3) Local governments must apply for a grant under this subsection by no later than December 31, 2016. The application must include evidence satisfactory to the Highway Division that the local government has sufficient local funds to match.

SECTION 35.8.(d) Remaining Funds. – The remainder of funds distributed under subsection (b) of this section, including any funds not provided by April 1, 2017, as grants under subsection (c) of this section, shall be used by the Highway Divisions to pay costs associated with contracted litter removal services to remove litter alongside roads within the respective Highway Division.

SECTION 35.8.(e) Report. – By April 15, 2017, the Department shall provide a report to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on the amount and recipients of funds distributed under subsection (c) of this section and the amount and use of funds under subsection (d) of this section.

STUDY/OFF-HIGHWAY PARKING FOR TRACTOR-TRAILERS & SEMI-TRAILERS

SECTION 35.9.(a) Study. – The Department of Transportation, in collaboration with the Departments of Public Safety and Commerce, shall study ways to provide additional off-highway parking and rest areas for tractor-trailers and semi-trailers. Included within the study shall be the feasibility and cost of converting abandoned highway rest stops into parking and rest areas for tractor-trailers and semi-trailers. In conducting the study, the Departments shall consult with the North Carolina Trucking Association and include any recommendations the Association may have as part of the report required under subsection (b) of this section.

SECTION 35.9.(b) Report. – By February 1, 2017, the Departments shall jointly report their findings and recommendations, including any legislative proposals, to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation.

DOT/REPORT ON RECOMMENDATIONS FOR REVISING METHOD FOR MEASURING OUTSOURCING OF PRECONSTRUCTION ACTIVITIES

SECTION 35.11. Section 34.13(d) of S.L. 2014-100, as amended by Section 29.13(b) of S.L. 2015-241, reads as rewritten:

"**SECTION 34.13.(d)** The Department shall report no later than October 1, 2015, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division regarding its implementation of this section, including any reductions in force used to meet privatization requirements. In addition, the Department shall report by March 1, 2017, to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on the Department's recommendations for revising, based on the study and review required under Section 29.14(d) of S.L. 2015-241, the method used for measuring the outsourcing of preconstruction activities subject to subsection (a) of this section."

REPEAL LIGHT RAIL FUNDING CAP/FEE FOR PRIORITY BOARDING ON FERRIES

SECTION 35.12.(a) Subsection (e1) of G.S. 136-189.11 is repealed.

SECTION 35.12.(b) Light rail projects subject to the maximum amount set in subsection (e1) of G.S. 136-189.11 prior to its repeal under subsection (a) of this section are ineligible for scoring and reprioritization until the Prioritization 5.0 process established under Article 14B of Chapter 136 of the General Statutes.

SECTION 35.12.(c) G.S. 136-189.10(3)g. reads as rewritten:

"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, intercity 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, intercity rail, or light

rail project shall include language setting out the limitations set forth in this sub-subdivision."

SECTION 35.12.(d) G.S. 136-189.10(2)e. reads as rewritten:

"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, intercity rail, and light rail projects."

SECTION 35.12.(e) G.S. 136-82 is amended by adding a new subsection to read:

"(f2) Priority Boarding. – The Department of Transportation may issue annual passes to individual passengers that entitle the passengers to priority when boarding a ferry passenger vessel. The Department of Transportation shall charge an annual fee of one hundred fifty dollars ($150.00) for each pass issued under this subsection. The fee would be in addition to any applicable ferry toll. Proceeds from fees collected under this subsection shall be credited and used in the same manner as toll proceeds under subsection (d) of this section. Notwithstanding any other provision of law, and except as authorized under this subsection or for emergency vehicles responding to an emergency, the Department of Transportation shall not provide priority boarding of a ferry passenger vessel to any passenger or vehicle. For purposes of this subsection, the term "emergency vehicle" has the same meaning as in G.S. 20-146.2."

SECTION 35.12.(f) This section becomes effective July 1, 2016, and the fee established in subsection (e) of this section applies to passes issued on or after that date.

DMV/FUNDING FOR CONTRACTUAL DRIVER LICENSE EXAMINER STAFFING

SECTION 35.14. Of the funds appropriated in this act to the Department of Transportation, the sum of two million nine hundred one thousand six hundred fifty-six dollars ($2,901,656) in recurring funds for the 2016-2017 fiscal year shall be allocated to the Division of Motor Vehicles to be used for contractual driver license examiner staffing to provide additional support, improve customer service, and decrease wait times in high-volume Division office locations. Nothing in this section shall be construed as authorizing the Division to hire permanent or temporary employees to serve as additional driver license examiner staffing.

MAKE TIME-LIMITED POSITIONS IN SUPPORT OF THE COMBINED MOTOR VEHICLE REGISTRATION AND PROPERTY TAX COLLECTION SYSTEM PERMANENT

SECTION 35.15.(a) Section 24.10(a) of S.L. 2012-142, as amended by Section 29.37 of S.L. 2015-241, reads as rewritten:

"**SECTION 24.10.(a)** Upon request from the Department of Transportation and notwithstanding any other provision of law to the contrary, the Office of State Budget and Management may authorize the creation of ~~time-limited,~~permanent, full-time ~~equivalent~~ positions within the Department of Transportation and its Division of Motor Vehicles in excess of the positions authorized by this act for the ~~sole~~ purposes of implementing and administering the combined motor vehicle registration and property tax collection ~~system.~~system and providing other support as determined necessary by the Commissioner of the Division of Motor Vehicles. Positions created under this authorization shall be funded with receipts from the fee assessed under ~~G.S. 105-330.5(b) and shall terminate no later than June 30, 2016.~~G.S. 105-330.5(b)."

SECTION 35.15.(b) Nothing in subsection (a) of this section shall be construed as authorizing the creation of any positions in addition to the 45 remaining positions authorized under Section 24.10(a) of S.L. 2012-142.

SECTION 35.15.(c) This section becomes effective June 30, 2016.

RESTORE FUNDING FOR SMALL CONSTRUCTION PROJECTS

SECTION 35.19. Section 29.2(a)(1) of S.L. 2015-241 reads as rewritten:

"(1) ~~Two~~ Beginning in the 2016-2017 fiscal year, two million five hundred thousand dollars ($2,500,000) ~~for the 2015-2016 fiscal year~~ in recurring funds shall be allocated for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects. Members of the Board of Transportation are prohibited from accessing and using the funds allocated under this subdivision."

REVISIONS TO DMV MEDICAL REVIEW PROGRAM

SECTION 35.20.(a) G.S. 20-4.01(2) reads as rewritten:

"(2) Canceled. – As applied to drivers' licenses and permits, a declaration that a license or permit which was issued through error or fraud, or to which ~~G.S. 20-15(a)(3)~~G.S. 20-15(a) applies, is void and terminated."

SECTION 35.20.(b) G.S. 20-7(e) reads as rewritten:

"(e) Restrictions. – The Division may impose any restriction it finds advisable on a drivers license. It is unlawful for the holder of a restricted license to operate a motor vehicle without complying with the restriction and is the equivalent of operating a motor vehicle without a license. If any applicant shall suffer from any physical ~~defect~~or mental disability or disease ~~which~~that affects his or her operation of a motor vehicle, the Division may require to be filed with it a certificate of ~~such~~the applicant's condition signed by ~~some~~a medical authority of the applicant's community designated by the Division. The Division may, in its discretion, require the certificate to be completed and submitted after a license or renewal has been issued based on the applicant's performance during a road test administered by the Division. Upon submission, the certificate shall be reviewed in accordance with the procedure set forth in G.S. 20-9(g)(3). This certificate shall in all cases be treated as confidential. Nothing in this subsection shall be construed to prevent the Division from refusing to issue a license, either restricted or unrestricted, to any person deemed to be incapable of safely operating a motor ~~vehicle.~~vehicle based on information observed or received by the Division, including observations during a road test and medical information submitted about the applicant. An applicant may seek review pursuant to G.S. 20-9(g)(4) of a licensing decision made on the basis of a physical or mental disability or disease. This subsection does not prohibit deaf persons from operating motor vehicles who in every other way meet the requirements of this section."

SECTION 35.20.(c) G.S. 20-9 reads as rewritten:

"**§ 20-9. What persons shall not be licensed.**

...

(e) The Division shall not issue a driver's license to any person when in the opinion of the Division ~~such~~the person is ~~afflicted with or suffering from such physical or mental disability or disease as will serve to prevent such person from exercising~~unable to exercise reasonable and ordinary control over a motor vehicle while operating the ~~same~~vehicle upon the highways, nor shall a license be issued to any person who is unable to understand highway warnings or direction signs.

...

(g) The Division may issue a restricted or unrestricted driver's license ~~to any applicant covered by subsection (e) of this section~~ under the following ~~conditions:~~conditions to an otherwise eligible applicant suffering from a physical or mental disability or disease that affects his or her ability to exercise reasonable and ordinary control of a motor vehicle:

(1) The ~~Division may issue a license to any person who is afflicted with or suffering from a physical or mental disability set out in subsection (e) of this~~

~~section who is otherwise qualified to obtain a license, provided such person~~applicant submits to the Division a certificate in the form prescribed in subdivision (2). The Division may request the certificate at the applicant's initial application, at any time following the issuance of the license, or at the initial application and any time following the issuance of the license. Until a license issued under this subdivision ~~expires~~expires, is cancelled, or is revoked, the license continues in force as long as the licensee presents to the Division a certificate in the form prescribed in subdivision (2) of this subsection at the intervals determined by the Division to be in the best interests of public safety.

(2) ~~The Division shall not issue a license pursuant to this section unless the applicant has submitted to a physical examination by a physician or surgeon duly licensed to practice medicine in this State or in any other state of the United States and unless such examining physician or surgeon has completed and signed the certificate required by subdivision (1). Such~~The Division may request a signed certificate from a health care provider duly licensed to practice medicine in the United States that the applicant or licensee has submitted to a physical examination by the health care provider. The certificate shall be devised by the Commissioner with the advice of qualified experts in the field of diagnosing and treating physical and mental ~~disorders~~disabilities and diseases as ~~he~~the Commissioner may select to assist him or her and shall be designed to elicit the maximum medical information necessary to aid in determining whether or not it would be a hazard to public safety to permit the applicant or licensee to operate a motor vehicle, including, if such is the fact, the examining ~~physician's~~provider's statement that the applicant or licensee is under medication and treatment and that ~~such person's~~the applicant's or licensee's physical or mental disability or disease is controlled. The certificate shall contain a waiver of privilege and the recommendation of the examining ~~physician~~provider to the Commissioner as to whether a license should be issued to the ~~applicant.~~applicant or licensee and whether the applicant or licensee can safely operate a motor vehicle.

(3) The Commissioner is not bound by the recommendation of the examining ~~physician~~health care provider but shall give fair consideration to such recommendation in exercising his or her discretion in ~~acting upon the application,~~making licensing decisions, the criterion being whether or not, upon all the evidence, it appears that it is safe to permit the applicant or licensee to operate a motor vehicle. The burden of proof of such fact is upon the ~~applicant.~~applicant or licensee. In deciding whether to ~~issue~~issue, restrict, cancel, or deny a license, the Commissioner may be guided by the opinion of experts in the field of diagnosing and treating the specific physical or mental ~~disorder~~disability or disease suffered by an applicant or licensee and ~~such~~the experts may be compensated for their services on an equitable basis. The Commissioner may also take into consideration any other factors which bear on the issue of public safety.

(4) Whenever a license is restricted, cancelled, or denied by the ~~Commissioner, such denial~~Commissioner on the basis of a physical or mental disability or disease, the action may be reviewed by a reviewing board upon written request of the applicant or licensee filed with the Division within 10 days after receipt of ~~such denial.~~notice given in accordance with G.S. 20-48 of the action taken. The reviewing board shall consist of the Commissioner or his authorized representative and ~~four persons designated by the chairman of the Commission for Public Health. The persons designated by the chairman of the Commission~~

~~for Public Health shall be either members of the Commission for Public Health or physicians duly licensed to practice medicine in this State. The members so designated by the chairman of the Commission for Public Health shall receive the same per diem and expenses as provided by law for members of the Commission for Public Health, which per diem and expenses shall be charged to the same appropriation as per diems and expenses for members of the Commission for Public Health.~~at least two medical professionals selected by the Commissioner and duly licensed to practice medicine by the appropriate licensing authority in the State. The medical professionals selected by the Commissioner may be compensated for their services on an equitable basis, including reimbursement for ordinary and necessary travel expenses. The Commissioner or his authorized representative, plus any two ~~of the members designated by the chairman of the Commission for Public Health,~~medical professionals selected by the Commissioner, shall constitute a quorum. The procedure for hearings authorized by this section shall be as follows:

a. Applicants shall be afforded an opportunity for hearing, after reasonable notice of not less than 10 days, before the review board established by ~~subdivision (4).~~this subdivision. The notice shall be in writing and shall be delivered to the applicant in person or sent by certified mail, with return receipt requested. The notice shall state the time, place, and subject of the hearing. If a hearing is requested under this subdivision to contest a restriction placed on a license under subdivision (3) of this subsection, the restriction shall be stayed unless the Division determines there is an imminent threat to public safety if continued unrestricted driving is permitted. No stay shall be granted if a hearing is requested under this subdivision to contest a denial or cancellation of a license under subdivision (3) of this subsection. Nothing in this sub-subdivision shall be construed as authorizing the stay of a restriction placed on a license pursuant to another provision of law.

