

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

H.B. 537
Mar 29, 2017
HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH50052-MCxfa-120F* (03/13)

Short Title: 2017 Governor's Budget. (Public)

Sponsors: Representatives Dollar, Johnson, McGrady, and Lambeth (Primary Sponsors).

Referred to:

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

5 The General Assembly of North Carolina enacts:

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

8
9 **TITLE OF ACT**

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

12
13 **INTRODUCTION**

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

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

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

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

27
28 **Current Operations – General Fund** **FY 2017-2018** **FY 2018-2019**

29
30 **EDUCATION**

31
32 Community Colleges System Office \$ 1,162,987,476 \$ 1,159,445,175

33
34 Department of Public Instruction 9,267,081,888 9,587,001,103

35
36 University of North Carolina – Board of Governors



* D R H 5 0 0 5 2 - M C X F A - 1 2 0 F *

1	Appalachian State University	134,672,993	138,880,976
2	East Carolina University		
3	Academic Affairs	214,598,809	214,598,809
4	Health Affairs	74,210,941	74,210,941
5	Elizabeth City State University	31,960,064	31,340,064
6	Fayetteville State University	52,116,162	52,116,162
7	NC A&T State University	92,203,482	92,203,482
8	NC Central University	83,243,559	83,243,559
9	NC State University		
10	Academic Affairs	409,648,050	409,648,050
11	Agricultural Extension	38,395,231	38,395,231
12	Agricultural Research	52,636,905	52,636,905
13	UNC-Asheville	38,750,625	38,750,625
14	UNC-Chapel Hill		
15	Academic Affairs	252,309,119	252,309,119
16	Health Affairs	186,665,032	187,658,259
17	AHEC	48,783,693	48,783,693
18	UNC-Charlotte	226,376,692	226,376,692
19	UNC-Greensboro	150,156,774	150,156,774
20	UNC-Pembroke	53,711,549	53,715,428
21	UNC-School of the Arts	30,424,499	30,424,499
22	UNC-Wilmington	120,327,946	120,327,946
23	Western Carolina University	89,729,461	89,730,641
24	Winston-Salem State University	64,717,512	64,717,512
25	General Administration	42,172,369	42,172,369
26	University Institutional Programs	198,469,043	280,955,678
27	Related Educational Programs	64,747,218	64,747,218
28	NC School of Science & Mathematics	21,271,260	21,585,709
29	Aid to Private Institutions	141,469,754	137,019,754
30	Total University of North Carolina –		
31	Board of Governors	2,913,768,742	2,996,706,095
32			
33	HEALTH AND HUMAN SERVICES		
34			
35	Department of Health and Human Services		
36	Central Management and Support	133,055,474	147,700,477
37	Division of Aging and Adult Services	50,085,295	50,085,295
38	Division of Blind Services/Deaf/HH	8,333,453	8,333,453
39	Division of Child Development and Early Education	286,443,810	292,643,810
40	Health Service Regulation	18,606,701	22,975,875
41	Division of Medical Assistance	3,735,442,930	3,860,291,362
42	Division of Mental Health	714,714,598	696,291,911
43	NC Health Choice	458,280	394,925
44	Health Benefits	9,671,582	9,671,582
45	Division of Public Health	153,598,499	157,681,288
46	Division of Social Services	197,195,172	199,836,617
47	Division of Vocation Rehabilitation	39,402,154	39,419,567
48	Total Health and Human Services	5,347,007,948	5,485,362,162
49			
50	AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES		
51			

1	Department of Agriculture and Consumer Services	126,879,391	122,962,880
2			
3	Department of Commerce		
4	Commerce	135,005,300	134,964,406
5	Commerce State-Aid	15,955,810	15,955,810
6	Commerce – Economic Development	122,945,000	4,945,000
7			
8	Department of Natural and Cultural Resources		
9	Natural and Cultural Resources	194,772,620	187,041,054
10	Roanoke Island Commission	555,571	555,571
11			
12	Wildlife Resources Commission	11,627,174	11,595,898
13			
14	Department of Environmental Quality	84,836,697	83,106,733
15			
16	Department of Labor	17,593,752	17,553,391
17			
18	JUSTICE AND PUBLIC SAFETY		
19			
20	Department of Public Safety	2,044,943,695	2,051,462,150
21			
22	Judicial Department	534,486,438	533,864,659
23			
24	Judicial Department – Indigent Defense	124,907,954	127,480,556
25			
26	Department of Justice	58,927,361	58,308,801
27			
28	GENERAL GOVERNMENT		
29			
30	Department of Administration	64,031,214	63,961,673
31			
32	Office of Administrative Hearings	5,548,417	5,576,353
33			
34	Department of State Auditor	14,211,124	13,938,126
35			
36	Office of State Controller	23,745,527	23,895,805
37			
38	State Board of Elections	6,794,931	6,780,924
39			
40	General Assembly	65,548,408	65,401,840
41			
42	Office of the Governor		
43	Office of the Governor	5,950,570	5,940,266
44	Office of the Governor – Special Projects	2,002,037	2,001,995
45			
46	Office of State Budget and Management	8,511,670	8,500,308
47	OSBM – Reserve for Special Appropriations	4,500,000	2,000,000
48			
49	Housing Finance Agency	33,000,000	13,000,000
50			
51	Department of Insurance	41,851,683	41,776,469

1			
2	Office of Lieutenant Governor	724,721	723,616
3			
4	Department of Military and Veterans Affairs	11,154,510	9,235,078
5			
6	Department of Revenue	90,306,095	90,353,308
7			
8	Department of Secretary of State	13,512,076	13,454,614
9			
10	Department of Information Technology	59,244,688	59,228,313
11			
12	Department of State Treasurer		
13	State Treasurer	5,073,576	5,068,384
14	State Treasurer – Retirement for		
15	Fire and Rescue Squad Workers	26,889,281	26,889,281
16			
17	RESERVES, ADJUSTMENTS AND DEBT SERVICE		
18			
19	Contingency and Emergency Fund	5,000,000	5,000,000
20	Salary Adjustment Reserve	5,000,000	5,000,000
21	OSHR Minimum of Market Adjustment	16,017,467	16,017,467
22	Financial System Replacement	40,000,000	0
23	Workers' Compensation Reserve	2,000,000	0
24	Reserve for Agency IT Rate Adjustments	4,000,000	4,000,000
25	25-Year Law Enforcement Retirement	6,800,000	7,300,000
26	Limited Obligation Bonds Reserve	500,000	0
27			
28	Debt Service		
29	General Debt Service	727,784,008	774,393,070
30	Federal Reimbursement	1,616,380	1,616,380
31			
32	TOTAL CURRENT OPERATIONS –		
33	GENERAL FUND	\$ 23,455,601,200	\$ 23,849,328,714

GENERAL FUND AVAILABILITY STATEMENT

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

	FY 2017-2018	FY 2018-2019
Beginning Availability		
Unappropriated Balance from Prior Fiscal Year	\$ 108,607,042	\$ 0
Anticipated Over (Under) Collections	552,600,000	0
Anticipated Reversions	271,000,000	0
Anticipated Carryforward Reserves Reversions	50,000,000	0
Less: Credit to Savings Reserve Account	(312,721,303)	0
Less: Credit to Retiree Healthcare Reserve Account	(150,000,000)	0
Less: Credit to State Emergency Response & Disaster Relief Reserve Account	(100,000,000)	0
Less: Credit to Repairs and Renovations Reserve	(100,000,000)	0

1	Beginning Unreserved Fund Balance	\$ 319,485,739	\$ 0
2			
3	Revenues Based on Existing Tax Structure	\$ 22,316,700,000	\$ 23,316,700,000
4			
5	Nontax Revenues		
6	Investment Income	\$ 58,700,000	\$ 60,700,000
7	Judicial Fees	239,400,000	239,400,000
8	Disproportionate Share	164,700,000	149,600,000
9	Insurance	79,500,000	79,500,000
10	Master Settlement Agreement	127,200,000	127,200,000
11	Other Nontax Revenues	180,500,000	182,300,000
12	Subtotal Nontax Revenue	\$ 850,000,000	\$ 838,700,000
13			
14	Total General Fund Availability	\$ 23,486,185,739	\$ 24,155,400,000
15			
16	Adjustments to Availability: 2017 Session		
17	Child & Dependent Care Tax Credit	\$ 0	\$ (52,500,000)
18	Film & Entertainment Tax Incentive	0	(20,000,000)
19	Direct Additional Funds to Golden LEAF Foundation	(10,000,000)	(10,000,000)
20	Treasurer and Insurance Nontax Transfers	2,556,461	2,473,890
21	Subtotal Adjustments to Availability	\$ (7,443,539)	\$ (80,026,110)
22			
23	Total Availability	\$ 23,478,742,200	\$ 24,075,373,890
24			
25	Less: Total General Fund Appropriations	\$ 23,478,742,200	\$ 23,849,328,714
26			
27	Unappropriated Balance Remaining	\$ 0	\$ 226,045,176

29 **SECTION 2.2.(b)** Notwithstanding the provisions of G.S. 143C-4-3(a), the State
30 Controller shall transfer a total of one hundred million dollars (\$100,000,000) from the
31 unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2017. Funds
32 transferred under this section to the Repairs and Renovations Reserve are hereby appropriated
33 for the 2017-18 fiscal year and shall be used in accordance with G.S. 143C-4-3.

34 **SECTION 2.2.(c)** Notwithstanding G.S. 143C-4-2, the State Controller shall
35 transfer a total of three hundred twelve million seven hundred twenty one thousand three
36 hundred and three dollars (\$312,721,303) from the unreserved fund balance to the Savings
37 Reserve Account on June 30, 2017. This transfer is not an "appropriation made by law," as that
38 phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

39 **SECTION 2.2.(d)** Subsections (a) and (b) of this section become effective June 30,
40 2017.