b. The review board may compel the attendance of witnesses and the production of such books, records and papers as it desires at a hearing authorized by the section. Upon request of an ~~applicant,~~applicant or licensee, a subpoena to compel the attendance of any witness or a subpoena duces tecum to compel the production of any books, records, or papers shall be issued by the board. Subpoenas shall be directed to the sheriff of the county where the witness resides or is found and shall be served and returned in the same manner as a subpoena in a criminal case. Fees of the sheriff and witnesses shall be the same as that allowed in the district court in cases before that court and shall be paid in the same manner as other expenses of the Division of Motor Vehicles are paid. In any case of disobedience or neglect of any subpoena served on any person, or the refusal of any witness to testify to any matters regarding which he may be lawfully interrogated, the district court or superior court where such disobedience, neglect or refusal occurs, or any judge thereof, on application by the board, shall compel obedience or punish as for contempt.

c. A hearing may be continued upon motion of the applicant or licensee for good cause shown with approval of the board or upon order of the board.

d. The board shall pass upon the admissibility of evidence at a hearing but the applicant or licensee affected may at the time object to the board's

ruling, and, if evidence offered by an applicant or licensee is rejected the party may proffer the evidence, and such proffer shall be made a part of the record. The board shall not be bound by common law or statutory rules of evidence which prevail in courts of law or equity and may admit and give probative value to evidence which possesses probative value commonly accepted by reasonably prudent ~~men~~persons in the conduct of their affairs. They may exclude incompetent, immaterial, irrelevant and unduly repetitious evidence. Uncontested facts may be stipulated by agreement between an applicant or licensee and the board and evidence relating thereto may be excluded. All evidence, including records and documents in the possession of the Division of Motor Vehicles or the board, of which the board desires to avail itself shall be made a part of the record. Documentary evidence may be received in the form of copies or excerpts, or by incorporation by reference. The board shall prepare an official record, which shall include testimony and exhibits. A record of the testimony and other evidence submitted shall be taken, but it shall not be necessary to transcribe shorthand notes or electronic recordings unless requested for purposes of court review.

e. Every decision and order adverse to an applicant or licensee shall be in writing or stated in the record and shall be accompanied by findings of fact and conclusions of law. The findings of fact shall consist of a concise statement of the board's conclusions on each contested issue of fact. ~~Counsel for applicant, or applicant, if he has no counsel,~~The applicant or licensee shall be notified of the board's decision in person or by registered mail with return receipt requested. A copy of the board's decision with accompanying findings and conclusions shall be delivered or mailed upon request to the applicant's or licensee's attorney of record or to ~~applicant,~~the applicant or licensee, if he or she has no attorney.

...

h. All records and evidence collected and compiled by the Division and the reviewing board shall not be considered public records within the meaning of Chapter ~~[section] 132-1, and following,~~132 of the General Statutes of North Carolina and may be made available to the public only upon an order of a court of competent jurisdiction. An applicant or licensee may obtain, without a court order, a copy of records and evidence collected and compiled under this subdivision about the applicant or licensee by submitting a written request to the Division, signing any release forms required by the Division, and remitting the required fee set by the Division. All information furnished ~~by~~by, about, or on behalf of an applicant or licensee under this section shall be without prejudice and shall be for the use of the Division, the reviewing board or the court in administering this section and shall not be used in any manner as evidence, or for any other purposes in any trial, civil or criminal. The prohibition on release and use under this sub-subdivision applies without regard to who authored or produced the information collected, compiled, and used by the Division under this subdivision.

...."

SECTION 35.20.(d) G.S. 20-9.1 reads as rewritten:

"**§ 20-9.1. ~~Physicians and psychologists~~ Physicians, psychologists, and other medical providers providing medical information on drivers with physical ~~and mental disabilities.~~or mental disabilities or diseases.**

(a) Notwithstanding G.S. 8-53 for physicians and G.S. 8-53.3 for psychologists, or any other law relating to confidentiality of communications between ~~physicians or psychologists~~physicians, psychologists, or other medical providers and their patients, a ~~physician or a psychologist~~physician, psychologist, or other medical provider duly licensed in the State of North Carolina may disclose after consultation with the patient to the Commissioner information about a patient who has a ~~mental or~~ physical or mental disability or disease that the ~~physician or psychologist~~physician, psychologist, or other medical provider believes may affect the patient's ability to safely operate a motor vehicle. This information shall be limited to the patient's name, address, date of birth, and diagnosis.

...

(c) A ~~physician or psychologist~~physician, psychologist, or other medical provider disclosing or not disclosing information pursuant to this ~~section~~section, or conducting an evaluation and making a recommendation to the Division regarding a person's ability to safely operate a motor vehicle, is immune from any civil or criminal liability that might otherwise be incurred or imposed based on the ~~disclosure or lack of disclosure~~action taken provided that the ~~physician or psychologist~~physician, psychologist, or other medical provider was acting in good faith and without malice. In any proceeding involving liability, good faith and lack of malice are presumed."

SECTION 35.20.(e) G.S. 20-15(a) reads as rewritten:

"(a) The Division shall have authority to cancel any driver's license upon determining any of the following:

...

(4) The licensee suffers from a physical or mental disability or disease that affects his or her ability to safely operate a motor vehicle, as determined by the applicable State or federal law, rule, or regulation.

(5) The licensee has failed to submit the certificate required under G.S. 20-7(e) and G.S. 20-9(g)."

SECTION 35.20.(f) Reclassification of Vacant Positions. – The Division of Motor Vehicles may reclassify up to seven vacant positions within the Division to use as supplemental staffing to implement the provisions of this section.

SECTION 35.20.(g) This section becomes effective July 1, 2016, and subsections (a) through (e) apply to drivers licenses issued or renewed on or after that date and hearings requested on or after that date.

REVISIONS/FREIGHT RAIL & RAIL CROSSING SAFETY IMPROVEMENT FUND AND SHORT-LINE RAILROAD ASSISTANCE

SECTION 35.21.(a) G.S. 124-5.1 reads as rewritten:

"**§ 124-5.1. North Carolina Railroad Company dividends deposited to Highway Fund.**

Any dividends of the North Carolina Railroad Company received by the State shall be deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund and administered by the Rail Division of the Department of Transportation. The Fund shall be used for the enhancement of freight rail ~~service~~service, short-line railroad assistance, and railroad-roadway crossing safety, which may include the following project types:

...

(6) Subject to federal or other state law, improvements to rail lines and corridors in this State and through portions of a bordering state for the purpose of connecting with the national railroad system.

(7) Other short-line railroad projects.

The Fund may also be used to supplement funds allocated for freight rail or railroad-roadway crossing safety projects approved as part of the Transportation Improvement Program."

SECTION 35.21.(b) G.S. 136-44.39 reads as rewritten:

"**§ 136-44.39. Department to provide State and federal financial assistance to short-line railroads.**

The Department of Transportation is authorized to provide assistance to short-line railroads to continue and enhance common carrier rail service in the State so as to assist in economic development and access to ports and military installations. Assistance under this section may ~~involve both~~include funds from the Rail Industrial Access ~~Program and~~Program, the Short Line Infrastructure Access Program, ~~as well as other innovative programs.~~and any other programs that may exist or be established for these purposes. Grants under this section shall not exceed fifty percent (50%) of the nonfederal share and must be matched by equal or greater funding from the applicant."

DOT/IMPLEMENTATION OF REDUCTION PLAN

SECTION 35.22.(a) Reduction Schedule. – The Department of Transportation shall complete the reductions through reorganization and reductions in force identified in the plan required under Section 29.14(d)(4) of S.L. 2015-241 according to the following schedule:

(1) The Department shall reduce through reorganization (i) at least 15 employees from the Division of Highways and (ii) at least 10 employees from the Technical Services Division. The Department shall complete the reductions required under this subdivision by September 1, 2016.

(2) The Department shall reduce through reorganization or reduce in force (i) at least 21 employees from the Planning and Programming Division, with a minimum of five employees reduced through reorganization; (ii) at least 49 employees from the Technical Services Division; and (iii) at least 186 employees from the Division of Highways. The Department shall complete the reductions through reorganization required under this subdivision by December 15, 2016, and the reductions in force required under this subdivision by January 1, 2017.

SECTION 35.22.(b) Report. – The Department shall report to the Joint Legislative Transportation Oversight Committee (i) by September 16, 2016, on the reductions completed under subdivision (1) of subsection (a) of this section and (ii) by January 16, 2017, on the reductions completed under subdivision (2) of subsection (a) of this section. The report shall identify the number of reductions, the type of reduction, and the positions that were reduced.

PROHIBIT CHIP SEAL TREATMENT ON SUBDIVISION STREETS

SECTION 35.23. G.S. 136-44.3A reads as rewritten:

"**§ 136-44.3A. Highway Maintenance Improvement Program.**

...

(e) Single Chip Seal Treatment Prohibited on ~~Subdivision Streets and~~ Access Routes. – Except as authorized in subsection (f) of this section, and unless used in combination with a slurry seal, microsurfacing, or resurfacing treatment, the Department shall not use single chip seal treatment on ~~subdivision streets or~~ access routes for Surface Transportation Assistance Act Dimensioned Vehicles.

(f) Authorized Use of Single Chip Seal Treatment on Secondary Roads. – The Department may use single chip seal treatments on secondary roads only under any of the following conditions:

(1) The secondary road has a daily traffic volume of less than 15,000 vehicles. Single chip treatments used under this subdivision shall be capped with a final riding surface of sand or material of equivalent size to fill voids to create a smooth riding surface.

(2) The single chip seal treatment is used in combination with a slurry seal, microsurfacing, or resurfacing treatment.

(3) The condition of the secondary road requires a rough surface to improve traction, such as a secondary road in a mountainous community or another area with low skid resistance.

(f1) Chip Seal Treatment Prohibited on Subdivision Streets. – Unless used in combination with a fog seal, the Department shall not use chip seal treatment on subdivision streets.

...."

CONSOLIDATE MAINTENANCE ACCOUNTS

SECTION 35.24.(a) The Department of Transportation shall transfer all funds in the Primary Maintenance Account (Fund Code 7821) and the Secondary Road Maintenance and Improvement Fund (Fund Code 7822) to the Reserve for General Maintenance (Fund Code 0934). Upon completion of the transfer, the Department shall close the Primary Maintenance Account and the Secondary Road Maintenance and Improvement Fund.

SECTION 35.24.(b) The Department of Transportation, in consultation with its Division Engineers, shall determine the amount of funds from the Reserve for General Maintenance needed for other purposes prior to making the allocation under G.S. 136-44.6, as amended by subsection (c) of this section. The term "other purposes" includes emergency responses, weather-related events, and Statewide programs. By July 15, 2016, the Department shall report its findings to the chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation, including the total amount of funds needed, an identification of the purposes the funds are needed for, and the amount of funds needed for each purpose.

SECTION 35.24.(c) G.S. 136-44.6 reads as rewritten:

"**§ 136-44.6. Uniformly applicable formula for the allocation of ~~secondary roads maintenance and improvement funds.~~funds for primary and secondary road maintenance.**

The Department of ~~Transportation~~Transportation, in consultation with its Division Engineers, shall develop a uniformly applicable formula for the allocation of ~~secondary roads maintenance and improvement funds~~funds from the Reserve for General Maintenance in the Highway Fund for ~~use~~maintenance on primary and secondary roads in each ~~county.~~Highway Division. The formula shall take into consideration the number of paved and unpaved miles of state-maintained secondary roads in each ~~county~~Highway Division and such other factors as experience may dictate. Each Division Engineer shall have discretion in using funds allocated under this section to his or her Highway Division for maintenance activities. This section shall not apply to projects to pave unpaved roads under G.S. 136-44.2D."

SECTION 35.24.(d) G.S. 136-44.2(e) reads as rewritten:

"(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each ~~county~~Highway Division for maintenance and improvement of secondary roads, to be allocated in accordance with G.S. 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the construction, maintenance, and improvement of secondary roads in the county for which they are allocated pursuant to G.S. 136-44.6."

CRASH REPORTING PROGRAM MAINTENANCE

SECTION 35.25.(a) Establishment. – The Division of Motor Vehicles shall, through an open request for proposal process, seek to procure a contract with a private vendor for the statewide maintenance of the Crash Reporting Program. The Crash Reporting Program shall include at least all of the following components:

(1) A comprehensive data repository for collision data.

(2) A document repository for all collision reports in the State.

(3) The capability to process paper reports, including scanning, data entry, validation of data against business edits, quality control application for reviewing reports, the ability to return or reject reports, and the ability to reprocess corrected reports.

(4) The creation of an electronic submission application that incorporates all State validation rules to ensure that submitted reports are complete, accurate, and error-free.

(5) A database capable of sharing statewide collision data with State and federal traffic safety partners, State law enforcement agencies, and the public.

(6) A Web portal capability allowing authorized users to perform search functions and data extraction, obtain statistical traffic safety reports, map collision result sets, review configurable collision data dashboards, and perform data analysis against statewide collision data.

(7) Compatibility with all data file formats and submission requirements for State and federal entities that require access to State collision data.

(8) Capability to leverage predictive analytics to optimize resource allocation in order to improve traffic safety.

SECTION 35.25.(b) Vendor and Contract Requirements. – By December 31, 2016, the Division shall enter into a contract under subsection (a) of this section with the lowest responsible vendor who provides evidence satisfactory to the Division of a demonstrated history of providing similar statewide services.

SECTION 35.25.(c) Reports. – The Division shall provide the following reports:

(1) By April 30, 2017, a report to the Office of State Budget and Management and chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on (i) the completion of the RFP process, including the name and qualifications of the firm awarded the contract; (ii) progress on the transition of the maintenance of the Program; and (iii) any other findings of interest determined by the Division.