41
42 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

43
44 **CURRENT OPERATIONS/HIGHWAY FUND**

45 **SECTION 3.1.** Appropriations from the Highway Fund of the State for the
46 maintenance and operation of the Department of Transportation, and for other purposes as
47 enumerated, are made for the biennium ending June 30, 2019, according to the following
48 schedule:

50	Current Operations – Highway Fund	FY 2017-2018	FY 2018-2019
51	Department of Transportation		

1	General Administration	\$ 92,273,581	\$ 90,815,212
2			
3	Division of Highways		
4	Administration	34,032,224	34,032,224
5	Construction	44,359,878	44,359,878
6	Maintenance	1,366,344,150	1,403,744,560
7	OSHA Program	358,030	358,030
8			
9	Ferry Operations	52,525,375	46,733,375
10			
11	State Aid to Municipalities	147,500,000	147,500,000
12			
13	Intermodal Divisions		
14	Public Transportation	93,777,592	94,277,592
15	Aviation	54,612,773	54,612,773
16	Rail	46,269,662	47,050,462
17	Bicycle and Pedestrian	724,032	724,032
18			
19	Governor's Highway Safety	255,367	255,367
20	Division of Motor Vehicles	134,509,935	134,191,615
21			
22	Other State Agencies, Reserves, Transfers	70,317,458	68,907,537
23			
24	Capital Improvements	17,239,600	16,737,000
25			
26	Total Highway Fund Appropriation	\$ 2,155,099,657	\$ 2,184,299,657

HIGHWAY FUND AVAILABILITY STATEMENT

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

Highway Fund Availability Statement	2017-2018	2018-2019
Tax Revenue	\$ 1,352,900,000	\$ 1,377,900,000
Non-Tax Revenue	795,100,000	799,100,000
Investment Income	1,500,000	1,500,000
DMV Hearing Fees	1,499,657	1,499,657
NC Railroad Company Dividend Payment	4,100,000	4,300,000
Total Highway Fund Availability	\$ 2,155,099,657	\$ 2,184,299,657

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**HIGHWAY TRUST FUND APPROPRIATIONS**

SECTION 4.1. Appropriations from the Highway Trust Fund are made for the biennium ending June 30, 2019, according to the following schedule:

Highway Trust Fund	FY 2017-2018	FY 2018-2019
Department of Transportation:		
Program Administration	\$ 35,623,780	\$ 35,538,310

1			
2	Construction:		
3	Strategic Prioritization Program	1,379,402,158	1,407,012,044
4			
5	Bonds:		
6	Bond Redemption	42,934,603	40,810,187
7	Bond Interest	9,226,265	9,226,265
8	NC Turnpike Authority	49,813,194	49,813,194
9	Reserve for Visitor Centers	400,000	400,000
10			
11	Total Highway Trust Fund Appropriations	\$ 1,517,400,000	\$ 1,542,800,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

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

16			
17	Highway Trust Fund Availability Statement	FY 2017-2018	FY 2018-2019
18			
19	Beginning Credit Balance	-	-
20	Tax Revenue	\$ 1,364,700,000	\$ 1,391,300,000
21	Non-Tax Revenue	145,800,000	148,500,000
22	Investment Income	7,000,000	3,000,000
23			
24	Total Highway Trust Fund Availability	\$ 1,517,400,000	\$ 1,542,800,000

PART V. OTHER APPROPRIATIONS

CASH BALANCES AND OTHER APPROPRIATIONS

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

- (1) For all budget codes listed in "The Governor's Recommended Budget, the State of North Carolina 2017-2019" and in the Budget Support Document, fund balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2017-2018 fiscal year and the 2018-2019 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly.
- (2) Notwithstanding the provisions of subdivision (1) of this subsection:
 - a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2017-2018 fiscal year and the 2018-2019 fiscal year and shall be used only to pay debt service requirements.
 - b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2017-2018 fiscal year and the 2018-2019 fiscal year.

SECTION 5.1.(b) Receipts collected in a fiscal year in excess of the amounts appropriated by this section shall remain unexpended and unencumbered until appropriated by

1 the General Assembly, unless the expenditure of overrealized receipts in the fiscal year in
2 which the receipts were collected is authorized by the State Budget Act. Overrealized receipts
3 are appropriated in the amounts necessary to implement this subsection.

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

8 9 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

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

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

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

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

29 30 **OVERSIGHT OF STATE FINANCIAL ASSISTANCE TO NON-STATE ENTITIES**

31 **SECTION 5.3.** G.S. 143C-6-23 reads as rewritten:

32 **"§ 143C-6-23. State assistance and grant funds: administration; oversight and reporting**
33 **requirements.**

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

35 (1) Contractor. – An entity subject to the contractor requirements, as well as any
36 entity that would be subject to the contractor requirements but for a specific
37 statute or rule exempting that entity from the contractor requirements.

38 (1a) Contractor requirements. – Article 3, 3C, 3D, 3E, 3G, or 8 of Chapter 143 of
39 the General Statutes and related Administrative Code Rules.

40 (1b) ~~Grant or grant funds.~~ State financial assistance. – State funds disbursed as a
41 ~~grant by a State agency; however, the terms do not include any payment~~
42 ~~made by the Medicaid program, the State Health Plan for Teachers and State~~
43 ~~Employees, or other similar medical programs as a grant, cooperative~~
44 agreement, non-cash contribution, food commodities, or direct appropriation
45 to a recipient or subrecipient as defined in subdivision (2) and (4) of this
46 subsection.

47 (2) ~~Grantee.~~ Recipient. – A non-State entity that receives State funds as a
48 ~~grant from a State agency but does not include any non-State entity subject~~
49 ~~to the audit and other reporting requirements of the Local Government~~
50 ~~Commission.~~ entity that receives State financial assistance directly from a
51 State agency to carry out part of a State program.

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

10 (4) ~~Subgrantee.—Subrecipient.~~ – ~~A non-State entity that receives State funds as~~
11 ~~a grant from a grantee or from another subgrantee but does not include any~~
12 ~~non-State entity subject to the audit and other reporting requirements of the~~
13 ~~Local Government Commission receives State financial assistance from a~~
14 ~~recipient to carry out part of a State program; but does not include an~~
15 ~~individual that is a beneficiary of such program.~~

16 (b) Conflict of Interest Policy. – Every ~~grantee recipient~~ shall file with the State agency
17 disbursing funds to the ~~grantee recipient~~ a copy of that ~~grantee's recipient's~~ policy addressing
18 conflicts of interest that may arise involving the ~~grantee's recipient's~~ management employees
19 and the members of its board of directors or other governing body. The policy shall address
20 situations in which any of these individuals may directly or indirectly benefit, except as the
21 ~~grantee's recipient's~~ employees or members of its board or other governing body, from the
22 ~~grantee's recipient's~~ disbursing of State funds, and shall include actions to be taken by the
23 ~~grantee recipient~~ or the individual, or both, to avoid conflicts of interest and the appearance of
24 impropriety. The policy shall be filed before the disbursing State agency may disburse the State
25 assistance funds.

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

34 (d) Office of State Budget and Management Rules Must Require Uniform
35 Administration of State Grants. – The Office of State Budget and Management shall adopt rules
36 to ensure the uniform administration of State assistance funds by all grantor State agencies and
37 ~~grantees recipients or subgrantees subrecipients.~~ The Office of State Budget and Management
38 shall consult with the Office of the State Auditor and the Attorney General in establishing the
39 rules required by this subsection. The rules shall establish policies and procedures for
40 disbursements of State ~~grants assistance funds~~ and for State agency oversight, monitoring, and
41 evaluation of ~~grantees recipients and subgrantees subrecipients.~~ The policies and procedures
42 shall:

- 43 (1) Ensure that the purpose and reporting requirements of the State assistance
44 funds are specified to the ~~grantee recipient~~.
- 45 (2) Ensure that ~~grantees recipients~~ specify the purpose and reporting
46 requirements for State assistance funds made to ~~subgrantees subrecipients~~.
- 47 (3) ~~Ensure that State funds are spent in accordance with the purposes for which~~
48 ~~they were granted.~~
- 49 (4) ~~Hold the grantees and subgrantees accountable for the legal and appropriate~~
50 ~~expenditure of grant funds.~~

- 1 (5) ~~Provide for adequate oversight and monitoring to prevent the misuse of grant~~
2 ~~funds. These policies shall require~~ Require each grantee-recipient and
3 ~~subgrantee-subrecipient~~ to ensure that, for accounting purposes, State funds
4 and interest earned on those funds remain separate and apart from other
5 funds in the possession or control of the grantee-recipient and
6 subgrantee-subrecipient.
- 7 (6) ~~Establish mandatory~~ minimum periodic reporting requirements to be
8 established by State agencies for grantees-recipients and subgrantees,
9 subrecipients, including methods of reporting, to provide separate
10 accounting of all State funds, a separate accounting of funds used for
11 administration, and other financial and program performance information.
12 ~~The mandatory periodic reporting requirements shall require grantees and~~
13 ~~subgrantees to file with the State Auditor copies of reports and statements~~
14 ~~that are filed with State agencies pursuant to this subsection. Compliance~~
15 ~~with the mandatory periodic reporting requirements of this subdivision shall~~
16 ~~not require grantees and subgrantees to file with the State Auditor the~~
17 ~~information described in subsections (b) and (c) of this section.~~
- 18 (7) ~~Require grantees-recipients and subgrantees-subrecipients~~ to maintain
19 reports, records, and other information to properly account for the
20 expenditure of all State assistance funds and to make such reports, records,
21 and other information available to the grantor-awarding State agency for
22 oversight, monitoring, and evaluation purposes.
- 23 (8) ~~Require grantees and subgrantees to ensure that work papers in the~~
24 ~~possession of their auditors are available to the State Auditor for the~~
25 ~~purposes set out in subsection (i) of this section.~~ Require a State agency that
26 oversees a State assistance program to develop a monitoring plan for that
27 program and to submit the plan and any additional information regarding the
28 plan to the Office of State Budget and Management.
- 29 (9) ~~Require grantees to be responsible for managing and monitoring each~~
30 ~~project, program, or activity supported by grant funds and each subgrantee~~
31 ~~project, program, or activity supported by grant funds.~~
- 32 (10) ~~Provide procedures for the suspension of further disbursements or use of~~
33 ~~State assistance funds for noncompliance with these rules-policies and~~
34 ~~procedures or other inappropriate use of the funds.~~
- 35 (11) ~~Provide procedures for use in appropriate circumstances for reinstatement of~~
36 ~~disbursements that have been suspended for noncompliance with these~~
37 ~~policies and procedures or other inappropriate use of State assistance funds.~~
- 38 (12) ~~Provide procedures for the recovery and return to the grantor-awarding State~~
39 ~~agency of unexpended State assistance funds from a grantee or subgrantee~~
40 ~~recipient or subrecipient (i) in accordance with subsection (f1) of this section~~
41 ~~or (ii) in the event that the grantee or subgrantee-recipient or subrecipient is~~
42 ~~unable to fulfill the purposes of the State assistance for a reason not set forth~~
43 ~~in that subsection.~~
- 44 (d1) ~~Required State Assistance Terms. – The terms of each agreement governing the use~~
45 ~~of the State assistance shall include all of the following, which shall be deemed a part of the~~
46 ~~award of State assistance:~~
- 47 (1) ~~The limitation contained in G.S. 143C-6-8 concerning the availability of~~
48 ~~appropriated funds.~~
- 49 (2) ~~The relevant provisions of any legislation authorizing or governing the~~
50 ~~administration of the State assistance funds.~~
- 51 (3) ~~The terms of this section.~~

1 (e) Rules Are Subject to the Administrative Procedure Act. – Notwithstanding the
2 provisions of G.S. 150B-2(8a)b. rules adopted pursuant to subsection (d) of this section are
3 subject to the provisions of Chapter 150B of the General Statutes.

4 (f) ~~Suspension and Recovery of Funds to State Assistance Recipients for~~
5 ~~Noncompliance. – The Office of State Budget and Management, after consultation with the~~
6 ~~administering State agency, shall have the power to suspend disbursement of grant funds to~~
7 ~~grantees or subgrantees, to prevent further use of grant funds already disbursed, and to recover~~
8 ~~grant funds already disbursed for noncompliance with rules adopted pursuant to subsection (d)~~
9 ~~of this section. If the grant funds are a pass-through of funds granted by an agency of the~~
10 ~~United States, then the Office of State Budget and Management must consult with the granting~~
11 ~~agency of the United States and the State agency that is the recipient of the pass-through funds~~
12 ~~prior to taking the actions authorized by this subsection. Where a recipient or subrecipient is~~
13 ~~noncompliant with this Part or the policies and procedures adopted pursuant to subsection (d)~~
14 ~~of this section, or where a recipient or subrecipient is unable to fulfill the obligations or~~
15 ~~purposes of the State assistance, has inappropriately used State assistance funds, or is~~
16 ~~non-compliant with relevant reporting or other requirements, the Office of State Budget and~~
17 ~~Management may require State agencies to take the actions set forth below in this subsection. If~~
18 ~~the State assistance funds are a pass-through of funds awarded by an agency of the United~~
19 ~~States, then the Office of State Budget and Management must consult with the awarding~~
20 ~~agency of the United States and the State agency that is the recipient of the pass-through funds~~
21 ~~prior to taking the actions authorized by this subsection. The authorized actions with respect to~~
22 ~~a recipient or a subrecipient are as follows:~~

23 (1) Suspend disbursement of all State assistance funds.

24 (2) Prevent further use of State assistance funds already disbursed.

25 (3) Recover State assistance funds already disbursed.

26 (f1) ~~Return of State Assistance Funds. – Except as otherwise required by federal law, a~~
27 ~~grantee or subgrantee recipient or subrecipient shall return to the State all affected State~~
28 ~~assistance funds and interest earned on those funds if any of the following occurs:~~

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

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

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

39 (f2) ~~Use of Returned State Assistance Funds. – Encumbered funds returned to the State~~
40 ~~pursuant to subsection (f1) of this section by a grantee or subgrantee recipient or subrecipient~~
41 ~~shall upon appropriation by the General Assembly be spent in accordance with the terms of the~~
42 ~~encumbrance. All other funds returned to the State by a grantee or subgrantee recipient or~~
43 ~~subrecipient pursuant to subsection (f1) of this section shall be credited to the fund from which~~
44 ~~they were appropriated and shall remain unexpended and unencumbered until appropriated by~~
45 ~~the General Assembly. Nothing in this section shall be construed to authorize an expenditure~~
46 ~~pursuant to an unlawful encumbrance or in a manner that would violate the terms of the~~
47 ~~appropriation of the State assistance funds at issue.~~

48 (g) ~~Audit Oversight. – The State Auditor has audit oversight, with respect to State~~
49 ~~assistance funds received by the grantee or subgrantee, recipient or subrecipient, pursuant to~~
50 ~~Article 5A of Chapter 147 of the General Statutes, of every grantee or subgrantee recipient or~~
51 ~~subrecipient that receives, uses, or expends State assistance funds. A grantee or subgrantee~~

1 recipient or subrecipient must, upon request, furnish to the State Auditor for audit all books,
 2 records, and other information necessary for the State Auditor to account fully for the use and
 3 expenditure of State assistance funds received by the ~~grantee or subgrantee~~ recipient or
 4 subrecipient. The ~~grantee or subgrantee~~ recipient or subrecipient must furnish any additional
 5 financial or budgetary information requested by the State Auditor, including audit work papers
 6 in the possession of any auditor of a ~~grantee or subgrantee~~ recipient or subrecipient directly
 7 related to the use and expenditure of State assistance funds.

8 (h) ~~Report on Grant Recipients That Failed to Comply. — Not later than May 1, 2007,~~
 9 ~~and by May 1 of every succeeding year, the Noncompliance Reports. — The Office of State~~
 10 ~~Budget and Management shall report to the Joint Legislative Commission on Governmental~~
 11 ~~Operations and the Fiscal Research Division on~~ maintain a list that is publicly available of all
 12 ~~grantee or subgrantee~~ recipients or subrecipients that failed to comply with this section with
 13 respect to State assistance funds received in the prior fiscal year.

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

19 (j) Use of Interest Earned on State Assistance Funds. — Except as otherwise required by
 20 federal law or the terms of a federal grant, interest earned on State assistance funds after receipt
 21 of the funds by a ~~grantee or subgrantee~~ recipient or subrecipient shall be credited to the ~~grantee~~
 22 ~~or subgrantee~~ recipient or subrecipient and shall be used for the same purposes for which the
 23 State assistance or sub-award was made.

24 (k) ~~Reporting by Grantees and Subgrantees Recipients or Subrecipients That Cease~~
 25 ~~Operations. — A grantee or subgrantee recipient or subrecipient that intends to dissolve or cease~~
 26 ~~operations shall report that decision in writing to the Office of State Budget and Management~~
 27 ~~and to the Fiscal Research Division at least 30 days prior to taking that action.~~

28 (l) The reporting and audit requirements of this subchapter do not apply to:

- 29 (1) Awards to non-State entities subject to the audit and other reporting
 30 requirements of the Local Government Commission;
- 31 (2) Tuition assistance to students;
- 32 (3) Public assistance payments from Federal entitlement programs to or on
 33 behalf of enrolled individuals; or
- 34 (4) State funds disbursed to a contractor as defined in this Subchapter."

36 **EDUCATION LOTTERY FUNDS/NET REVENUE TRANSFERS**

37 **SECTION 5.4.(a)** The appropriations made from the Education Lottery Reserve
 38 Fund and Education Lottery Fund for the 2017-2019 fiscal biennium are as follows:

	FY 2017-2018	FY 2018-2019
41 Noninstructional Support Personnel	\$ 372,266,860	\$ 372,266,860
42 Prekindergarten Program	78,252,110	78,252,110
43 Public School Building Capital Fund	100,000,000	100,000,000
44 Scholarships for Needy Students	30,450,000	30,450,000
45 UNC Need-Based Financial Aid	30,966,016	30,966,016
46 Textbooks and Digital Resources	10,000,000	10,000,000
47 Educator Support Personnel – Student Outcomes	20,000,000	20,000,000
48 NCCCS Industry Credential Financial Assistance	2,500,000	5,000,000
49 NC GROW	-	19,433,109
50 NC Best and Brightest	-	5,000,000
51 NC Promise Tuition Plan	-	11,000,000

1	Advanced Teaching Roles Pilot	9,800,000	-
2	TOTAL	\$ 654,234,986	\$ 682,368,095

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SECTION 5.4.(b) There is allocated from the Education Lottery Reserve Fund (Budget Code 23004) nineteen million seven hundred eighty-nine thousand eight hundred forty-two dollars (\$19,789,842) in the 2017-2018 fiscal year and thirty million two hundred thirty-two thousand four hundred eight dollars (\$30,232,408) in the 2018-2019 fiscal year in support of the activities in subsection (a) of this section.

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SECTION 5.4.(c) G.S. 18C-162(a) reads as rewritten:

"(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%)~~ one and one-half percent (1.5%) of the total annual revenues."

23

CIVIL PENALTY AND FORFEITURE FUND

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SECTION 5.5.(a) Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2019, as follows:

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	FY 2017-2018	FY 2018-2019
School Technology Fund	\$18,000,000	\$18,000,000
Drivers Education	27,700,000	27,700,000
State Public School Fund	130,841,640	130,841,640
Total Appropriation	\$176,541,640	\$176,541,640

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SECTION 5.5.(b) Excess receipts realized in the Civil Penalty and Forfeiture Fund in each year of the 2017-2019 fiscal biennium shall be allocated to the School Technology Fund.

38

INDIAN GAMING EDUCATION REVENUE FUND

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SECTION 5.6. Notwithstanding G.S. 143C-9-7, the sum of nine million dollars (\$9,000,000) in each year of the 2017-2019 fiscal biennium is transferred from the Indian Gaming Education Revenue Fund to the Department of Public Instruction, Textbooks, and Digital Resources Allotment.