(2) By April 30, 2018, a report to the Office of State Budget and Management and chairs of the House of Representatives Committee on Transportation Appropriations and the Senate Appropriations Committee on Department of Transportation on (i) the number of accident reports purchased through the e-commerce site; (ii) the revenue generated to the Division through the contract with the vendor; and (iii) any savings realized by the Division from private vendor maintenance of the Program.

DOT/CLARIFY AUTHORITY OF CHIEF AND DIVISION ENGINEERS

SECTION 35.26.(a) G.S. 136-4 reads as rewritten:

"**§ 136-4. Chief Engineer.**

There shall be a Chief Engineer, who shall be a career official and who shall be the administrative officer of the Department of Transportation for highway matters. For purposes of this section, the term "highway matters" includes planning, design, construction, maintenance, operations, procurements, agreements, delivery methods, standards, and specifications for current and future State-maintained roads. The Chief Engineer shall be appointed by the Secretary of Transportation and he may be removed at any time by the Secretary of Transportation. He shall be paid a salary to be set in accordance with Chapter 126 of the General Statutes, the North Carolina Human Resources Act. The Chief Engineer shall have such powers and perform such duties as the Secretary of Transportation shall prescribe."

SECTION 35.26.(b) By December 1, 2016, the Chief Engineer of the Department of Transportation shall develop and implement a policy for delegating authority to the Division

Engineers to execute capital and maintenance programs within the Division Engineers' respective divisions. By December 15, 2016, the Chief Engineer shall report to the Joint Legislative Transportation Oversight Committee with a detailed summary of the policy developed under this subsection.

PART XXXVI. SALARIES AND BENEFITS

STATE-FUNDED PERSONNEL/ANNUAL SALARY INCREASES BY EMPLOYING AGENCIES AUTHORIZED/MERIT-BASED BONUSES ALLOWED

SECTION 36.1A.(a) Funds for Salary Increases. – Of the funds appropriated in this act from the General Fund and the Highway Fund to the Reserves for Compensation Increases, recurring funds for the 2016-2017 fiscal year are authorized generally to provide employing agencies with funds to award salary increases to State-funded personnel in accordance with eligibility policies adopted by each employing agency. At a minimum, the employing agency eligibility policy shall include provisions for increases based upon performance, to achieve market-based rates, to allow for retention, and to address receipt-supported positions. The eligibility policy shall not provide an across-the-board increase.

SECTION 36.1A.(b) Funds for Bonuses. – Of the funds appropriated in this act from the General Fund and Highway Fund to the Reserves for Compensation Increases, nonrecurring funds for the 2016-2017 fiscal year are authorized generally to provide employing agencies with funds to award one-time merit-based bonuses to State-funded personnel in accordance with eligibility policies adopted by the employing agencies. The eligibility policy shall not provide an across-the-board bonus. Notwithstanding G.S. 135-1(7a) and G.S. 135-53(5), merit-based bonuses awarded under this Part are not compensation under Chapter 135 of the General Statutes. Employees of local boards of education are not eligible to receive bonuses authorized by this subsection.

SECTION 36.1A.(c) Employing Agency. – For the purposes of this Part, "employing agency" includes the following entities employing State-funded personnel:

(1) The Office of State Human Resources, for executive branch departments with respect to both EHRA and SHRA employees, except University of North Carolina EHRA employees.
(2) The Administrative Office of the Courts and the Commission on Indigent Defense Services, for the judicial branch.
(3) The Legislative Services Commission, for the legislative branch.
(4) The Board of Governors of The University of North Carolina, except as to its SHRA employees.
(5) The State Board of Community Colleges, for the North Carolina Community College System.
(6) The local boards of education, for central office and noncertified personnel. Certified personnel and school-based administrators are not eligible.

SECTION 36.1A.(d) Reporting. – Each employing agency shall report to the chairs of the Senate Appropriations/Base Budget Committee and House of Representatives Committee on Appropriations and the Fiscal Research Division on the use of these funds by no later than February 1, 2017.

JUDICIAL BRANCH SALARIES

SECTION 36.3.(a) Section 30.3(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.3.(b)** The annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall not be legislatively increased for the ~~2015-2017 fiscal biennium,~~ 2015-2016 fiscal year but may be increased as otherwise allowed by law."

SECTION 36.3.(b) For the 2016-2017 fiscal year, the annual salaries of employees of the Judicial Department whose salaries are not itemized in this act are eligible to be increased in accordance with the provisions of this Part.

SECTION 36.3.(c) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the minimum salary of any assistant district attorney or assistant public defender is at least forty thousand dollars ($40,000), effective July 1, 2016.

ASSISTANT AND DEPUTY CLERKS OF COURT

SECTION 36.5. Effective July, 2016, 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	Minimum Annual Salary
Minimum	$32,609
~~Maximum~~	~~56,424~~
Deputy Clerks	Annual Salary
Minimum	~~$28,223~~$28,223.
~~Maximum~~	~~44,107.~~"

MAGISTRATES

SECTION 36.6. Effective July 1, 2016, 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 at least 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	Minimum Annual Salary
Entry Rate	$35,275
Step 1	37,950
Step 2	40,835
Step 3	43,890
Step 4	47,550
Step 5	51,960
Step 6	56,900.

(2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a

part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, a magistrate who is licensed to practice law in North Carolina or any other state shall receive at least the annual salary provided in the Table in subdivision (1) of this subsection for Step 4.

(a1) Notwithstanding subsection (a) of this section, the following minimum 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	$27,846	~~$27,846~~
1 or more but less than 3 years of service	28,027	~~29,027~~
3 or more but less than 5 years of service	30,405	~~31,405~~

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The minimum 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 minimum 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 minimum 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.

(a2) The Administrative Officer of the Courts shall provide magistrates with longevity pay at the same rates as are provided by the State to its employees subject to the North Carolina Human Resources Act.

(b) Notwithstanding G.S. 138-6, a magistrate may not be reimbursed by the State for travel expenses incurred on official business within the county in which the magistrate resides."

LEGISLATIVE BRANCH SALARIES

SECTION 36.7.(a) Section 30.4(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.4.(b)** The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2015, shall not be legislatively increased

for the ~~2015-2017 fiscal biennium,~~ 2015-2016 fiscal year but may be increased as otherwise allowed by law."

SECTION 36.7.(b) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2016, may be increased in accordance with this Part and as otherwise allowed by law.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 36.8. Effective July 1, 2016, 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 at least one hundred six thousand three hundred thirty-three dollars ($106,333), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANT-AT-ARMS AND READING CLERKS

SECTION 36.9. Effective July 1, 2016, 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 at least four hundred four dollars ($404.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

COMMUNITY COLLEGES PERSONNEL

SECTION 36.10.(a) Section 30.5(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.5.(b)** For the ~~2015-2017 fiscal biennium,~~2015-2016 fiscal year, the community college boards of trustees may provide personnel a salary increase pursuant to the policies adopted by the State Board of Community Colleges. Funds for 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 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 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016."

SECTION 36.10.(b) The annual salaries of community college employees are eligible to be increased in accordance with the provisions of this Part pursuant to eligibility policies adopted by the State Board of Community Colleges.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 36.11.(a) Section 30.6 of S.L. 2015-241 reads as rewritten:

"**SECTION 30.6.** Effective for the ~~2015-2017 fiscal biennium,~~ 2015-2016 fiscal year, the annual compensation of all full-time University of North Carolina SHRA and EHRA employees shall not be legislatively increased for the 2015-2017 fiscal biennium, but may be increased as otherwise allowed by law."

SECTION 36.11.(b) Effective for the 2016-2017 fiscal year, the annual compensation of University of North Carolina EHRA employees may be increased in accordance with the

provisions of this Part pursuant to eligibility policies adopted by the Board of Governors of The University of North Carolina.

STATE AGENCY TEACHERS

SECTION 36.12. 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 9.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 36.14.(a) Section 30.8(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.8.(a)** For the ~~2015-2017 fiscal biennium:~~2015-2016 fiscal year:

...."

SECTION 36.14.(a1) For the 2016-2017 fiscal year, each employing agency may increase the annual salaries of, and award one-time merit-based bonuses to, State-supported personnel in accordance with policies adopted by the employing agency.

SECTION 36.14.(b) Salaries and Related Benefits for Positions That Are Funded. – 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 Part.

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.

SECTION 36.14.(c) Except as otherwise provided, the salary increases provided in this act do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2016.

SECTION 36.14.(d) Employees eligible for statutory increases under G.S. 20-187.3, 7A-102, and 7A-171.1 may receive the increases and bonuses authorized by this section.

SECTION 36.14.(e) Payroll checks issued to employees after July 1, 2016, that represent payment of services provided prior to July 1, 2016, shall not be eligible for salary increases provided for in this act. This subsection applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 36.14.(f) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

MOST STATE EMPLOYEES

SECTION 36.15.(a) Section 30.9 of S.L. 2015-241 reads as rewritten:

"**SECTION 30.9.** For the ~~2015-2017 fiscal biennium,~~ 2015-2016 fiscal year, except as otherwise provided by this Part, the annual salaries in effect June 30, 2015, for the following employees shall not be legislatively increased, but may be increased as otherwise allowed by law:

(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."

SECTION 36.15.(b) For the 2016-2017 fiscal year, employing agencies may award increases and merit-based bonuses to eligible employees who are any of the following:

(1) Permanent full-time State employees whose salaries are set in accordance with the State Human Resources Act.
(2) Permanent full-time State employees in positions exempt from the State Human Resources Act.
(3) Permanent part-time State employees.
(4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED EMPLOYEE BENEFITS

SECTION 36.17.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated 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 employee benefits. Any funds remaining shall revert in accordance with G.S. 143C-1-2(b), unless otherwise provided by law.

SECTION 36.17.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated 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 employee benefits.

SECTION 36.17.(c) No later than March 1, 2017, 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 employee benefits. This report shall include at least the following information for each State agency for the 2016-2017 fiscal year:

(1) The total amount of funds that the agency received for legislatively mandated 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 employee benefits.
(4) The amount of funds expected to revert under subsection (a) of this section.

MITIGATE BONUS LEAVE

SECTION 36.18. During the 2016-2017 fiscal year, 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) Agencies shall collect and report demographic information on the employees who opt to use or cash in special leave under the incentive program. By March 1, 2017, the demographic information shall be reported to the respective agency head or employing agency and to the Fiscal Research Division.

EXTEND VOLUNTARY SHARED LEAVE TO COMMUNITY COLLEGES EMPLOYEES

SECTION 36.19. G.S. 115D-25.3 reads as rewritten:

"**§ 115D-25.3. Voluntary shared leave.**

(a) The State Board of Community Colleges, in cooperation with the State Board of Education and the State Human Resources Commission, shall adopt rules and policies to allow any employee at a community college to share leave voluntarily with an immediate family member who is an employee of a community college, public school, or State agency; and with a coworker's immediate family member who is an employee of a community college, public school, or State agency. For the purposes of this section, the term "immediate family member" means a spouse, parent, child, brother, sister, grandparent, or grandchild. The term includes the step, half, and in-law relationships. The term "coworker" means that the employee donating the leave is employed by the same agency, department, institution, university, local school administrative unit, or community college as the employee whose immediate family member is receiving the leave.

(b) The State Board of Community Colleges, in cooperation with the State Human Resources Commission, shall adopt rules and policies consistent with policies of the Commission to allow any employee at a community college to share leave voluntarily with a nonfamily member who is an employee of a community college. A community college employee who donates leave to a community college employee who is a nonfamily member shall not donate more than five days of leave per year to any one nonfamily community college employee. The combined total of leave donated to a community college employee from nonfamily community college employee donors shall not exceed 20 days per year. Donated leave shall not be used for retirement purposes, and community college employees who donate leave shall be notified in writing of the consequences of donating leave in regard to State retirement system service credit."

DELAY STATEWIDE COMPENSATION SYSTEM PROJECT IMPLEMENTATION

SECTION 36.19A.(a) The Office of State Human Resources shall not commence the implementation phase of the Statewide Compensation System Project (Project) prior to February 1, 2017.

SECTION 36.19A.(b) When the implementation phase commences, the Director of the Budget may increase expenditures of receipts to the amount necessary to fund salary adjustments authorized by the Office of State Human Resources for receipt-supported positions that fall below the minimum of the new salary grade assigned to those positions during the realignment of salary grades pursuant to the Project.

SALARY-RELATED CONTRIBUTIONS

SECTION 36.20.(a) Section 30.20 of S.L. 2015-241 reads as rewritten:

"**SALARY-RELATED CONTRIBUTIONS**

...

"**SECTION 30.20.(b)** Effective July 1, 2015, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the ~~2015-2017 fiscal biennium~~ 2015-2016 fiscal year are (i) fifteen and thirty-two hundredths percent (15.32%) – Teachers and State Employees; (ii) twenty and thirty-two hundredths percent (20.32%) – State Law Enforcement Officers; (iii) twelve and eighty-five hundredths percent (12.85%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-five hundredths percent (12.85%) – Community College Optional Retirement Program; (v) thirty-two and eighty-one hundredths percent (32.81%) – Consolidated Judicial Retirement System; and (vi) seven and forty hundredths percent (7.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths

percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

"**SECTION 30.20.(b1)** Effective July 1, 2016, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2016-2017 fiscal year are (i) fifteen and sixty-four hundredths percent (15.64%) – Teachers and State Employees; (ii) twenty and sixty-four hundredths percent (20.64%) – State Law Enforcement Officers; (iii) twelve and eighty-two hundredths percent (12.82%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-two hundredths percent (12.82%) – Community College Optional Retirement Program; (v) thirty-four and thirteen hundredths percent (34.13%) – Consolidated Judicial Retirement System; and (vi) twenty-two and sixty-five hundredths percent (22.65%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes thirty-eight hundredths percent (0.38%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

"**SECTION 30.20.(c)** Effective July 1, 2015, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the ~~2015-2016~~ 2015-2017 fiscal ~~year~~ biennium to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand two hundred fifty-one dollars ($4,251) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-one dollars ($5,471)."