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PART VI. GENERAL PROVISIONS

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ESTABLISHING OR INCREASING FEES

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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.

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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

1 by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter
2 150B of the General Statutes.

4 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

8 **MSA CHANGES**

9 **SECTION 6.3.** G.S. 143C-9-3(a1) reads as rewritten:

10 "(a1) Each year, ~~the sum of ten million dollars (\$10,000,000)~~ twenty million dollars
11 (\$20,000,000) from the Settlement Reserve Fund is appropriated to The Golden L.E.A.F.
12 (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation, and these
13 funds shall not be subject to G.S. 143C-6-23. The remainder of the funds credited to the
14 Settlement Reserve Fund each fiscal year shall be transferred to the General Fund and included
15 in General Fund availability as nontax revenue."

17 **CAP STATE FUNDED PORTION OF NONPROFIT SALARIES**

18 **SECTION 6.4.** No more than one hundred twenty thousand dollars (\$120,000) in
19 State funds may be used for the annual salary of any individual employee of a nonprofit
20 organization receiving State funds. For the purposes of this section, the term "State funds" is as
21 defined in G.S. 143C-1-1(d)(25) and includes any interest earnings that accrue from those
22 funds.

24 **OCCUPATIONAL LICENSING BOARD REPORTING DUE DATES**

25 **SECTION 6.5.** G.S. 93B-2 reads as rewritten:

26 "**§ 93B-2. Annual reports required; contents; open to inspection; sanction for failure to**
27 **report.**

28 (a) ~~No later than October 31 of each year, each~~ Each occupational licensing board shall
29 no later than four months after the board's fiscal year end file electronically with the Secretary
30 of State, the Attorney General, and the Joint Legislative Administrative Procedure Oversight
31 Committee an annual report containing all of the following information:

- 32 (1) The address of the board, and the names of its members and officers.
- 33 (1a) The total number of licensees supervised by the board.
- 34 (2) The number of persons who applied to the board for examination.
- 35 (3) The number who were refused examination.
- 36 (4) The number who took the examination.
- 37 (5) The number to whom initial licenses were issued.
- 38 (5a) The number who failed the examination.
- 39 (6) The number who applied for license by reciprocity or comity.
- 40 (7) The number who were granted licenses by reciprocity or comity.
- 41 (7a) The number of official complaints received involving licensed and
42 unlicensed activities.
- 43 (7b) The number of disciplinary actions taken against licensees, or other actions
44 taken against nonlicensees, including injunctive relief.
- 45 (8) The number of licenses suspended or revoked.
- 46 (9) The number of licenses terminated for any reason other than failure to pay
47 the required renewal fee.
- 48 (10) The substance of any anticipated request by the occupational licensing board
49 to the General Assembly to amend statutes related to the occupational
50 licensing board.

(11) The substance of any anticipated change in rules adopted by the occupational licensing board or the substance of any anticipated adoption of new rules by the occupational licensing board.

(b) ~~No later than October 31 of each year, each~~ Each occupational licensing board shall no later than four months after the board's fiscal year end file electronically with the Secretary of State, the Attorney General, the Office of State Budget and Management, and the Joint Legislative Administrative Procedure Oversight Committee a financial report that includes the source and amount of all funds credited to the occupational licensing board and the purpose and amount of all funds disbursed by the occupational licensing board during the previous fiscal year.

(c) The reports required by this section shall be open to public inspection.

(d) The Joint Legislative Administrative Procedure Oversight Committee shall notify any board that fails to file the reports required by this section. Failure of a board to comply with the reporting requirements of this section by ~~October 31 of~~ the required deadline each year shall result in a suspension of the board's authority to expend any funds until such time as the board files the required reports. Suspension of a board's authority to expend funds under this subsection shall not affect the board's duty to issue and renew licenses or the validity of any application or license for which fees have been tendered in accordance with law. Each board shall adopt rules establishing a procedure for implementing this subsection and shall maintain an escrow account into which any fees tendered during a board's period of suspension under this subsection shall be deposited."

CONFORMING CHANGES TO BOARD OF BARBER EXAMINERS

SECTION 6.6.(a) G.S. 86A-6 reads as rewritten:

"§ 86A-6. Office; seal; officers and executive director; funds.

The Board shall maintain a suitable office in Raleigh, and shall adopt and use a common seal for the authentication of its orders and records. The Board shall annually elect its own officers, and in addition, may elect or appoint a full-time executive director who shall not be a member of the Board, and whose salary shall be fixed by the Board. ~~The executive director shall turn over to the State Treasurer to be credited to the State Board of Barber Examiners all funds collected or received under this Chapter, the funds to be held and expended under the supervision of the Director of the Budget, exclusively for the enforcement and administration of the provisions of this Chapter. Nothing herein shall be construed to authorize any expenditure in excess of the amount available from time to time in the hands of the State Treasurer derived from fees collected under the provisions of this Chapter and received by the State Treasurer pursuant to the provisions of this section."~~

SECTION 6.6.(b) G.S. 86A-7 reads as rewritten:

"§ 86A-7. Salary and expenses; employees; audits; annual reports to the Governor.

(a) Each member of the Board of Barber Examiners shall be reimbursed for his actual expenses and shall receive compensation and travel allowance according to G.S. 93B-5 for the distance traveled in performance of his duties. The expenses, compensation and all other salaries and expenses in connection with the administration of this Chapter, shall be paid ~~upon warrant drawn on the State Treasurer,~~ solely from the funds derived from fees collected and received under this Chapter.

...."

CONFORMING CHANGES TO BOARD OF COSMETIC ARTS

SECTION 6.7. G.S. 88B-6 reads as rewritten:

"§ 88B-6. Board office, employees, funds, budget requirements.

...

1 (c) ~~With the approval of the Director of the Budget and the Office of State Human~~
2 ~~Resources, the~~ Board may employ as many inspectors, investigators, and other staff as
3 necessary to perform inspections and other duties prescribed by the Board. Inspectors and
4 investigators shall be experienced in all parts of cosmetic art and shall have authority to
5 examine cosmetic art shops and cosmetic art schools during business hours to determine
6 compliance with this Chapter.

7 (d) ~~The salaries of all employees of the Board, excluding the executive director, shall be~~
8 ~~subject to the North Carolina Human Resources Act.~~ The executive director shall serve at the
9 pleasure of the Board.

10 (e) ~~The executive director may collect in the Board's name and on its behalf the fees~~
11 ~~prescribed in this Chapter and shall turn these and any other monies paid to the Board over to~~
12 ~~the State Treasurer. These funds shall be credited to the Board and shall be held and expended~~
13 ~~under the supervision of the Director of the Budget only for the administration and enforcement~~
14 ~~of this Chapter. Nothing in this Chapter shall authorize any expenditure in excess of the amount~~
15 ~~credited to the Board and held by the State Treasurer as provided in this subsection.~~

16 (f) ~~The Executive Budget Act and the North Carolina Human Resources Act apply to~~
17 ~~the administration of this Chapter."~~

18 19 **CONFORMING CHANGES TO BOARD OF OPTICIANS**

20 **SECTION 6.8.** G.S. 90-245 reads as rewritten:

21 "**§ 90-245. Collection of fees.**

22 The secretary to the Board is hereby authorized and empowered to collect in the
23 name and on behalf of this Board the fees prescribed by this ~~Article~~ and shall turn over to the
24 ~~State Treasurer all funds collected or received under this Article, which funds shall be credited~~
25 ~~to the North Carolina State Board of Opticians, and said Article. The funds shall be held and~~
26 ~~expended under the supervision of the Director of the Budget of the State of North Carolina~~
27 ~~exclusively for the administration and enforcement of the provisions of this Article. Nothing in~~
28 ~~this Article shall be construed to authorize any expenditure in excess of the amount available~~
29 ~~from time to time in the hands of the State Treasurer derived from the fees collected under the~~
30 ~~provisions of this Article and received by the State Treasurer in the manner aforesaid."~~

31 32 **CONFORMING CHANGES TO PSYCHOLOGY BOARD**

33 **SECTION 6.9.** G.S. 90-270.18(a) is repealed.

34 35 **CONFORMING CHANGES TO BOARD OF AUCTIONEERS**

36 **SECTION 6.10.(a)** G.S. 85B-4.1(b) reads as rewritten:

37 "(b) The Commission shall maintain at least two hundred thousand dollars (\$200,000) in
38 the Fund for use as provided in this Chapter. The Fund may be invested ~~by the State Treasurer~~
39 in interest bearing accounts, and any interest accrued shall be added to the Fund. Sufficient
40 liquidity shall be maintained to insure that funds will be available to satisfy claims processed
41 through the Board. ~~The Fund may be disbursed by a warrant drawn against the State Treasurer~~
42 ~~or by other method at the discretion of the State Treasurer."~~

43 **SECTION 6.10.(b)** G.S. 85B-6(a) reads as rewritten:

44 "(a) The Commission shall collect ~~and remit to the State Treasurer~~ fees in an amount not
45 to exceed the following:

46 "

47 48 **CONFORMING CHANGES TO BOARD OF ELECTROLYSIS**

49 **SECTION 6.11.** G.S. 88A-7 reads as rewritten:

50 "**§ 88A-7. Applicability of Executive Budget Act; audit oversight.**

1 The Treasurer or the Executive Director shall deposit all fees payable to the Board with the
2 State Treasurer, to be credited to the account of the Board. These funds shall be held and
3 expended under the supervision of the Director of the Budget. The provisions of the Executive
4 Budget Act apply to this Chapter. The Board is subject to the oversight of the State Auditor
5 under Article 5A of Chapter 147 of the General Statutes."
6

7 CONFORMING CHANGES TO BOARD OF PSYCHOLOGY

8 SECTION 6.12. G.S. 90-270.18(a) is repealed.
9

10 SIMPLIFYING PROCUREMENT THROUGH GOOD GOVERNMENT

11 SECTION 6.13.(a) G.S. 116-31.10 reads as rewritten:

12 "§ 116-31.10. Powers of Board regarding certain purchasing contracts.