SECTION 36.20.(b) If the Director of the Budget reallocates the Reserve for Future Benefits Needs, as authorized in Section 36.24 of this act, then effective July 1, 2016, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2016-2017 fiscal to the State Health Plan for Teachers and State Employees shall be (i) Medicare-eligible employees and retirees – four thousand three hundred ninety-seven dollars ($4,397) and (ii) non-Medicare-eligible employees and retirees – five thousand six hundred fifty-nine dollars ($5,659). The Director of the Budget may also increase the contribution rate for hospital and medical benefits in Section 30.20(b1) of S.L. 2015-241, as amended by subsection (a) of this section, to six and two hundredths percent (6.02%), effective January 1, 2017, and adjust the other contribution rates in the section accordingly.

STATE HEALTH PLAN COST-CONTROLLING MEASURES AND REALLOCATION OF RESERVE FOR FUTURE BENEFIT NEEDS

SECTION 36.24.(a) The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

SECTION 36.24.(b) If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to reduce the projected employer premium increases to four percent (4%) or less in both the 2018 and 2019 plan years, then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated.

SECTION 36.24.(c) Section 30.26(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.26.(b)** During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least ~~twenty~~ twelve percent ~~(20%)~~ (12%) of its annual costs. For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S. 135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan."

PART XXXVII. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 37.1. Section 31.2 of S.L. 2015-241 reads as rewritten:

"**SECTION 31.2.(a)** There is appropriated from the General Fund for the 2015-2017 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	**2015-2016**	**2016-2017**
Department of Agriculture and Consumer Services		
Dorton Arena Roof Replacement	2,305,000	–
Southeastern North Carolina Agricultural Events Center		165,000
Department of Cultural Resources		
USS North Carolina Hull Repair and Cofferdam	3,500,000	–
Department of Environment and Natural Resources		
Water Resources Development	5,083,000	5,020,000
Department of Public Safety		
Armory and Facility Development Projects	868,000	~~5,087,500~~5,018,500
Helipad Planning		69,000
Office of State Budget and Management		
Repairs and Renovations Reserve		75,942,182
University of North Carolina		
North Carolina School of Science and Mathematics – Technology Upgrades and Building Repair	4,000,000	–
NC State University Engineering Building Advance Planning	1,000,000	1,000,000
University of North Carolina Asheville		
Land Acquisition		2,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$16,756,000**	**~~$6,087,500~~$89,214,682**

"**SECTION 31.2.(b)** Funds appropriated to the Department of Public Safety in subsection (a) of this section for Helipad planning shall be used to fund planning of helipads at the Joint Forces Headquarters in Raleigh, North Carolina."

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 37.2.(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 thirty-two million one hundred fifty thousand dollars ($32,150,000) in federal funds.

	Name of Project	2015-2016
(1)	Neuse River – Goldsboro, Section 1135	$ 150,000
(2)	Carolina Beach Coastal Storm Damage Reduction	75,000
(3)	Kure Beach Coastal Storm Damage Reduction	81,000
(4)	Wrightsville Beach Coastal Storm Damage Reduction	561,000
(5)	Ocean Isle Beach Coastal Storm Damage Reduction	1,535,000
(6)	Eastern NC Stream Debris Removal	500,000
(7)	State/Local Water Resources Development Grants	1,000,000
(8)	Cape Fear Lock & Dam #2 Fish Ramp – Phase 1	500,000
(9)	North Topsail Beach Shoreline Protection Project – Phase 2	500,000
(10)	Environmental Quality Incentives Program – NRCS	2,000,000
(11)	Town of Burgaw – Pender Hospital Drainage Improvements	347,000
(12)	Ararat River, Surry County	500,000
(13)	Town of Rutherfordton Stream Restoration	500,000
(14)	Wilmington Harbor Maintenance	-
(15)	Morehead City Harbor Maintenance	2,000,000
(16)	Water Resources Planning Assistance to Communities	25,000
(17)	Shallow Draft Dredging	250,000
TOTALS		**$ 10,524,000**

SECTION 37.2.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million twenty thousand dollars ($5,020,000) appropriated for water resources development projects in Section 31.2 of S.L. 2015-241, as amended by Section 37.1 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)	Morehead City Harbor Maintenance	$ 2,000,000
(2)	Ocean Isle Beach CSDR	1,029,000
(3)	Environmental Quality Incentives Program – NRCS	2,000,000
(4)	Planning Assistant to Communities	25,000
(5)	Wrightsville Beach CSDR	200,000
(6)	Shallow Draft Dredging	250,000
TOTALS		**$ 5,504,000**

SECTION 37.2.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2016-2017 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 2016-2017 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 37.2.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

(1) All projects listed in this section.

(2) The estimated cost of each project.

(3) The date that work on each project began or is expected to begin.

(4) The date that work on each project was completed or is expected to be completed.

(5) The actual cost of each project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 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 the Environmental Quality Incentives Program. Furthermore, Section 36.3(e) of S.L. 2013-360, Section 36.2(e) of S.L. 2014-100, and Section 31.3(e) of S.L. 2015-241 shall not apply to funds made available as part of the Environmental Quality Incentives Program in any fiscal year.

SECTION 37.2.(f) Section 31.3(a) of S.L. 2015-241 reads as rewritten:

"**SECTION 31.3.(a)** The Department of Environment and Natural Resources shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated forty-four million three hundred fifty-three thousand dollars ($44,353,000) in federal funds.

Name of Project	**2015-2016**
…	
(20) ~~Assistance to Counties – EAP Preparation~~Shallow Draft Dredging	250,000

…."

SECTION 37.2.(g) G.S. 143-215.71 reads as rewritten:

"**§ 143-215.71. Purposes for which grants may be requested.**

Applications for grants may be made for the nonfederal share of water resources development projects for the following purposes in amounts not to exceed the percentage of the nonfederal costs indicated:

(1) General navigation projects that are sponsored by local governments – eighty percent (80%);
(2) Recreational navigation projects – twenty-five percent (25%);
(3) Construction costs for water management (flood control and drainage) purposes, including utility and road relocations not funded by the State Department of Transportation – sixty-six and two-thirds percent (66 2/3%), but only of that portion of the project specifically allocated for such flood control or drainage purposes;
(4) Stream restoration – sixty-six and two-thirds percent (66 2/3%);
(5) Protection of privately owned beaches where public access is allowed and provided for – seventy-five percent (75%);
(6) Land acquisition and facility development for water-based recreation sites operated by local governments – fifty percent (50%);
(7) Aquatic weed control projects sponsored by local governments – fifty percent (50%).
(8) Projects that are part of the Environmental Quality Incentives Program – one hundred percent (100%)."

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 37.3. Section 31.4(a) of S.L. 2015-241, as amended by Section 9.1 of S.L. 2015-268, reads as rewritten:

"**SECTION 31.4.(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 2015-2016	**FY 2016-2017**
Department of Agriculture and Consumer Services		
WNC Farmers Market Improvements/Robert G. Shaw Piedmont Triad Farmers Market Improvements	$3,000,000	–
WNC Agricultural Center Events/Restroom Building	500,000	–
NC Forest Service Mountain Island Educational Forest-Visitor and Interpretive Center	4,000,000	–
Deer Fence on Research Stations	200,000	–
Aviary Egg Layer Research Building	1,750,000	–
State Fair Renovations/Infrastructure Improvements	2,500,000	–
State Fair Horse Complex	1,000,000	–
Animal Disease Diagnostic Laboratory Equipment	500,000	–
Department of Environment and Natural Resources		
Fort Fisher Aquarium Salt Water Well	590,000	590,000
Gorilla Expansion	450,000	–
Department of Public Safety		
National Guard – Wilmington Replacement	14,200,000	–
Nash Print Plant Roof Replacement		1,508,000
Harnett Visitor Center		549,000
Wildlife Resources Commission		

Boating Access New Construction	3,750,000	3,750,000
Land Acquisition	900,000	900,000
Jordan Lake Depot	500,000	–
Fishing Access Construction	–	200,000

TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED **$33,840,200 ~~5,440,000~~7,497,000**"

REPAIRS AND RENOVATIONS CHANGES

SECTION 37.4. Section 31.5 of S.L. 2015-241 reads as rewritten:

"**SECTION 31.5.(a)** Of the funds remaining in the Reserve for Repairs and Renovations for the 2015-2016 and the 2016-2017 fiscal ~~years,~~years after the allocation required by subsection (f) of this section have been made, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

(1) One-third of the funds for the 2015-2016 fiscal year and one-half of the funds for the 2016-2017 fiscal year shall be allocated to the Board of Governors of The University of North Carolina.

(2) Two-thirds of the funds for the 2015-2016 fiscal year and one-half of the funds for the 2016-2017 fiscal year 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 31.5.(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 31.5.(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 31.5.(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 with in any report submitted pursuant to G.S. 143C-4-3(d).~~shall consider all of and only the following:

(1) The amount of each campus' deficiencies documented pursuant to the Facilities Condition Assessment Program.

(2) The availability of non-State resources and carryforward funds available for repair and renovations at each campus, which shall be negatively weighted in making allocation decisions.

"**SECTION 31.5.(d1)** The Board of Governors shall include information about the manner in which subsection (d) of this section was complied with in any report submitted pursuant to G.S. 143C-4-3(d).

"**SECTION 31.5.(e)** Of the funds allocated to the Office of State Budget and Management in subsection (a) of this section, the sum of nine million five hundred thousand dollars ($9,500,000) shall be used for Legislative Building Roof Replacement and Asbestos Abatement.

"**SECTION 31.5.(f)** Notwithstanding G.S. 143C-4-3(d), of the funds in the Reserve for Repairs and Renovations for the 2016-2017 fiscal year, the sum of three million dollars ($3,000,000) shall be allocated for repairs and renovations at the North Carolina Zoo."

ALLOW REPAIRS & RENOVATIONS FUNDS TO BE USED FOR BUILDING DEMOLITION AND INSTALLATION OF ELECTRICAL, PLUMBING, AND RELATED SYSTEMS

SECTION 37.5. G.S. 143C-4-3(b) reads as rewritten:

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

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

(13) Building demolition.

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

UNC DEBT AFFORDABILITY STUDY MODIFICATIONS

SECTION 37.6. G.S. 116D-56(b) and (c) read as rewritten:

"(b) Board of Governors Reporting Required. – The Board shall report its findings and recommendations to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina General Administration by ~~February 1~~April 1 of each year. The report shall be accompanied by each of the reports provided to the Board pursuant to subsection (c) of this section.

(c) Constituent Institution Reporting Required. – No later than ~~November 1~~February 1 of each year, each constituent institution shall report to the Board of Governors on its current and anticipated debt levels. The report shall be made in a uniform format to be prescribed by the Board of Governors. Each report shall include at least the following:

(1) The amount and type of outstanding debt of the institution.
(2) The sources of repayment of the debt.
(3) The amount of debt that the institution plans to issue or incur during the next five years.
(4) A description of projects financed with the debt.
(5) The current bond rating of the institution and information about any changes to that bond rating since the last report was submitted.
(6) Information about the constituent institution's debt management policies and any recommendations for methods to maintain or improve the University's bond rating.
(7) Debt burden comparisons to comparable peer institutions.
(8) Any other information requested by the Board of Governors."

ENHANCE OVERSIGHT OF CERTAIN CAPITAL PROJECTS

SECTION 37.7.(a) G.S. 146-25 reads as rewritten:

"**§ 146-25. Leases and rentals.**

(a) General Procedure. – If, after investigation, the Department of Administration determines that it is in the best interest of the State that land be leased or rented for the use of the State or of any State agency, the Department shall proceed to negotiate with the owners for the lease or rental of such property. All lease and rental agreements entered into by the Department shall be promptly submitted to the Governor and Council of State for approval or disapproval.

(b) Leases Exceeding 30-Year Terms. – The Department of Administration shall not enter into a lease of real property for a period of more than 30 years, or a renewal of a lease of real property if the renewal would make the total term of the lease exceed 30 years, unless specifically authorized to do so by the General Assembly. The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations at least 30 days prior to entering or renewing such a lease and shall include a copy of the legislation authorizing the lease or lease renewal in the report."

SECTION 37.7.(b) G.S. 146-29 reads as rewritten:

"**§ 146-29. Procedure for sale, lease, or rental.**

(a) General Procedure. – If, after investigation, the Department of Administration determines that it is in the best interest of the State that land be sold, leased, or rented, the Department shall proceed with its sale, lease, or rental, as the case may be, in accordance with rules adopted by the Governor and approved by the Council of State. If an agreement of sale,

lease, or rental is reached, the proposed transaction shall then be submitted to the Governor and Council of State for their approval or disapproval. Every conveyance in fee of land owned by the State or by any State agency shall be made and executed in the manner prescribed in G.S. 146-74 through 146-78.

(b) Limitations on Certain Leases. – The Department of Administration shall not enter into a lease or lease renewal of the following types unless specifically authorized to do so by the General Assembly:

(1) A lease of real property for a period of more than 30 years, or a renewal of a lease of real property if the renewal would make the total term of the lease exceed 30 years.

(2) A lease of real property, or a renewal of a lease of real property, for any term if both of the following conditions are satisfied:

a. State personnel or State functions would need to be relocated as a result of the lease or renewal.

b. The agency to which the property is currently allocated possesses insufficient operating funds to cover the cost of both the relocation and the ongoing provision of State functions affected by the relocation.