13 (a) Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for
14 the President of The University of North Carolina or a special responsibility constituent
15 institution with regard to competitive bid procedures and the bid value benchmark shall be an
16 amount not greater than ~~five hundred thousand dollars (\$500,000)~~. one million dollars
17 (\$1,000,000). The Board shall set the benchmark for the President and each institution from
18 time to time. In setting the President's or an institution's benchmark in accordance with this
19 section, the Board shall consider the President's administrative staff's or the institution's overall
20 capabilities including staff resources, purchasing compliance reviews, and audit reports. The
21 Board shall also consult with the Director of the Division of Purchase and Contract and the
22 Director of the Budget prior to setting the benchmark.

23 (b) ~~Each institution with an expenditure benchmark greater than two hundred fifty~~
24 ~~thousand dollars (\$250,000) shall comply with this subsection for any purchase greater than the~~
25 ~~institution's benchmark set by the Board but not greater than five hundred thousand dollars~~
26 ~~(\$500,000). This institution shall submit to the Division of Purchase and Contract for that~~
27 ~~Division's approval or other action deemed necessary by the Division a copy of all offers~~
28 ~~received and the institution's recommendation of award or other action. Notice of the Division's~~
29 ~~decision shall be sent to that institution. The institution shall then proceed with the award of~~
30 ~~contract or other action recommended by the Division."~~

31 SECTION 6.13.(b) G.S. 143-53(a) reads as rewritten:

32 "(a) The Secretary of Administration may adopt rules governing the following:

33 (1) Prescribing the routine and procedures to be followed in canvassing bids and
34 awarding contracts, and for reviewing decisions made pursuant thereto, and
35 the decision of the reviewing body shall be the final administrative review.
36 The Division of Purchase and Contract shall review and decide a protest on a
37 contract valued at ~~twenty five thousand dollars (\$25,000) or more~~. above the
38 State agency's delegation level. The Secretary shall adopt rules or criteria
39 governing the review of and decision on a protest on a contract of less than
40 ~~twenty five thousand dollars (\$25,000) by the State agency's delegation level~~
41 for the agency that awarded the contract.

42 ...

43 (5) Prescribing conditions under which purchases and contracts for the purchase,
44 installment or lease-purchase, rental or lease of goods and services may be
45 entered into by means other than competitive bidding, including, but not
46 limited to, negotiation, reverse auctions, and acceptance of electronic bids.
47 Notwithstanding the provisions of subsections (a) and (b) of this section, any
48 waiver of competition for the purchase, rental, or lease of goods and services
49 is subject to prior review by the Secretary, if the expenditure exceeds ~~ten~~
50 ~~thousand dollars (\$10,000)~~. an Agency's delegation level. The Division may

1 levy a fee, not to exceed one dollar (\$1.00), for review of each waiver
2 application.

3 "

4 **SECTION 6.13.(c)** G.S. 115D-58.14(c) reads as rewritten:

5 "(c) The State Board of Community Colleges, in consultation with the Department of
6 Administration, shall review the purchasing process for community colleges and may increase
7 or decrease the purchasing/delegation benchmark for each community college based on the
8 college's overall capabilities, including staff resources, purchasing compliance reviews, and
9 audit reports. The State Board may, in its discretion, reduce a community college's
10 purchasing/delegation benchmark at anytime. The State Board shall not increase a community
11 college's purchasing/delegation benchmark by more than fifteen percent (15%) in any calendar
12 year without the concurrence of the Department of Administration within 60 days of
13 submission. The maximum purchasing/delegation benchmark for a community college shall be
14 ~~one hundred thousand dollars (\$100,000)~~two hundred thousand dollars (\$200,000)."

16 **PART VII. INFORMATION TECHNOLOGY**

17 **SECTION 7.1.** Reserved.

19 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND**

20 **SECTION 7.2.(a)** For each year of the 2017-2019 fiscal biennium, receipts for the
21 IT Internal Service Fund shall not exceed one hundred ninety million dollars (\$190,000,000).
22 For each year of the 2017-2019 fiscal biennium, receipts may be increased for specific
23 purposes to a maximum of one hundred ninety-five million dollars (\$195,000,000), following
24 consultation with the Joint Legislative Commission on Governmental Operations each time a
25 requirement for an increase is identified. Rates established by the Department of Information of
26 Technology to support the IT Internal Service Fund shall not exceed this required fund limit. In
27 the event that the Internal Service Fund days' cash on hand balance exceeds 60 days, the
28 Department of Information Technology shall immediately work with the Office of State Budget
29 and Management to adjust established rates appropriately to move the cash balance back within
30 the prescribed limit. If new rates for a specific Department of Information Technology service
31 are increased over the previous fiscal period, the Department should provide their client
32 agencies with feasible alternative options to reduce annual cost increases.

33 **SECTION 7.2.(b)** As a result of appropriating overhead subscription costs in
34 Budget Code 14660, IT Internal Service Fund requirements are to be reduced by a
35 commensurate amount in Budget Code 74660.

36 **SECTION 7.2.(c)** For the 2017-2018 fiscal year, receipts collected for IT Internal
37 Service Fund services shall only be used for the specific purposes for which they were
38 collected and are hereby appropriated for those purposes. Funds collected for information
39 technology equipment and fixtures shall be separately maintained and accounted for by the
40 Department of Information Technology, and such funds shall be used only for the replacement
41 of the fixtures and equipment for which the funds were collected.

42 **SECTION 7.2.(d)** The State Chief Information Officer shall ensure that bills from
43 the Department of Information Technology are easily understandable and fully transparent.

44 **SECTION 7.2.(e)** The appropriations set forth in Section 2.1. of this act include
45 appropriations for an Information Technology Internal Services Fund Rates Reserve. The
46 Office of State Budget and Management shall ensure that those funds are used only for the
47 following purposes:

- 48 (1) To offset agency budget shortfalls resulting from Department of Information
49 Technology rate increases.

- 1 (2) To offset Department of Information Technology Internal Service Fund
2 budget shortfalls, if approved by the Office of State Budget and
3 Management.
4

5 **SECTION 7.3.** Reserved.
6

7 **DATA CENTER CONSOLIDATION**

8 **SECTION 7.4.(a)** The State CIO shall update an inventory of data center
9 operations in the executive branch and shall continue to consolidate agency data centers in the
10 most efficient manner possible.

11 **SECTION 7.4.(b)** State agencies shall use the State infrastructure to host their
12 projects, services, data, and applications. The State Chief Information Officer may grant an
13 exception if the State agency can demonstrate any of the following:

- 14 (1) The Department does not have the technical capabilities required to host the
15 application.
16 (2) Valid security requirements preclude the use of State infrastructure, and a
17 vendor can provide a more secure environment.
18 (3) The State agency provides adequate documentation, that utilizing a
19 non-Department of Information Technology (DIT) hosting solution meets all
20 state security requirements and will produce operational savings when
21 compared to the DIT proposed solution. If a State agency finds a lower cost
22 solution compared to the DIT hosted solution, requests an SCIO exemption,
23 and no final action is provided within 30 business days of the exemption
24 request, then the State agency proposed lower cost non-DIT solution shall be
25 considered approved for procurement and acquisition.
26

27 **EXEMPT NC HEALTH INFORMATION EXCHANGE**

28 **SECTION 7.5.** G.S. 126-5(c1)(32) is repealed.
29

30 **TECHNICAL CHANGES RELATING TO DEPARTMENT OF INFORMATION**
31 **TECHNOLOGY**

32 **SECTION 7.6.(a)** All budgets and personnel transitioned to the Department of
33 Information Technology under G.S. 143B-1325 will be transferred back to the respective
34 agency effective July 1, 2017.

35 **SECTION 7.6.(b)** G.S. 143B-1320(a)(14) is repealed.

36 **SECTION 7.6.(c)** G.S. 143B-1321(d) reads as rewritten:

37 "(d) Budgetary Matters. – The Department's budget shall incorporate information
38 technology costs and anticipated expenditures of ~~State agencies identified as participating~~
39 ~~agencies, together with~~ all divisions, boards, commissions, or other State entities for which the
40 principal departments have budgetary authority."

41 **SECTION 7.6.(d)** G.S. 143B-1325 is repealed.

42 **SECTION 7.6.(e)** G.S. 143B-1330(c) reads as rewritten:

43 "(c) ~~Each participating agency shall actively participate in preparing, testing, and~~
44 ~~implementing an information technology plan required under subsection (b) of this section.~~
45 Separate agencies Agencies shall prepare biennial information technology plans, including the
46 requirements listed in subsection (b) of this section, and transmit these plans to the Department
47 by a date determined by the State CIO in each even-numbered year. Agencies shall provide all
48 financial information to the State CIO necessary to determine full costs and expenditures for
49 information technology assets and resources provided by the agencies or through contracts or
50 grants. The Department shall consult with and assist State agencies in the preparation of these
51 plans; shall provide appropriate personnel or other resources to ~~the participating agencies and~~

1 to separate agencies upon request. Plans shall be submitted to the Department by a date
2 determined by the State CIO in each even-numbered year."