(c) Reporting Required. – The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations at least 30 days prior to entering or renewing any lease described in subdivision (b)(1) of this section or any lease or renewal that will require the relocation of State personnel or State functions. The report shall include all of the following:

(1) If the lease or lease renewal will require State personnel or State functions to be relocated, a statement of the legislation authorizing the lease or lease renewal or a detailed statement of the operating funds that will be used to cover the cost of both the relocation and the ongoing provision of State functions affected by the relocation, as applicable.

(2) If the lease or lease renewal will have a term of more than 30 years, a statement of the legislation authorizing the lease or lease renewal.

(d) Exemptions. – This section shall not apply to the following:

(1) The granting of utility easements, including the lease of interests in real property pursuant to G.S. 146-29.2.

(2) Leases made as part of the Voice Interoperability Plan for Emergency Responders (VIPER) project being managed by the Department of Public Safety."

SECTION 37.7.(c) G.S. 146-29.1 is amended by adding a new subsection to read:

"(h) Any lease or rental entered into pursuant to this section shall be subject to the requirements and limitations of G.S. 146-29."

SECTION 37.7.(d) G.S. 146-32 reads as rewritten:

"**§ 146-32. Exemptions as to leases, etc.**

(a) The Governor, acting with the approval of the Council of State, may adopt rules and regulations:

(1) Exempting from any or all of the requirements of this Subchapter such classes of lease, rental, easement, and right-of-way transactions as he deems advisable; and

(2) Authorizing any State agency to enter into and/or approve those classes of transactions exempted by such rules and regulations from the requirements of this Chapter.

(3) No rule or regulation adopted under this section may exempt from the provisions of G.S. 146-25.1 any class of lease or rental which has a duration of more than 21 days, unless the class of lease or rental:

a. Is a lease or rental necessitated by a fire, flood, or other disaster that forces the agency seeking the new lease or rental to cease use of real property;

b. Is a lease or rental necessitated because an agency had intended to move to new or renovated real property that was not completed when planned, but a lease or rental exempted under this subparagraph may not be for a period of more than six months; or

c. Is a lease or rental which requires a unique location or a location that adjoins or is in close proximity to an existing rental location.

(b) No rule or regulation adopted pursuant to subsection (a) of this section may exempt any lease from the provisions of G.S. 146-25(b) or G.S. 146-29(b) or (c)."

SECTION 37.7.(e) G.S. 143C-8-4 reads as rewritten:

"**§ 143C-8-4. Agency capital improvement needs estimates.**

…

(c) Real Property and New Construction or Facility Rehabilitation Needs Estimate. – The second part of the capital improvement needs estimates shall include only proposals for real property acquisition and projects involving construction of new facilities or rehabilitation of existing facilities to accommodate uses for which the existing facilities were not originally designed. Each project included in this part shall be justified by reference to the needs evaluation criteria established by the Office of State Budget and Management pursuant to ~~G.S. 143C-8-3.~~G.S. 143C-8-3 and shall include the information required by G.S. 143C-3-3(d)(5).

For capital projects of The University of North Carolina and its constituent institutions, the Office of State Budget and Management shall utilize the needs evaluation information approved by the Board of Governors of The University of North Carolina developed pursuant to ~~G.S. 116-11(9).~~G.S. 116-11(9) and shall include the information required by G.S. 143C-3-3(d)(5)."

SECTION 37.7.(f) G.S. 143C-8-5 reads as rewritten:

"**§ 143C-8-5. Six-year capital improvements plan.**

…

(c) Real Property Acquisition, New Construction, or Facility Rehabilitations. – The second part of the capital improvement plan shall set forth an integrated schedule for real property acquisition, new construction, or rehabilitation of existing facilities that, in the judgment of the Director of the Budget, should be initiated within each year of the six-year planning period. The plan shall contain for each project (i) estimates of real property acquisition, and construction or rehabilitation ~~costs~~ costs, (ii) a means of financing the project, ~~and~~ (iii) an estimated schedule for the completion of the ~~project.~~ project, and (iv) an estimate of maintenance and operating costs, including personnel, for the project covering the first five years of operation. Where the means of financing would involve direct or indirect debt service obligations, a schedule of those obligations shall be presented."

SECTION 37.7.(g) G.S. 143C-8-6 reads as rewritten:

"**§ 143C-8-6. Recommendations for capital improvements set forth in the Recommended State Budget.**

…

(e) Other Capital Projects in the Budget Support Document. – The Budget Support Document shall contain for each capital project recommended in accordance with subsection (d) of this section: (i) a detailed project description and justification, (ii) a detailed estimate of acquisition, planning, design, site development, construction, contingency and other related costs, (iii) an estimated schedule of cash flow requirements over the life of the project, (iv) an estimated schedule for the completion of the project, ~~(v) an estimate of maintenance and operating costs, including personnel, for the project, covering the first five years of operation, (vi)~~ (v) an estimate of revenues, if any, likely to be derived from the project, covering the first five years of operation, and ~~(vii)~~ (vi) an explanation of the means of financing.

(f) All Recommended Capital Projects. – The Director of the Budget shall ensure that recommendations in the Recommended State Budget for repairs and renovations of existing facilities, real property acquisition, new construction, or rehabilitation of existing facilities include all of the following information:

(1) An estimate of maintenance and operating costs, including personnel, for the project covering the first five years of operation. If no increase in these expenditures is anticipated because the recommended project would replace an existing facility, then the level of expenditures for the previous five years of operation shall be included instead.

(2) A recommended funding source for the operating costs identified pursuant to subdivision (1) of this subsection."

SECTION 37.7.(h) No later than October 1, 2016, the Director of the Budget shall prepare and transmit to the General Assembly a preliminary six-year capital improvement plan that complies with the requirements of G.S. 143C-8-5, as amended by subsection (f) of this section, and G.S. 143C-8-3(b), as enacted by subsection (i) of this section. This plan shall be in addition to any other six-year capital improvement plan required by G.S. 143C-8-5.

SECTION 37.7.(i) G.S. 143C-8-3 reads as rewritten:

"**§ 143C-8-3. Capital improvement needs criteria.**

(a) Criteria. – The Office of State Budget and Management shall develop a weighted list of factors that may be used to evaluate the need for capital improvement projects. The list shall include all of the following:

(1) Preservation, adequacy and use of existing facilities.

(2) Health and safety considerations.

(3) Operational efficiencies.

(4) Projected demand for governmental services.

(b) Reporting. – The Office of State Budget and Management shall include the following in each six-year capital improvement plan submitted to the General Assembly pursuant to G.S. 143C-8-5:

(1) The list of factors developed pursuant to subsection (a) of this section.

(2) The most recent results of applying the factors developed pursuant to subsection (a) of this section to capital funds requests from State agencies."

SECTION 37.7.(j) This section is effective when it becomes law and applies to leases entered into or renewed and to budgets recommended by the Director of the Budget on or after that date.

LIMIT THE ABILITY OF STATE AGENCIES OR STATE ENTITIES TO ENTER INTO DEBT OR DEBT LIKE ARRANGEMENTS OUTSIDE OF THE PURVIEW OF THE GENERAL ASSEMBLY

SECTION 37.8.(a) Chapter 142 of the General Statutes is amended by adding a new Article to read:

"Article 1A.

"Issuance Accountability.

"**§ 142-15.15. Findings.**

The General Assembly hereby finds as follows:

(1) From time to time, the General Assembly has authorized the State and State entities to acquire or lease assets and has structured the acquisition or leasing of those assets in ways that obligate the State to make payments similar to the obligation of the State to make payments for borrowed money.

(2) Some of these arrangements have been made pursuant to specific legislative authorization of the General Assembly, such as the financing of assets pursuant to the State Capital Facilities Finance Act, the State Energy Conservation Act,

and the State and Local Government Revenue Bond Act, while other arrangements have been entered into pursuant to broader and more general legislative authorization, such as general powers to lease property.

(3) Depending upon the terms, some arrangements may be treated as similar to obligating the State to make payments for borrowed money and, therefore, have an impact on the State's credit ratings, future debt affordability, the ability to address budgetary shortfalls, the ability to enforce its contract rights regarding the quality, durability, and performance of the assets acquired, management of federal income tax compliance requirements, management of federal securities law compliance, and on other matters of State finances.

(4) Due to these consequences, the General Assembly enacts this Article to set forth limitations on the ability of State entities to enter into financing arrangements that constitute State-supported financing arrangements in order to assure that the General Assembly is involved in reviewing and authorizing these transactions and that the transactions are properly managed by State departments and officials.

"**§ 142-15.16. Definitions.**

The following definitions apply in this Article:

(1) Financing arrangement. – An installment financing arrangement, lease-purchase arrangement, arrangement under which funds are to be paid in the future based upon the availability of an asset, or any similar arrangement in the nature of a financing having a term (including renewal options) of greater than one year, in which a State entity agrees to make payments to acquire or obtain a capital asset for a State entity. Any arrangement that results in the identification of a portion of a lease payment, installment payment, or similar scheduled payment as "interest" for purposes of federal income taxation is a financing arrangement for purposes of this Article; provided, however, that (i) a contractual provision that requires interest charges for late or overdue payments shall not by themselves convert a construction or procurement contract into a financing arrangement and (ii) a contractual provision in a construction or purchase contract in which a State entity will withhold or retain from amounts otherwise payable under the contract a retainage until completion of construction, the resolution or adjudication of disputes under the contract, the satisfaction of contract provisions requiring that the property constructed or acquired meets specified performance or quality standards, or similar contractual provisions designed to protect the interests of the State under the contract do not convert an arrangement that otherwise does not constitute a financing arrangement into a financing arrangement. The term does not include any of the following:

a. A true operating lease.

b. Provisions in a construction or purchase contract in which payments are to be made over an extended period of time in accordance with the terms of the contract as construction is completed or assets are delivered.

c. A public-private partnership entered into pursuant to G.S. 143-128.1C.

d. Agreements entered into pursuant to G.S. 136-18(39a).

(2) State entity. – The State of North Carolina and every agency, authority, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

(3) State-supported financing arrangement. – Any financing arrangement that requires payments that are payable, whether directly or indirectly, and whether or not subject to the appropriation of funds for payment, by payments from the General Fund, the Highway Fund, the Highway Trust Fund, or other funds and accounts of the State that are funded from the general revenues and other taxes and fees of the State or State entities. A State-supported financing arrangement does not include a financing arrangement where bonds or other obligations are issued or incurred to carry out a financing program authorized by the General Assembly under which the bonds or other obligations are payable from moneys derived from specified, limited, nontax sources, such as (i) loan payments made by a non-State entity receiving the benefit of financing by a State entity (including an "obligor" or "participating institution" within the meaning of Chapter 159D of the General Statutes, a "public agency" or a "nonprofit agency" within the meaning of Chapter 131A of the General Statutes and similar entities); (ii) revenues of a revenue-producing enterprise or activity (such as "revenues" within the meaning of Part 4 of Article 1 of Chapter 116 of the General Statutes and "obligated resources" within the meaning of Article 3 of Chapter 116D of the General Statutes); and (iii) loan payments received, loans owned, and other assets of a State entity that are pledged to secure bonds under programs to finance that type of assets and the associated activities (such as mortgage loans under Chapter 122A of the General Statutes and student loans under Article 23 of Chapter 116 of the General Statutes).

"**§ 142-15.17. No State-supported financing of certain assets without approval of the General Assembly.**

No State entity shall enter into any State-supported financing arrangement with respect to the acquisition of a capital asset having a value of five million dollars ($5,000,000) or more, unless the General Assembly has enacted legislation expressly approving (i) the acquisition, project, or undertaking to be financed and (ii) the use of the State-supported financing arrangement. The legislation required by this section may be in the form of either an act that refers to the specific asset or project and the manner of financing or an act that identifies a type of asset or project and a maximum amount that may be financed or incurred for that type of asset or project. Examples of references to a specific asset or project include "energy savings projects" or "repairs and renovations of State-owned buildings." "

SECTION 37.8.(b) This section is effective when it becomes law and applies to financing arrangements entered on or after that date.

PART XXXVIII. FINANCE PROVISIONS

INCREASE ZERO TAX BRACKET

SECTION 38.1.(a) Effective for taxable years beginning on or after January 1, 2016, 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	~~$15,500~~$16,500

Head of Household	~~12,400~~13,200
Single	~~7,750~~8,250
Married, filing separately	~~7,750.~~8,250."

SECTION 38.1.(b) Effective for taxable years beginning on or after January 1, 2017, G.S. 105-153.5(a)(1), as amended by subsection (a) of this section, 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	~~$16,500~~$17,500
Head of Household	~~13,200~~14,000
Single	~~8,250~~8,750
Married, filing separately	~~8,250.~~8,750."

SECTION 38.1.(c) Notwithstanding G.S. 105-163.2, the Department of Revenue is not required to adjust the withholding tables applicable for the 2016 taxable year.

SECTION 38.1.(d) Except as otherwise provided, this section is effective when it becomes law.

REDUCE TAXATION OF MILL MACHINERY

SECTION 38.2.(a) G.S. 105-187.51B(a)(5) reads as rewritten:

"(a) Tax. – A privilege tax is imposed on the following:

…

(5) A company located at a ports facility for waterborne commerce that purchases ~~specialized equipment to be used at the facility to unload or process bulk cargo to make it suitable for delivery to and use by manufacturing facilities.~~any of the following:

a. Machinery and equipment used at the facility to unload or to facilitate the unloading or processing of bulk cargo and 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."

SECTION 38.2.(b) This section becomes effective July 1, 2013, and applies retroactively to purchases made on or after that date. Notwithstanding G.S. 105-241.6, a taxpayer that paid sales and use tax on items that are taxable under G.S. 105-187.51B, as amended by this section, may apply to the Department of Revenue for a refund of the excess tax paid to the extent the refund is the result of the change in the law enacted by this section.

MARKET-BASED SOURCING

SECTION 38.4.(a) G.S. 105-130.4(l) reads as rewritten:

"**§ 105-130.4. Allocation and apportionment of income for corporations.**

…

(l) ~~(1)~~ ~~The~~ Sales Factor. – The sales factor is a fraction, the numerator of which is the total sales of the corporation in this State during the income year, and the denominator of which is the total sales of the corporation everywhere during the income year. Notwithstanding any other provision under this Part, the receipts from any casual sale of property shall be excluded from both the numerator and the denominator of the sales factor. Where a corporation is not taxable in

another state on its apportionable income but is taxable in another state only because of nonapportionable income, all sales shall be treated as having been made in this State.

Receipts are in this State if the taxpayer's market for the receipts is in this State. If the market for a receipt cannot be determined, the state or states of assignment shall be reasonably approximated. In a case in which a taxpayer cannot ascertain the state or states to which receipts of a sale are to be assigned through the use of a method of reasonable approximation, the receipts must be excluded from the denominator of a taxpayer's sales factor. Except as otherwise provided by this section, a taxpayer's market for receipts is in this State as provided below:

(1) In the case of sale, rental, lease, or license of real property, if and to the extent the property is located in this State.

(2) ~~Sales of tangible personal property are in this State if the property is received in this State by the purchaser. In the case of delivery of goods by common carrier or by other means of transportation, including transportation by the purchaser, the place at which the goods are ultimately received after all transportation has been completed shall be considered as the place at which the goods are received by the purchaser. Direct delivery into this State by the taxpayer to a person or firm designated by a purchaser from within or without the State shall constitute delivery to the purchaser in this State.~~In the case of rental, lease, or license of tangible personal property, if and to the extent the property is located in this State.

(3) ~~Other sales are in this State if:~~In the case of sale of tangible personal property, if and to the extent the property is received in this State by the purchaser. In the case of delivery of goods by common carrier or by other means of transportation, including transportation by the purchaser, the place at which the goods are ultimately received after all transportation has been completed is considered the place at which the goods are received by the purchaser. Direct delivery into this State by the taxpayer to a person or firm designated by a purchaser from within or without the State constitutes delivery to the purchaser in this State.

~~a. The receipts are from real or tangible personal property located in this State; or~~

~~b. The receipts are from intangible property and are received from sources within this State; or~~

~~c. The receipts are from services and the income-producing activities are in this State.~~

(4) In the case of sale of a service, if and to the extent the service is delivered to a location in this State.

(5) In the case of intangible property that is rented, leased, or licensed, if and to the extent the property is used in this State. Intangible property utilized in marketing a good or service to a consumer is "used in this State" if that good or service is purchased by a consumer who is in this State.

(6) In the case of intangible property that is sold, if and to the extent the property is used in this State. A contract right, government license, or similar intangible property that authorized the holder to conduct a business activity in a specific geographic area is "used in this State" if the geographic area includes all or part of this State. Receipts from a sale of intangible property that is contingent on the productivity, use, or disposition of the intangible property shall be treated as receipts from the rental, lease, or licensing of the intangible property as provided under subdivision (4) of this subsection. All other receipts from a sale of intangible property shall be excluded from the numerator and denominator of the sales factor.

(l1) Broadcasters. – A broadcaster's market for receipts is in this State as provided in G.S. 105-130.4A. For purposes of this section, the term "broadcaster" has the same meaning as defined in G.S. 105-130.4A.

(l2) Banks. – A bank's market for receipts is in this State as provided in G.S. 105-130.4A. For purposes of this section, the term "bank" has the same meaning as defined in G.S. 105-130.4B."

SECTION 38.4.(b) Part 1 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-130.4A. Market-based sourcing for broadcasters.**

(a) Definitions. – The definitions in G.S. 105-130.4 and the following definitions apply to this section:

(1) Audience factor. – The factor determined by the ratio provided in this subdivision. The ratio is as follows:

a. Television station. – The ratio that the viewing audience located in this State for a television station bears to the total viewing audience for a television station.

b. Radio station. – The ratio that the listening audience in this State for a radio station bears to the total listening audience for a radio station.

c. Cable or satellite program and channel broadcasts. – The ratio that the subscribers for a cable or satellite system located in this State bears to the total subscribers of a cable or satellite system. If the number of subscribers cannot be accurately determined from the books and records maintained by the taxpayer, the ratio shall be determined on the basis of the applicable year's subscription statistics located in published surveys, provided the source selected is consistently used from year to year for this purpose.

(2) Broadcast. – The transmission of audio or video programming, directly or indirectly, to viewers and listeners by any other method of communication or combination of methods.

(3) Broadcaster. – A person that provides audio or video programming to customers in this State by digital or analog means in exchange for one or more of the following: advertising receipts, subscriber fees, license, rent, or similar fees. The term includes a television or radio station licensed by the Federal Communications Commission, including network-owned or affiliated stations, a television or radio broadcast network, a cable program network, a distributor of audio or video programming, a cable system operator, and a satellite system operator.

(4) Gross receipts. – The same meaning as the term "sales" in G.S. 105-130.4.

(5) Release or in release. – The placing of film or radio programming into service. A film or radio program is placed into service when it is first broadcast to the primary audience for entertainment, educational, commercial, artistic, or other purpose. Each episode of a television or radio series is placed in service when it is first broadcast. A program is not placed in service merely because it is completed and therefore in a condition or state of readiness and availability for broadcast or merely because it is previewed to prospective sponsors or purchasers.

(6) Rent. – License fees or other payments or consideration provided in exchange for the broadcast or other use of television or radio programming.

(7) Subscriber. – The individual residence or other outlet that is the ultimate recipient of the transmission of the audio or video programming.

(b) Reasonable Approximation. – If the audience factor for a receipt cannot be determined, the state or states of assignment shall be reasonably approximated. If a taxpayer is delivering advertising or licensed content directly or indirectly to a known list of subscribers, the taxpayer shall reasonably approximate the receipts attributable to this State's market using a percentage that reflects the ratio of North Carolina subscribers to the total number of subscribers. If the taxpayer is delivering advertising or licensed content through an intermediary and does not have access to the list of subscribers, the taxpayer shall reasonably approximate the receipts attributable to this State's market using a percentage that reflects the ratio of the North Carolina population to the total population in the specific geographic area where the advertisement or licensed content is materially used. Unless the taxpayer provides substantial evidence to the contrary, the area where the advertisement or licensed content is materially used does not include areas outside the United States. If the taxpayer is able to show with substantial evidence that the advertisement or licensed content is materially used in a city within a foreign country, then the population of that city may be included in the population ratio calculation. If the taxpayer is able to show with substantial evidence that the advertisement or license content is materially used throughout a foreign county, then the population of that foreign country may be included in the population ratio calculation. In a case where the specified rules of reasonable approximation fail to reasonably approximate the percentage of receipts attributable to this State's market, the Department may authorize an alternate approach that reflects an attempt to obtain the most accurate assignment of receipts.

(c) Market for Receipts. – The receipts factor of a broadcaster is a fraction, the numerator of which is the sum of the broadcaster's gross receipts from sources within the State and the denominator of which is the sum of the broadcaster's gross receipts from transactions and activity in the regular course of its trade or business everywhere. Advertising gross receipts and license fees for audio or video programming in release are attributable to this State in accordance with the audience factor in this State. Gross receipts from subscriber fees, rents, sales, or similar charges from audio or video programming in release are attributable to this State based on the amount of subscriber or other fees paid by customers in this State. A sale of audio or video programming on tangible media is sourced to this State as sales of tangible personal property."

SECTION 38.4.(c) Part 1 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-130.4B. Market-based sourcing for banks.**

(a) Definitions. – The definitions in G.S. 105-130.4 apply to this section and the following definitions apply to this section:

(1) Bank. – Defined in G.S. 105-130.7B.

(2) Billing address. – The location indicated in the books and records of the taxpayer on the first day of the taxable year, or on the date in the taxable year when the customer relationship began, as the address where any notice, statement, or billing relating to the a customer's account is mailed.

(3) Borrower, card holder, or payor located in this State. – A borrower, credit card holder, or payor whose billing address is in this State.

(4) Card issuer's reimbursement fee. – The fee a taxpayer receives from a merchant's bank because one of the persons to whom the taxpayer has issued a credit, debit, or similar type of card has charged merchandise or services to the card.

(5) Credit card. – A card, or other means of providing information, that entitles the holder to charge the cost of purchases, or a cash advance, against a line of credit.

(6) Debit card. – A card, or other means of providing information, that enables the holder to charge the cost of purchases, or a cash withdrawal, against the holder's bank account or a remaining balance on the card.

(7) Loan. – Any extension of credit resulting from direct negotiations between the taxpayer and its customer, and/or the purchase, in whole or in part, of such an extension of credit from another. The term includes participations, syndications, and leases treated as loans for federal income tax purposes.

(8) Loan secured by real property. – A loan or other obligation of which fifty percent (50%) or more of the aggregate value of the collateral used to secure the loan or other obligation, when valued at fair market value as of the time the original loan or obligation was incurred, was real property.

(9) Merchant discount. – The fee, or negotiated discount, charged to a merchant by the taxpayer for the privilege of participating in a program whereby a credit, debit, or similar type of card is accepted in payment for merchandise or services sold to the card holder, net of any cardholder chargeback and unreduced by any interchange transaction or issuer reimbursement fee paid to another for charges or purchased made by its cardholder.

(10) Participation. – An extension of credit in which an undivided ownership interest is held on a prorated basis in a single loan or pool of loans and related collateral. In a loan participation, the credit originator initially makes the loan and then subsequently resells all or a portion of it to other lenders. The participation may or may not be known to the borrower.

(11) Payor. – The person who is legally responsible for making payment to the taxpayer.

(12) Real property owned. – Real property (i) on which the taxpayer may claim depreciation for federal income tax purposes, or (ii) to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes or could claim depreciation if subject to federal income tax. Real property does not include coin, currency, or property acquired in lieu of or pursuant to a foreclosure.

(13) Syndication. – An extension of credit in which two or more persons fund and each person is at risk only up to a specified percentage of the total extension of credit or up to a specified dollar amount.

(14) Tangible personal property owned. – Tangible personal property (i) on which the taxpayer may claim depreciation for federal income tax purposes or (ii) to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes could claim depreciation if subject to federal income tax. Tangible personal property does not include coin, currency, or property acquired in lieu of or pursuant to a foreclosure.

(15) Transportation property. – Vehicles and vessels capable of moving under their own power as well as any equipment or containers attached to such property. Examples of transportation property include aircraft, trains, water vessels, motor vehicles, rolling stock, barges, and trailers.

(b) General Rule. – The receipts factor of a bank is a fraction, the numerator of which is the total receipts of the taxpayer in this State during the income year, and the denominator of which is the total receipts of the taxpayer everywhere during the income year. The method of calculating receipts for purposes of the denominator is the same as the method used in determining receipts for purposes of the numerator. The receipts factor includes only those receipts described herein that are apportionable income for the taxable year. Notwithstanding any other provision under this Part, the receipts from the following are excluded from both the numerator and the denominator of the receipts factor:

(1) Receipts from a casual sale of property.

(2) Receipts exempt from taxation.

(3) The portion of receipts realized from the sale or maturity of securities or other obligations that represents a return of principal.

(4) Receipts in the nature of dividends subtracted under G.S. 105-130.5(b)(3a) and (3b) and dividends excluded for federal tax purposes.

(5) The portion of receipts from financial swaps and other similar financial derivatives that represent the notional principal amount that generates the cash flow traded in the swap agreement.

(c) Receipts From the Sale, Lease, or Rental of Real Property. – The numerator of the receipts factor includes receipts from the sale, lease, or rental of real property owned by the taxpayer if the property is located within this State or receipts from the sublease of real property if the property is located within this State.

(d) Receipts From the Sale, Lease, or Rental of Tangible Personal Property. – The method for calculating receipts from the sale, lease, or rental of tangible personal property is as follows:

(1) Tangible personal property. – Except as provided in subdivision (2) of this subsection, the numerator of the receipts factor includes receipts from the sale, lease, or rental of tangible personal property owned by the taxpayer if the property is located within this State when it is first placed in service by the lessee.

(2) Transportation property. – Receipts from the lease or rental of transportation property owned by the taxpayer are included in the numerator of the receipts factor to the extent that the property is used in this State. The extent an aircraft will be deemed to be used in this State and the amount of receipts that is to be included in the numerator of this State's receipts factor is determined by multiplying all the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this State and the denominator of which is the total number of landings of the aircraft. If the extent of the use of any transportation property within this State cannot be determined, then the property will be deemed to be used wholly in the state in which the property has its principal base of operations. A motor vehicle will be deemed to be used wholly in the state in which it is registered.

(e) Interest, Fees, and Penalties From Loans Secured by Real Property. – The numerator of the receipts factor includes interest, fees, and penalties from loans secured by real property if the property is located within this State. If the property is located both within this State and one or more other states, the receipts described in this subsection are included in the numerator of the receipts factor if more than fifty percent (50%) of the fair market value of the real property is located within this State. If more than fifty percent (50%) of the fair market value of the real property is not located within any one state, then the receipts described in this subsection are included in the numerator of the receipts factor if the borrower is located in this State. The determination of whether the real property securing a loan is located within this State is made as of the time the original agreement was made and any and all subsequent substitutions of collateral are disregarded.