3 **SECTION 7.6.(f)** G.S. 143B-1332 reads as rewritten:

4 **"§ 143B-1332. Information Technology Fund.**

5 There is established a special revenue fund to be known as the Information Technology
6 Fund, which may receive transfers or other credits as authorized by the General Assembly.
7 Money may be appropriated from the Information Technology Fund to support the operation
8 and administration that meet statewide requirements, including planning, project management,
9 security, electronic mail, State portal operations, early adoption of enterprise efforts, and the
10 administration of systemwide procurement procedures. ~~Funding for participating agency
11 information technology projects shall be appropriated to the Information Technology Fund and
12 may be reallocated by the State CIO, if appropriate, following coordination with the impacted
13 agencies and written approval by the Office of State Budget and Management. Any redirection
14 of agency funds shall immediately be reported to the Joint Legislative Oversight Committee on
15 Information Technology and the Fiscal Research Division with a detailed explanation of the
16 reasons for the redirection. Expenditures involving funds appropriated to the Department from
17 the Information Technology Fund shall be made by the State CIO. Interest earnings on the
18 Information Technology Fund balance shall be credited to the Information Technology Fund."~~

19 **SECTION 7.6.(g)** G.S. 143B-1335 reads as rewritten:

20 **"§ 143B-1335. Financial reporting and accountability for information technology
21 investments and expenditures.**

22 The Department, along with the Office of State Budget and Management and the Office of
23 the State Controller, shall develop processes for budgeting and accounting of expenditures for
24 information technology operations, services, projects, infrastructure, and assets for State
25 agencies, notwithstanding any exemptions or deviations permitted pursuant to
26 G.S. 143B-1320(b) or (c). The budgeting and accounting processes may include hardware,
27 software, personnel, training, contractual services, and other items relevant to information
28 technology and the sources of funding for each. Annual reports regarding information
29 technology shall be coordinated by the Department with the Office of State Budget and
30 Management and the Office of the State Controller and submitted to the Governor and the
31 General Assembly on or before October 1 of each year.

32 The State CIO shall not enter into any information technology contracts requiring agency
33 financial participation without obtaining written agreement from ~~participating~~ agencies
34 regarding apportionment of the contract costs.

35 ~~The State CIO shall review the information technology budgets for participating agencies
36 and shall recommend appropriate adjustments to support requirements identified by the State
37 CIO."~~

38 **SECTION 7.6.(h)** G.S. 143B-1336(b) is repealed.

39 **SECTION 7.6.(i)** G.S. 143B-1336(c) is repealed.

40 **SECTION 7.6.(j)** G.S. 143B-1336(e) is repealed.

41 **SECTION 7.6.(k)** G.S. 143B-1340 reads as rewritten:

42 **"§ 143B-1340. Project management.**

43 (a) Overall Management. – All information technology projects shall be managed
44 through a standardized, fully documented process established and overseen by the State CIO.
45 ~~The State CIO shall be responsible for ensuring that participating agency information
46 technology projects are completed on time, within budget, and meet all defined business
47 requirements upon completion. For separate agency projects, the~~ The State CIO shall ensure
48 that projects follow the Department's established process and shall monitor schedule, budget,
49 and adherence to business requirements. For all projects, the State CIO shall establish
50 procedures to limit the need for change requests and shall report on this process to the Joint

1 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
2 by January 1, 2016.

3 The State CIO shall also ensure that agency information technology project requirements
4 are documented in biennial information technology plans. If an agency updates a biennial
5 information technology plan to add a new project, the State CIO shall immediately report to the
6 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
7 Division on the reasons for the new requirement, the costs, and the sources of funding.

8 An agency that utilizes the system or software shall be designated as the sponsor for the
9 information technology project or program and shall be responsible for overseeing the
10 planning, development, implementation, and operation of the project or program. The
11 Department and the assigned project managers shall advise and assist the designated agency for
12 the duration of the project.

13 (b) Project Review and Approval. – The State CIO shall review, approve, and monitor
14 all information technology projects for State agencies and shall be responsible for the efficient
15 and timely management of all information technology projects for participating
16 agencies. Project approval may be granted upon the State CIO's determination that (i)
17 the project conforms to project management procedures and policies, (ii) the project does not
18 duplicate a capability already existing in the State, (iii) the project conforms to procurement
19 rules and policies, and (iv) sufficient funds are available.

20"

21 **SECTION 7.6.(l)** G.S. 143B-1341 reads as rewritten:

22 "**§ 143B-1341. Project management standards.**

23 ...

24 (b) ~~Participating Agency Responsibilities.~~ – The State CIO shall designate a Project
25 Manager who shall select qualified personnel from the Department staff to participate in
26 information technology project management, implementation, testing, and other activities for
27 any information technology project. The Project Manager shall provide periodic reports to the
28 project management assistant assigned to the project by the State CIO under subsection (d) of
29 this section. The reports shall include information regarding the agency's business
30 requirements, applicable laws and regulations, project costs, issues related to hardware,
31 software, or training, projected and actual completion dates, and any other information related
32 to the implementation of the information technology project.

33 (c) ~~Separate Agency Responsibilities.~~ – Each agency shall provide for one or more
34 project managers who meet the applicable quality assurance standards for each information
35 technology project that is subject to approval by the State CIO. Each project manager shall be
36 subject to the review and approval of the State CIO. Each agency project manager shall provide
37 periodic reports to the project management assistant assigned to the project by the State CIO
38 under this subsection. The reports shall include information regarding project costs; issues
39 related to hardware, software, or training; projected and actual completion dates; and any other
40 information related to the implementation of the information technology project.

41"

42 **SECTION 7.6.(m)** G.S. 143B-1344 is repealed.

43 **SECTION 7.6.(n)** Reserved.

44 **SECTION 7.6.(o)** G.S. 143B-1372(a) reads as rewritten:

45 "(a) The Department shall plan, develop, implement, and operate a statewide electronic
46 web presence, to include mobile, in order to (i) increase the convenience of members of the
47 public in conducting online transactions with, and obtaining information from, State
48 government and (ii) facilitate the public's interactions and communications with government
49 agencies. The State CIO shall have approval authority over all agency Web site funding, to
50 include any agency contract decisions. ~~Participating agency Web site and content development
51 staff shall be transferred to the Department in accordance with the schedule for their agency."~~

1
2 **CONSOLIDATE STATEWIDE PROCUREMENT FUNCTIONS UNDER THE**
3 **DEPARTMENT OF ADMINISTRATION**

4 **SECTION 7.7.(a)** The Statewide Information Technology Procurement Office is
5 hereby transferred from the Department of Information Technology to the Department of
6 Administration. This transfer shall have all of the elements of a Type I transfer, as defined in
7 G.S. 143A-6.

8 **SECTION 7.7.(b)** G.S. 143B-1320, as amended by Section 7.6(b) of this act, reads
9 as rewritten:

10 **"§ 143B-1320. Definitions; scope; exemptions.**

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

12 ...

13 ~~(4) Cooperative purchasing agreement. — An agreement between a vendor and~~
14 ~~one or more states or state agencies providing that the parties may~~
15 ~~collaboratively or collectively purchase information technology goods and~~
16 ~~services in order to increase economies of scale and reduce costs.~~

17 ...

18 (b) Exemptions. – Except as otherwise specifically provided by law, the provisions of
19 this Chapter do not apply to the following entities: the General Assembly, the Judicial
20 Department, and The University of North Carolina and its constituent institutions. These
21 entities may elect to participate in the information technology ~~programs, services, or~~
22 ~~contracts~~programs and services offered by the ~~Department, including information technology~~
23 ~~procurement~~Department in accordance with the statutes, policies, and rules of the Department.
24 The election must be made in writing, as follows:

25"

26 **SECTION 7.7.(c)** G.S. 143B-1321(a) reads as rewritten:

27 "(a) The Department shall have the following powers and duties:

28 ...

29 (8) Set technical standards for information technology, review and approve
30 information technology projects and budgets, establish and enforce
31 information technology security standards, establish and enforce standards
32 for ~~the procurement of~~ information technology ~~resources,~~resources to be
33 obtained by State entities, and develop a schedule for the replacement or
34 modification of information technology systems.

35 (9) Implement enterprise procurement processes in conjunction with the
36 Division of Purchase and Contract and develop metrics to support this
37 process.

38"

39 **SECTION 7.7.(d)** G.S. 143B-1322(c)(14) reads as rewritten:

40 "(c) Administration. – The Department shall be managed under the administration of the
41 State CIO. The State CIO shall have the following powers and duty to do all of the following:

42 ...

43 (14) Set technical standards for information technology, review and approve
44 information technology projects and budgets, establish information
45 technology security standards, ~~provide for the procurement of procure~~
46 information technology ~~resources,~~resources in accordance with Article 3I of
47 Chapter 143 of the General Statutes, and develop a schedule for the
48 replacement or modification of information technology systems."

49 **SECTION 7.7.(e)** Reserved.

50 **SECTION 7.7.(f)** G.S. 143B-1332, as amended by Section 7.6(f) of this act, reads
51 as rewritten:

1 **"§ 143B-1332. Information Technology Fund.**

2 There is established a special revenue fund to be known as the Information Technology
3 Fund, which may receive transfers or other credits as authorized by the General Assembly.
4 Money may be appropriated from the Information Technology Fund to support the operation
5 and administration that meet statewide requirements, including planning, project management,
6 security, electronic mail, State portal operations, and the early adoption of enterprise efforts,
7 ~~and the administration of systemwide procurement procedures. efforts."~~

8 **SECTION 7.7.(g)** G.S. 143B-1336(d) reads as rewritten:

9 "(d) The State CIO shall establish standard information technology career paths for both
10 management and technical tracks, including defined qualifications, career progression, training
11 requirements, and appropriate compensation. ~~For information technology procurement~~
12 ~~professionals, the State CIO shall establish a career path that includes defined qualifications,~~
13 ~~career progression, training requirements, and appropriate compensation.~~ These career paths
14 shall be documented by February 1, 2016, and shall be provided to the Joint Legislative
15 Oversight Committee on Information Technology and the Fiscal Research Division by
16 Feburary 1, 2016, but may be submitted incrementally to meet Department requirements. The
17 career paths shall be updated on an annual basis."

18 **SECTION 7.7.(h)** G.S. 143B-1340, as amended by Section 7.6(k) of this act, reads
19 as rewritten:

20 **"§ 143B-1340. Project management.**

21 ...

22 (b) Project Review and Approval. – The State CIO shall review, approve, and monitor
23 all information technology projects for State agencies. Project approval may be granted upon
24 the State CIO's determination that (i) the project conforms to project management procedures
25 and policies, (ii) the project does not duplicate a capability already existing in the State, (iii) the
26 project conforms to ~~procurement~~ Departmental rules and policies, and (iv) sufficient funds are
27 available.

28 ...

29 (f) Performance Contracting. – All contracts between the State and a private party for
30 information technology projects shall include provisions for vendor performance review and
31 accountability, contract suspension or termination, and termination of funding. The State CIO
32 may require that these contract provisions include a performance bond, monetary penalties, or
33 require other performance assurance measures for projects that are not completed within the
34 specified time period or that involve costs in excess of those specified in the contract. The State
35 CIO may ~~utilize~~ specify that cost savings realized on government vendor partnerships be
36 utilized as performance incentives for an information technology vendor.

37 (g) Notwithstanding the provisions of G.S. 114-2.3, any State agency developing and
38 implementing an information technology project with a total cost of ownership in excess of five
39 million dollars (\$5,000,000) may be required by the State CIO to engage the services of private
40 counsel or subject matter experts with the appropriate information technology expertise. The
41 private counsel or subject matter expert may assist the agency and the Division of Purchase and
42 Contract to review requests for proposals; to review and provide advice and assistance during
43 the evaluation of proposals and selection of any vendors; and to review and negotiate contracts
44 associated with the development, implementation, operation, and maintenance of the project.
45 This requirement may also apply to information technology programs that are separated into
46 individual projects if the total cost of ownership for the overall program exceeds five million
47 dollars (\$5,000,000)."

48 **SECTION 7.7.(i)** G.S. 143B-1341, as amended by Section 7.6(l) of this act, reads
49 as rewritten:

50 **"§ 143B-1341. Project management standards.**

1 (a) The State CIO shall establish standardized documentation requirements for agency
2 ~~projects to include requests for proposal and contracts.~~ projects. The State CIO shall establish
3 standards for project managers and project management assistants. The State CIO shall develop
4 performance measures for project reporting and shall make this reporting available through a
5 publicly accessible Web site.

6 ...

7 (d) State CIO Responsibilities. – The State CIO shall provide a project management
8 assistant from the Department for any approved separate agency project, whether the project is
9 undertaken in single or multiple phases or components. The State CIO may designate a project
10 management assistant for any other information technology project.

11 The project management assistant shall advise the agency with the initial planning of a
12 project, and shall assist the agency and the Division of Purchase and Contract with the content
13 and design of any request for proposals, contract development, procurement, and architectural
14 and other technical reviews. The project management assistant shall also monitor progress in
15 the development and implementation of the project and shall provide status reports to the
16 agency and the State CIO, including recommendations regarding continued approval of the
17 project.

18 The State CIO shall establish a clearly defined, standardized process for project
19 management that includes time lines for completion of process requirements for both the
20 Department and agencies. The State CIO shall also establish reporting requirements for
21 information technology projects, both during the planning, development, and implementation
22 process and following completion of the project. The State CIO shall continue to monitor
23 system performance and financial aspects of each project after implementation. The State CIO
24 shall also monitor any certification process required for State information technology projects
25 and shall immediately report any issues associated with certification processes to the Joint
26 Legislative Oversight Committee on Information Technology and the Fiscal Research
27 Division."

28 **SECTION 7.7.(j)** The title of Part 4 of Article 15 of Chapter 143B of the General
29 Statutes reads as rewritten:

30 "Part 4. Information Technology ~~Procurement.~~ Planning, Programs and Contracts."

31 **SECTION 7.7.(k)** G.S. 143B-1350 reads as rewritten:

32 "**§ 143B-1350. Procurement of information technology.**

33 ~~(a) The State CIO is responsible for establishing policies and procedures for~~
34 ~~information technology procurement for State agencies.~~

35 ~~Notwithstanding any other provision of law, the Department shall procure all information~~
36 ~~technology goods and services for participating agencies and shall approve information~~
37 ~~technology procurements for separate agencies. The State CIO may cancel or suspend any~~
38 ~~agency information technology procurement that occurs without State CIO approval.~~

39 ~~(b) The Department shall review all procurements to ensure they meet current~~
40 ~~technology standards, are not duplicative, meet business objectives, are cost effective, and are~~
41 ~~adequately funded. G.S. 143-135.9 shall apply to information technology procurements.~~

42 ~~(c) The Department shall, subject to the provisions of this Part, do all of the following~~
43 ~~with respect to State information technology procurement:~~

44 ~~(1) Purchase or contract for all information technology for participating State~~
45 ~~agencies.~~

46 ~~(2) Approve all technology purchases for separate agencies.~~

47 ~~(3) Establish standardized, consistent processes, specifications, and standards~~
48 ~~that shall apply to all information technology to be purchased, licensed, or~~
49 ~~leased by State agencies and relating to information technology personal~~
50 ~~services contract requirements for State agencies, including, but not limited~~

1 to, requiring convenience contracts to be rebid prior to termination without
2 extensions.

3 (4) Establish procedures to permit State agencies and local government entities
4 to use the General Services Administration (GSA) Cooperative Purchasing
5 Program to purchase information technology (i) awarded under GSA Supply
6 Schedule 70 Information Technology and (ii) from contracts under the
7 GSA's Consolidated Schedule containing information technology special
8 item numbers.

9 (5) Establish procedures to permit State agencies and local government entities
10 to use other cooperative purchasing agreements.

11 (6) Comply with the State government wide technical architecture, as required
12 by the State CIO.

13 (7) Utilize the purchasing benchmarks established by the Secretary of
14 Administration pursuant to G.S. 143-53.1.

15 (8) Provide strategic sourcing resources and detailed, documented planning to
16 compile and consolidate all estimates of information technology goods and
17 services needed and required by State agencies.

18 (9) Develop a process to provide a question and answer period for vendors prior
19 to procurements.

20 (d) Each State agency shall furnish to the State CIO when requested, and on forms as
21 prescribed, estimates of and budgets for all information technology goods and services needed
22 and required by such department, institution, or agency for such periods in advance as may be
23 designated by the State CIO. When requested, all State agencies shall provide to the State CIO
24 on forms as prescribed, actual expenditures for all goods and services needed and required by
25 the department, institution, or agency for such periods after the expenditures have been made as
26 may be designated by the State CIO.

27 (e) Confidentiality. Contract information compiled by the Department shall be made a
28 matter of public record after the award of contract. Trade secrets, test data, similar proprietary
29 information, and security information protected under G.S. 132-6.1(c) or other law shall remain
30 confidential.

31 (f) Electronic Procurement. The State CIO may authorize the use of the electronic
32 procurement system established by G.S. 143-48.3, or other systems, to conduct reverse auctions
33 and electronic bidding. For purposes of this Part, "reverse auction" means a real-time
34 purchasing process in which vendors compete to provide goods or services at the lowest selling
35 price in an open and interactive electronic environment. The vendor's price may be revealed
36 during the reverse auction. The Department may contract with a third-party vendor to conduct
37 the reverse auction. "Electronic bidding" means the electronic solicitation and receipt of offers
38 to contract. Offers may be accepted and contracts may be entered by use of electronic bidding.
39 All requirements relating to formal and competitive bids, including advertisement, seal, and
40 signature, are satisfied when a procurement is conducted or a contract is entered in compliance
41 with the reverse auction or electronic bidding requirements established by the Department.

42 (g) The State CIO shall establish efficient, responsive procedures for the procurement
43 of information technology. The procedures may include aggregation of hardware purchases, the
44 use of formal bid procedures, restrictions on supplemental staffing, enterprise software
45 licensing, hosting, and multiyear maintenance agreements. The State CIO may require agencies
46 to submit information technology procurement requests on a regularly occurring schedule each
47 fiscal year in order to allow for bulk purchasing.

48 (h) All offers to contract, whether through competitive bidding or other procurement
49 method, shall be subject to evaluation and selection by acceptance of the most advantageous
50 offer to the State. Evaluation shall include best value, as the term is defined in
51 G.S. 143-135.9(a)(1), compliance with information technology project management policies,

1 compliance with information technology security standards and policies, substantial conformity
2 with the specifications, and other conditions set forth in the solicitation.

3 ~~(h1) All contracts subject to the provisions of this Part shall include a limitation on the~~
4 ~~contractor's liability to the State for damages. Except as otherwise provided in this subsection,~~
5 ~~the limitation of liability shall be for damages arising from any cause whatsoever, regardless of~~
6 ~~the form of action. The amount of liability shall be determined based on the nature of the goods~~
7 ~~or services covered by the contract; however, there shall be a presumptive limitation of no more~~
8 ~~than two times the value of the contract. Limitation of liability pursuant to this subsection shall~~
9 ~~specifically include, but not be limited to, the contractor's liability for damages and any other~~
10 ~~losses relating to the loss of, unauthorized access to, or unauthorized disclosure of data.~~

11 ~~The amount of liability for damages and any other losses relating to the loss of,~~
12 ~~unauthorized access to, or unauthorized disclosure of data may be raised to no more than three~~
13 ~~times the value of the contract if all of the following apply:~~

- 14 ~~(1) The State CIO completes a risk assessment prior to the bid solicitation or~~
15 ~~request for proposal.~~
- 16 ~~(2) The risk assessment determines that an increase in the liability amount is~~
17 ~~necessary to protect the State's best interests.~~
- 18 ~~(3) The bid solicitation or request for proposal indicates that increased liability~~
19 ~~will be required for the resulting contract.~~

20 ~~The State CIO shall report annually to the Joint Legislative Commission on~~
21 ~~Governmental Operations and the Joint Legislative Oversight Committee on~~
22 ~~Information Technology no later than March 1 regarding the contracts~~
23 ~~containing liability amounts of more than two times the value of the~~
24 ~~contract.~~