(f) Interest, Fees, and Penalties From Loans Not Secured by Real Property. – The numerator of the receipts factor includes interest, fees, and penalties from loans not secured by real property if the borrower is located in this State.

(g) Net Gains From the Sale of Loans. – The numerator of the receipts factor includes net gains from the sale of loans. Net gains from the sale of loans include income recorded under the coupon stripping rules of section 1286 of the Code. The amount of net gains from the sale of loans that is included in the numerator is determined as follows:

(1) Secured by real property. – The amount of net gains, but not less than zero, from the sale of loans secured by real property is determined by multiplying the net gains by a fraction, the numerator of which is the amount included in the

numerator of the receipts factor pursuant to subsection (e) of this section, and the denominator of which is the total amount of interest, fees, and penalties from loans secured by real property.

(2) Not secured by real property. – The amount of net gains, but not less than zero, from the sale of loans not secured by real property is determined by multiplying the net gains by a fraction, the numerator of which is the amount included in the numerator of the receipts factor pursuant to subsection (f) of this section, and the denominator of which is the total amount of interest, fees, and penalties from loans not secured by real property.

(h) Receipts From Interest, Fees, and Penalties from Card Holders. – The numerator of the receipts factor includes interest, fees, and penalties charged to credit, debit, or similar card holders, including annual fees and overdraft fees, if the card holder is located in this State.

(i) Net Gains From the Sale of Credit Card Receivables. – The numerator of the receipts factor includes net gains, but not less than zero, from the sale of credit card receivables multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor pursuant to subsection (h) of this section, and the denominator of which is the taxpayer's total amount of interest, fees, and penalties charged to card holders.

(j) Miscellaneous Receipts. – The numerator of the receipts factor includes all of the following:

(1) Card issuer's reimbursement fees. – Receipts from card issuer's reimbursement fees if the payor is located in this State.

(2) Receipts from merchant's discount. – Receipts from a merchant discount if the payor is located in this State.

(3) Receipts from ATM fees. – Receipts from one or more of the following:

a. ATM fees that are not forwarded directly to another bank.

b. Fees for the use of an ATM owned or rented by the taxpayer, if the ATM is located in this State.

(4) Loan servicing fees. – Receipts from loan servicing fees if the payor is located in this State.

(5) Receipts from services. – Receipts from services not otherwise apportioned under this section if the payor is located in this State.

(6) Receipts from investment assets and activity and trading assets and activity. – Receipts from one or more of the following:

a. Interest and dividends from investment assets and activities and trading assets and activities if the payor is located in this State.

b. Net gains and other income, but not less than zero, from investment assets and activities and trading assets and activities multiplied by a fraction, the numerator of which is the amount included in the numerator of the receipts factor pursuant to sub-subdivision a. of this subdivision, and the denominator of which is the taxpayer's total amount of interest and dividends from investment assets and activities and trading assets and activities.

(k) All Other Receipts. – All other receipts not specifically enumerated in this section are included in the numerator of the receipts factor if the payor is located in this State."

SECTION 38.4.(d) Article 9 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-262.2. Rules to implement market-based sourcing.**

(a) Purpose and Scope. – It is the policy of the State to provide necessary guidance on a timely basis to corporate taxpayers subject to allocation and apportionment of income under G.S. 105-130.4. Except as otherwise provided in this section, the expedited procedure for the

adoption of rules under G.S. 105-262.1 applies to the adoption of rules needed to administer market-based sourcing of receipts.

(b) Fiscal Note. – The Office of State Budget and Management is not required to prepare a fiscal note for a proposed rule under this section. The Secretary is not subject to the fiscal note requirement under G.S. 105-262(c) or under G.S. 105-262.1(c)."

SECTION 38.4.(e) The Utilities Commission shall adjust the rates for public utilities, excluding water public utilities with less than two hundred thousand dollars ($200,000) in annual operating revenues, for the tax changes in subsection (a) of this section. Each utility shall calculate the cumulative net effect of the tax changes and file the calculations with proposed rate changes to reflect the net prospective tax changes in utility customer rates within 60 days of the enactment of this section. Any adjustments required to existing tax assets or liabilities reflected in the utility's books and records required by the tax changes shall be deferred and reflected in customer rates in either the utility's next rate case or earlier, if deemed appropriate by the Commission.

SECTION 38.4.(f) Subsections (a) through (c) of this section are effective for taxable years beginning on or after the later of (i) the taxable year that the corporate income tax rate is three percent (3%), as provided in G.S. 105-130.3C, or (ii) January 1, 2018. The remainder of this section is effective when it becomes law.

SALES TAX CHANGES

SECTION 38.5.(a) A retailer is not liable for an undercollection of sales or use tax if the retailer made a good-faith effort to comply with the law and collect the proper amount of tax on the repair, maintenance, and installation services as a result of the change under Section 32.18 of S.L. 2015-241. This applies only to the period beginning March 1, 2016, and ending December 31, 2016.

SECTION 38.5.(b) G.S. 105-237.1(a) is amended by adding a new subdivision to read:

"(a) Authority. – The Secretary may compromise a taxpayer's liability for a tax that is collectible under G.S. 105-241.22 when the Secretary determines that the compromise is in the best interest of the State and makes one or more of the following findings:

...

(7) The taxpayer is a retailer or a person under Article 5 of this Chapter, the assessment is for sales or use tax the retailer failed to collect or the person failed to pay on the sales price of or the gross receipts derived from repair, maintenance, and installation services taxable under G.S. 105-164.4(a)(16) and the retailer or person made a good-faith effort to comply with the sales and use tax laws. This subdivision applies to assessments issued for the period March 1, 2016, through January 1, 2023."

SECTION 38.5.(c) G.S. 105-164.4H(c) reads as rewritten:

"(c) Erroneous Collection if Separately Stated. – An invoice or other documentation issued to a consumer at the time of the sale by a real property contractor shall not separately state any amount for tax. Any amount for tax separately stated on an invoice or other documentation given to a consumer by a real property contractor is an erroneous collection and must be remitted to the ~~Secretary, and the provisions of G.S. 105-164.11(a)(2) do not apply.~~Secretary."

SECTION 38.5.(d) G.S. 105-164.3 reads as rewritten:

"**§ 105-164.3. Definitions.**

The following definitions apply in this Article:

...

(12a) House cleaning and janitorial service. – The interior cleaning of a commercial or residential building or structure by a housekeeping service, maid service, janitorial service, or similar cleaning service. The term does not include a

service that cleans or waxes floors, cleans carpet, or washes windows unless those services are performed as part of an interior cleaning service package.

...

(16e) Landscaping service. – A service to maintain or improve lawns, yards, or ornamental plants and trees. Examples of landscaping service include the installation of trees, shrubs, or flowers; tree trimming; lawn mowing; and the application of seed, mulch, pesticide, or fertilizer to a lawn or yard.

…

(23a) Motor vehicle service contract. – A service contract sold by a motor vehicle dealer or by or on behalf of a motor vehicle service agreement company for a motor vehicle or one or more components, systems, or accessories for a motor vehicle. For purposes of this subdivision, the term "motor vehicle dealer" has the same meaning as defined in G.S. 20-286 and the term "motor vehicle service agreement company" has the same meaning as defined in G.S. 66-370.

~~(23a)~~(23b) NAICS. – Defined in G.S. 105-228.90.

...

(33d) Real property. – Any one or more of the following:

a. Land.

b. Buildings, structures, or permanent fixtures on land.

c. All rights and privileges belonging or in any way appertaining to the property.

d. A manufactured home or a modular home that meets all of the following requirements:

1. It is a residential structure.

2. It has the moving hitch, wheels, and axles removed.

3. It is placed upon a permanent foundation.

(33e) Real property contract. – A contract between a real property contractor and another person to perform construction or reconstruction with respect to a capital improvement to real property.

~~(33d)~~(33f) Real property contractor. – A person that contracts to perform ~~construction, reconstruction, installation, repair, or any other service with respect to~~ a real property contract in accordance with G.S. 105-164.4H and to furnish tangible personal ~~property~~ property or digital property to be installed or applied to real property in connection with the contract and the labor to install or apply the ~~tangible personal~~ property that becomes part of real ~~property.~~ property or obtains a service to fulfill the contract. The term includes a general contractor, a subcontractor, or a builder for purposes of G.S. 105-164.4H. ~~The term does not include a person engaged in retail trade.~~

~~(33e)~~(33g) Related member. – Defined in G.S. 105-130.7A.

~~(33f)~~(33h) Remote sale. – A sale of tangible personal property or digital property ordered by mail, by telephone, via the Internet, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from a retailer who receives the order in another state and delivers the property or causes it to be delivered to a person in this State. It is presumed that a resident of this State who remits an order was in this State at the time the order was remitted.

~~(33g)~~(33i) Repair, maintenance, and installation services. – The term includes the activities listed in this ~~subdivision:~~subdivision and applies to tangible personal property, motor vehicle, digital property, and real property:

a. To keep or attempt to keep ~~tangible personal~~ property or a motor vehicle in working order to avoid breakdown and prevent ~~repairs.~~deterioration or repairs. This activity may include cleaning, washing, or polishing

property. This service includes self-service car washes but does not include receipts listed as exceptions to the tax imposed under G.S. 105-164.4(a)(4).

b. To calibrate, restore, refinish, or attempt to ~~calibrate or restore tangible personal~~ calibrate, refinish, or restore property or a motor vehicle to proper working order or good condition. This activity may include replacing or putting together what is torn or broken.

c. To troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore ~~tangible personal~~ property or a motor vehicle to proper working order or good condition.

d. To ~~install or apply~~ install, apply, connect, adjust, program, or set into tangible personal property or motor vehicle except tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property ~~contract.~~contract taxed in accordance with G.S. 105-164.4H.

e. To modify, change, or alter property or a motor vehicle.

f. To remove or pump waste from tangible personal property or a motor vehicle.

g. To inspect or monitor property or motor vehicle.

h. Pest control for a commercial or residential building or structure.

...

~~(34a) Retail trade. – A trade in which the majority of revenue is from retailing tangible personal property, digital property, or services to consumers. The term includes activities of a person properly classified in NAICS sector 44-45, buying goods for resale, and rendering services incidental to the sale of merchandise. The term typically includes maintaining an inventory and may include the provision of repair, maintenance, and installation services. Not all activities provided in this subdivision are required for a trade to be considered retail trade.~~

(35) Retailer. – Any of the following persons:

a. A person engaged in business of making sales at retail, offering to make sales at retail, or soliciting sales at retail of tangible personal property, digital property, or services for storage, use, or consumption in this State. When the Secretary finds it necessary for the efficient administration of this Article to regard any sales representatives, solicitors, representatives, consignees, peddlers, or truckers as agents of the dealers, distributors, consignors, supervisors, employers, or persons under whom they operate or from whom they obtain the items sold by them regardless of whether they are making sales on their own behalf or on behalf of these dealers, distributors, consignors, supervisors, employers, or persons, the Secretary may so regard them and may regard the dealers, distributors, consignors, supervisors, employers, or persons as "retailers" for the purpose of this Article.

b. A ~~person~~ person, other than a real property contractor, engaged in business of delivering, erecting, installing, or applying tangible personal property for use in this ~~State that does not become part of real property pursuant to the tax imposed under G.S. 105-164.4(a)(13). property unless the person is one or more of the following:~~

~~1. A person that solely operates as a real property contractor.~~

~~2. A person whose only business activity is providing repair, maintenance, and installation services where the person's activities do not otherwise meet the definition of a retail trade.~~State.

c. A person engaged in business of making a remote sale, if one of the conditions listed in G.S. 105-164.8(b) is met.

d. A person, other than a facilitator, required to collect the State tax levied under ~~G.S. 105-164.4(a).~~this Article or the local taxes levied under Subchapter VIII of this Chapter and under Chapter 1096 of the 1967 Session Laws.

...

(36) Sale or selling. – The transfer for consideration of title, license to use or consume, or possession of tangible personal property or digital property or the performance for consideration of a service. The transfer or performance may be conditional or in any manner or by any means. The term includes the following:

a. Fabrication of tangible personal property for consumers by persons engaged in business who furnish either directly or indirectly the materials used in the fabrication work.

b. Furnishing or preparing tangible personal property consumed on the premises of the person furnishing or preparing the property or consumed at the place at which the property is furnished or prepared.

c. A transaction in which the possession of the property is transferred but the seller retains title or security for the payment of the consideration.

d. A lease or rental.

e. Transfer of a digital code.

f. An accommodation.

g. A service contract.

h. Any other item subject to tax under this Article, except for a real property contract.

...

(38b) Service contract. – A contract where the obligor under the contract agrees to ~~maintain~~ maintain, monitor, inspect, clean, restore, or repair tangible personal ~~property,~~ property for a period of time or some other defined measure, regardless of whether the property becomes a part of or is affixed to real ~~property, or a motor vehicle.~~ property. The term does not include a single repair, maintenance, or installation service. The term includes a pool maintenance contract and a home warranty. Examples of a service contract include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract.

...."

SECTION 38.5.(e) G.S. 105-164.4(a) reads as rewritten:

"**§ 105-164.4. Tax imposed on retailers.**

(a) A privilege tax is imposed on a retailer engaged in business in the State at the percentage rates of the retailer's net taxable sales or gross receipts, listed in this subsection. The general rate of tax is four and three-quarters percent (4.75%). The percentage rates are as follows:

...

(13) The general rate of tax applies to the sales price of ~~tangible personal property~~ an item subject to tax under this Article sold to a real property contractor for use by the real property contractor ~~in erecting structures, building on, or otherwise~~

~~improving, altering, or repairing real property.~~ to fulfill a real property contract. These sales are taxed in accordance with G.S. 105-164.4H.

...

(16) The general rate applies to the sales price of or the gross receipts derived from repair, maintenance, and installation ~~services.~~services and includes any tangible property or digital property that becomes a part of or is applied to a purchaser's property."

SECTION 38.5.(f) G.S. 105-164.4D reads as rewritten:

"**§ 105-164.4D. Bundled transactions.**

(a) Tax Application. – Tax applies to the sales price of a bundled transaction unless one of the following applies:

...

(6) Repair, maintenance, and installation to real property. – The bundle is a real property contract that includes both a capital improvement taxable in accordance with G.S. 105-164.4H and a repair, maintenance, and installation service taxable under G.S. 105-164.4(a)(16). If the price of the taxable service in the bundle does not exceed ten percent (10%) of the contract price, then the bundle is not subject to tax. If the price of the taxable service in the bundle is equal to or greater than ten percent (10%) of the contract price, then the tax applies to the taxable repair, maintenance, and installation services portion of the contract. The person must determine an allocated price for each taxable item in the bundle based on a reasonable allocation of revenue that is supported by the person's business records kept in the ordinary course of business.

(7) Service contract. – The bundle includes two or more services, one of which is subject to tax under this Article and one of which is not subject to tax under this Article. The person must determine an allocated price for each taxable item in the bundle based on a reasonable allocation of revenue that is supported by the person's business records kept in the ordinary course of business.

(b) Determining Threshold. – A retailer of a bundled transaction subject to this section may use either the retailer's ~~cost~~ purchase price or the retailer's sales price to determine if the transaction meets the fifty percent (50%) test or the ten percent (10%) test set out in subdivisions (a)(1) and (a)(3) of this section. A retailer may not use a combination of ~~cost~~ purchase price and sales price to make this determination. If a bundled transaction subject to subdivision (a)(3) of this section includes a service contract, the retailer must use the full term of the contract in determining whether the transaction meets the threshold set in the subdivision."

SECTION 38.5.(g) G.S. 105-164.4H, as amended by S.L. 2016-5 and by subsection (c) of this section, reads as rewritten:

"**§ 105-164.4H. Real property contractors.**

(a) Applicability. – A real property contractor is the consumer of the tangible personal ~~property~~ property, digital property, or taxable service that the real property contractor ~~installs~~ purchases, installs, or applies for others ~~and that becomes part of real property.~~ for use in a real property contract. A retailer engaged in business in the State shall collect tax on the sales price of the tangible personal property or digital property sold at retail to a real property contractor unless a statutory exemption in G.S. 105-164.13 or G.S. 105-164.13E applies. Where a real property contractor purchases tangible personal property or digital property for storage, use, or consumption in this ~~State~~ State, or a taxable service sourced to this State, and the tax due is not paid at the time of purchase, the provisions of G.S. 105-164.6 apply except as provided in subsection (b) of this section.

(a1) Capital Improvement. – A capital improvement is new construction or a renovation of a building, structure, or fixture on land. Factors that may be considered in determining whether a contract is a real property contract for a capital improvement include the method of attachment for

the property installed, the degree of customization of the property installed, and the value added by or useful life of the property installed. Examples of a capital improvement include all of the following:

(1) Site preparation for and construction of an entirely new structure on real property or of an increase in the square footage of an existing structure regardless of whether or not the site has been previously occupied.

(2) Removal of items from real property, such as debris, construction materials, asbestos, or excavation activities.

(3) The performance of work that requires the issuance of a permit under the State Building Code.

(4) Installation of equipment or fixtures that is attached to real property so that removal of the item would cause physical, functional, or economic damage to the property and that is capitalized for income tax purposes under the Code.

(5) Installation of a complete system, such as roofing, septic tank, heating, ventilation, and air conditioning, plumbing, electrical, irrigation, sprinkler, and other similar systems.

(6) Installation of roads, parking lots, and sidewalks.

(7) Landscaping services.

(b) Retailer-Contractor. – This section applies to a retailer-contractor ~~when the~~ as follows:

(1) Acting as a real property contractor. – A retailer-contractor acts as a real property ~~contractor.~~ contractor when it contracts to perform construction or reconstruction with respect to a capital improvement to real property. A retailer-contractor that purchases tangible personal property to be installed or applied to real property may purchase items exempt from tax under a certificate of exemption pursuant to G.S. 105-164.28 provided the retailer-contractor also purchases inventory items from the seller for resale. When the tangible personal property is withdrawn from inventory and installed or applied to real property, use tax must be accrued and paid on the retailer-contractor's purchase price of the tangible personal property. Tangible personal property that the retailer-contractor withdraws from inventory for use that does not become part of real property is also subject to the tax imposed by this Article. For purposes of this section, the term "purchase price" does not include wages paid by the retailer-contractor to an employee.

(2) Acting as a retailer. – A retailer-contractor is acting as a retailer when it sells items at retail and when it performs repair, maintenance, and installation services subject to tax under G.S. 105-164.4(a)(16).

(b1) Joint and Several Liability. – If a retailer-contractor subcontracts any part of the real property contract, tax is payable by the subcontractor on the subcontractor's purchase of the tangible personal property that is installed or applied to real property in fulfilling the contract. The retailer-contractor, the subcontractor, ~~and~~ the owner of the real ~~property~~ property, and the lessee of the real property, are jointly and severally liable for the tax. The liability of a retailer-contractor, a subcontractor, ~~or~~ an ~~owner~~ owner, or lessee who did not purchase the property is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid.

(c) Erroneous Collection if Separately Stated. – An invoice or other documentation issued to a consumer at the time of the sale by a real property contractor shall not separately state any amount for tax. Any amount for tax separately stated on an invoice or other documentation given to a consumer by a real property contractor is an erroneous collection and must be remitted to the Secretary."

SECTION 38.5.(h) G.S. 105-164.4I(b) and (c) reads as rewritten:

"**§ 105-164.4I. Service contracts.**

...

(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 pool maintenance contract or a similar maintenance contract.

...

(6) A motor vehicle service contract.

(c) Exceptions. – The tax imposed by this section does not apply to a ~~security or similar~~ security alarm monitoring contract for real property."

SECTION 38.5.(i) G.S. 105-164.13 reads as rewritten:

"**§ 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:

...

(61b) ~~Repair, maintenance, and installation services~~ Tangible personal property, digital property, and services purchased for ~~resale.~~resale under an exemption certificate in accordance with G.S. 105-164.28 or under a direct pay certificate in accordance with G.S. 105-164.27A.

(62) An item or repair, maintenance, and installation services used to maintain or repair tangible personal property pursuant to a service contract taxable under this Article if the purchaser of the contract is not charged for the item or services. ~~This exemption does not apply to an item or repair, maintenance, and installation services provided for a motor vehicle pursuant to a service contract exempt from tax under this Article unless the purchaser of the contract is not charged for the item or services.~~ For purposes of this exemption, the term "item" does not include a tool, equipment, supply, or similar tangible personal property used to complete the maintenance or repair and that is not deemed to be a component or repair part of the tangible personal property for which a service contract is sold to a purchaser.

...

(66) Sales of or the gross receipts derived from the following repair, maintenance, and installation services:

a. A fee, charge, or other payment for an inspection required by law, regardless of whether the amount is paid to a public or private entity, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale.

b. Services performed for a person by a related member.

c. Services performed to resolve an issue that was part of a capital improvement if the services are performed within six months of completion of the capital improvement or, for new construction, within six months of the new structure being occupied for the first time.

d. Services on roads, parking lots, and sidewalks.

e. Removal of waste, trash, grease, and other similar items from real property.

f. Home inspections.

g. House cleaning and janitorial services.

h. Landscaping services.

(67) Towing services, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale."

SECTION 38.5.(j) G.S. 105-187.5(a) reads as rewritten:

"(a) Election. – A retailer may elect not to pay the tax imposed by this Article at the rate set in G.S. 105-187.3 when applying for a certificate of title for a motor vehicle purchased by the retailer for lease or rental. A retailer who makes this election shall pay a tax on the gross receipts of the lease or rental of the vehicle. The portion of a lease or rental billing or payment that represents any amount applicable to the sales price of a service contract as defined in G.S. 105-164.3 should not be included in the gross receipts subject to the tax imposed by this Article. The charge ~~should~~ must be separately stated on documentation given to the purchaser at the time the lease or rental agreement goes into effect, or on the monthly billing statement or other documentation given to the purchaser. ~~Where a retailer fails to separately state any portion of a lease or rental billing or payment that represents an amount applicable to the sale price of a service contract, the amount is deemed to be part of the gross receipts of a lease or rental of a vehicle.~~ When a lease or rental contract is sold to another retailer, the seller of the lease or rental contract should provide to the purchaser of the lease or rental contract the documentation showing that the service contract and applicable sales taxes were separately stated at the time the lease or rental went into effect. Like the tax imposed by G.S. 105-187.3, this alternate tax is a tax on the privilege of using the highways of this State. The tax is imposed on a retailer, but is to be added to the lease or rental price of a motor vehicle and thereby be paid by the person who leases or rents the vehicle."

SECTION 38.5.(k) The Department of Revenue must issue written guidance on the implementation of the sales tax changes imposed by this section within 120 days of the enactment of this subsection.

SECTION 38.5.(l) G.S. 105-164.27A is amended by adding a new subsection to read:

"(a3) Boat and Aircraft. – A direct pay permit for repair, maintenance, and installation services authorizes its holder to purchase repair, maintenance, and installation services for a boat, an aircraft, or a qualified jet engine without paying tax to the seller and authorizes the seller to not collect any tax on the services from the permit holder. A person who purchases these services under a direct pay permit must file a return and pay the tax due to the Secretary by the end of the month following the month in which the services are purchased. A permit holder is allowed a use tax exemption equal to the amount of the sales price of or the gross receipts derived from repair, maintenance, and installation services for a boat, an aircraft, or a qualified jet engine that exceeds twenty-five thousand dollars ($25,000)."

SECTION 38.5.(m) G.S. 105-467(b) reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. 105-164.13 and G.S. 105-164.27A apply to the local sales and use tax authorized to be levied and imposed under this Article. The State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under this Article. A refund of an excessive or erroneous State sales tax collection allowed under G.S. 105-164.11 and a refund of State sales tax paid on a rescinded sale or cancelled service contract under G.S. 105-164.11A apply to the local sales and use tax authorized to be levied and imposed under this Article. The aggregate annual local refund amount allowed an entity under G.S. 105-164.14(b) for a fiscal year may not exceed thirteen million three hundred thousand dollars ($13,300,000).

Except as provided in this subsection, a taxing county may not allow an exemption, exclusion, or refund that is not allowed under the State sales and use tax. A local school administrative unit and a joint agency created by interlocal agreement among local school administrative units pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services. Sales and use tax liability indirectly incurred by the entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the entity and is being erected, altered, or repaired for use by the entity is considered a sales or use tax liability

incurred on direct purchases by the entity for the purpose of this subsection. The refund allowed under this subsection does not apply to purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, or a prepaid meal plan. A request for a refund is due in the same time and manner as provided in G.S. 105-164.14(c). Refunds applied for more than three years after the due date are barred."

SECTION 38.5.(n) G.S. 105-524(e) is repealed.

SECTION 38.5.(o) Subsections (d) through (j) of this section become effective January 1, 2017, and apply to sales made on or after that date. Subsections (l) and (m) of this section become effective July 1, 2016, and apply to purchases of repair, maintenance, and installation services purchases on or after that date. Subsection (n) of this section is effective for fiscal years beginning on or after July 1, 2016. The remainder of this section is effective when it becomes law and subsection (c) of this section applies retroactively to January 1, 2015.

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 Senate Appropriations Committee Report on the Base, Expansion and Capital Budgets for House Bill 1030, dated June 1, 2016, which was distributed in the Senate 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 2016-2017 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted recommended adjustments to the budget to the General Assembly in April 2016 in the document "The Governor of North Carolina's Recommended Budget Adjustments" for the 2016-2017 fiscal year for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 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, legislative changes, the revised budget, and related FTE information for a particular budget code and containing no other substantive information.

(2) Summary pages setting forth the enacted budget, legislative changes, the revised budget, and related FTE information for multiple fund codes within in 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 2015 Regular Session of the General Assembly in 2016. The report shall be in the form of a revision of the Committee Report adopted for House Bill 1030 pursuant to G.S. 143C-5-5 and shall include all modifications made to the 2016-2017 budget prior to sine die adjournment of the 2015 Regular Session. 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 2016-2017 FISCAL YEAR

SECTION 39.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2016-2017 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2016-2017 fiscal year.

EFFECT OF HEADINGS

SECTION 39.5. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a part.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 39.6.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2015-241, S.L. 2015-263, S.L. 2015-264, S.L. 2015-267, S.L. 2015-268, S.L. 2015-276, S.L. 2015-286, and S.L. 2016-5 remain in effect.

SECTION 39.6.(b) Notwithstanding any modifications by this act in the amounts appropriated, except where expressly repealed or amended, the limitations and directions for the 2015-2017 fiscal biennium in S.L. 2015-241, S.L. 2015-263, S.L. 2015-264, S.L. 2015-267, S.L. 2015-268, S.L. 2015-276, S.L. 2015-286, and S.L. 2016-5 that applied to appropriations to particular agencies or for particular purposes apply to the newly enacted appropriations and budget reductions of this act for those same particular purposes.

SEVERABILITY CLAUSE

SECTION 39.7. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 39.8. Except as otherwise provided, this act becomes effective July 1, 2016.