25 ~~Prior to entering into any contract subject to the provisions of this Part, the Department or~~
26 ~~the separate agency, as applicable, shall reasonably determine that the contractor possesses~~
27 ~~sufficient financial resources, either independently or through third-party sources, such as~~
28 ~~insurance, to satisfy the agreed upon limitation of liability. The limitation of liability required~~
29 ~~by this subsection shall not apply to liability of the contractor for intentional or willful~~
30 ~~misconduct, damage to tangible personal property, physical injuries to persons, or any~~
31 ~~notification costs resulting from compliance with G.S. 132-1.10(c1). Nothing in this subsection~~
32 ~~(i) limits the contractor's liability directly to third parties or (ii) affects the rights and~~
33 ~~obligations related to contribution among joint tortfeasors established by Chapter 1B of the~~
34 ~~General Statutes and other applicable law.~~

35 ~~(i) Exceptions.— In addition to permitted waivers of competition, the requirements of~~
36 ~~competitive bidding shall not apply to information technology contracts and procurements:~~

- 37 ~~(1) In cases of pressing need or emergency arising from a security incident.~~
- 38 ~~(2) In the use of master licensing or purchasing agreements governing the~~
39 ~~Department's acquisition of proprietary intellectual property.~~

40 ~~Any exceptions shall immediately be reported to the Joint Legislative Oversight Committee~~
41 ~~on Information Technology and the Fiscal Research Division.~~

42 ~~(j) Information Technology Innovation Center. — The Department may operate a State~~
43 ~~Information Technology Innovation Center (iCenter) to develop and demonstrate technology~~
44 ~~solutions with potential benefit to the State and its citizens. The iCenter may facilitate the~~
45 ~~piloting of potential solutions to State technology requirements. In operating the iCenter, the~~
46 ~~State CIO shall ensure that all State laws, rules, and policies are followed.~~

47 ~~Vendor participation in the iCenter shall not be construed to (i) create any type of preferred~~
48 ~~status for vendors or (ii) abrogate the requirement that agency and statewide requirements for~~
49 ~~information technology support, including those of the Department, are awarded based on a~~
50 ~~competitive process that follows information technology procurement guidelines.~~

1 (k) ~~No contract subject to the provisions of this Part may be entered into unless the~~
2 ~~contractor and the contractor's subcontractors comply with the requirements of Article 2 of~~
3 ~~Chapter 64 of the General Statutes."~~

4 **SECTION 7.7.(l)** G.S. 143B-1351 reads as rewritten:

5 "**§ 143B-1351. Restriction on State agency contractual authority with regard to**
6 **information technology.**

7 (a) All State agencies covered by this Article shall use contracts for information
8 technology to include enterprise licensing agreements and convenience contracts established by
9 the ~~Department~~. Division of Purchase and Contract. The State CIO shall consult the agency
10 heads prior to the initiation of any enterprise project or contract. Notwithstanding any other
11 statute, the authority of State agencies to procure or obtain information technology shall be
12 subject to compliance with the provisions of this ~~Part~~. Article.

13 (b) Notwithstanding any other provision of law, local governmental entities may use the
14 information technology ~~programs, services, or contracts offered by the Department, including~~
15 ~~information technology procurement, programs and services~~ in accordance with the statutes,
16 policies, and rules of the Department. ~~Local governmental entities are not required to comply~~
17 ~~with otherwise applicable competitive bidding requirements when using contracts established~~
18 ~~by the Department.~~

19 (c) Any other State entities exempt from Part 3 or Part 5 of this Article may also use the
20 information technology ~~programs, services, or contracts offered by the Department, including~~
21 ~~information technology procurement, programs and services~~ in accordance with the statutes,
22 policies, and rules of the Department."

23 **SECTION 7.7.(m)** G.S. 143B-1352 is repealed.

24 **SECTION 7.7.(n)** G.S. 143B-1354 is repealed.

25 **SECTION 7.7.(o)** G.S. 143B-1355 is repealed.

26 **SECTION 7.7.(p)** G.S. 143B-1356 is repealed.

27 **SECTION 7.7.(q)** Reserved.

28 **SECTION 7.7.(r)** G.S. 143B-1358 is repealed.

29 **SECTION 7.7.(s)** G.S. 143B-1359 is repealed.

30 **SECTION 7.7.(t)** G.S. 143B-1360 is repealed.

31 **SECTION 7.7.(u)** G.S. 143B-1361 is repealed.

32 **SECTION 7.7.(v)** G.S. 143B-1362(b) reads as rewritten:

33 (b) Certain Approvals Required. – Notwithstanding any provision of law to the
34 contrary, no information technology personal services contract, nor any contract that provides
35 personnel to perform information technology functions regardless of the cost of the contract,
36 may be established or renewed without written approval from the Department of Information
37 Technology and the Office of State Budget and ~~Management~~. Management prior to a
38 solicitation being issued in accordance with the requirements of Articles 3 and 3I of Chapter
39 143 of the General Statutes. To facilitate compliance with this requirement, the Department of
40 Information Technology shall develop and document the following:

41 "

42 **SECTION 7.7.(w)** G.S. 143B-1385(b)(1) reads as rewritten:

43 (1) Purpose. – The purpose of the GDAC is to utilize public-private partnerships
44 as part of a statewide data integration and data-sharing initiative and to
45 identify data integration and business intelligence opportunities that will
46 generate greater efficiencies in, and improved service delivery by, State
47 agencies, departments, and institutions. The intent is not to replace
48 transactional systems but to leverage the data from those systems for
49 enterprise-level State business intelligence. The GDAC shall continue the
50 work, purpose, and resources of previous data integration efforts and shall
51 otherwise advise and assist the State CIO in the management of the

1 initiative. The State CIO shall make any organizational changes necessary to
2 maximize the effectiveness and efficiency of the GDAC. Procurement of
3 goods and services for the GDAC shall be in accordance with Article 3I of
4 Chapter 143 of the General Statutes."

5 **SECTION 7.7.(x)** G.S. 143B-1402(a)(6) reads as rewritten:

6 "(6) To make and enter into contracts and agreements necessary or incidental to
7 the performance of its powers and duties under this Part and to use revenue
8 available to the 911 Board under G.S.143B-1404 for administrative
9 expenses to pay its obligations under the contracts and agreements.
10 Contracts and agreements of the 911 Board shall be exempt from the
11 requirements of Articles 3 and 3I of Chapter 143 of the General Statutes."

12 **SECTION 7.7.(y)** Chapter 143 of the General Statutes is amended by adding a new
13 Article to read:

14 "Article 3I.

15 "Information Technology Procurement.

16 "**§ 143-64.86. Procurement of information technology.**

17 (a) Except as provided in this Article, the Division of Purchase and Contract is
18 responsible for information technology procurement, in accordance with the provisions of
19 Article 3 of this Chapter and the rules, policies, and procedures established thereunder.

20 Notwithstanding any other provision of law, the Division shall procure or approve the
21 procurement of all information technology goods and services for all State departments,
22 agencies, institutions, boards, commissions, or other State entity receiving State appropriations.
23 The requirements of this Article shall not apply to the General Assembly, the Judicial
24 Department, or the constituent institutions of The University of North Carolina.

25 (b) The Department of Information Technology shall review all proposed procurements
26 to ensure they meet current technology standards, are not duplicative, meet business objectives,
27 are cost-effective, and are adequately funded.

28 (c) The Division shall, subject to the provisions of this Article, do all of the following
29 with respect to State information technology procurement:

30 (1) Purchase or contract for all information technology for State agencies using
31 the evaluation methodology set out in G.S. 143-135.9, unless the State
32 Purchasing Officer shall approve another method for a particular
33 procurement event.

34 (2) In conjunction with the Department of Information Technology, establish
35 standardized, consistent processes, specifications, and standards that shall
36 apply to all information technology to be purchased, licensed, or leased by
37 State agencies and relating to information technology personal services
38 contract requirements for State agencies, including, but not limited to,
39 requiring convenience contracts to be rebid prior to termination without
40 extensions. The processes may include aggregation of hardware purchases,
41 the use of formal bid procedures, restrictions on supplemental staffing,
42 enterprise software licensing, hosting, and multiyear maintenance
43 agreements.

44 (3) Establish procedures to permit State agencies and local government entities
45 to use the General Services Administration (GSA) Cooperative Purchasing
46 Program to purchase information technology (i) awarded under GSA Supply
47 Schedule 70 Information Technology and (ii) from contracts under the
48 GSA's Consolidated Schedule containing information technology special
49 item numbers.

50 (4) Comply with the State government-wide technical architecture, as required
51 by the State CIO.

1 (5) Coordinate with the State CIO to provide strategic sourcing resources and
2 detailed, documented planning to procure aggregated estimates of
3 information technology goods and services needed and required by State
4 agencies, based on agency data compiled and consolidated by the
5 Department of Information Technology.

6 (c) All offers to contract, whether through competitive bidding or other procurement
7 method, shall be subject to evaluation and selection by acceptance of the most advantageous
8 offer to the State. Evaluation shall include best value, as the term is defined in
9 G.S. 143-135.9(a)(1), compliance with information technology project management policies,
10 compliance with information technology security standards and policies, substantial conformity
11 with the specifications, and other conditions set forth in the solicitation.

12 (d) All contracts subject to the provisions of this Article shall include a limitation on the
13 contractor's liability to the State for damages. Except as otherwise provided in this subsection,
14 the limitation of liability shall be for damages arising from any cause whatsoever, regardless of
15 the form of action. The amount of liability shall be determined based on the nature of the goods
16 or services covered by the contract and the degree of risk of nonperformance; however, there
17 shall be a presumptive limitation of no more than three times the value of the contract.
18 Limitation of liability pursuant to this subsection shall specifically, include, but not be limited
19 to, the contractor's liability for damages and any other losses relating to the loss of,
20 unauthorized access to, or unauthorized disclosure of data.

21 The amount of liability for damages and any other losses relating to the loss of,
22 unauthorized access to, or unauthorized disclosure of data may be raised to no more than three
23 times the value of the contract if all of the following apply:

- 24 (1) The State Purchasing Officer completes a risk assessment prior to the bid
25 solicitation or request for proposal.
26 (2) The risk assessment determines that an increase in the liability amount is
27 necessary to protect the State's best interests.
28 (3) The bid solicitation or request for proposal indicates that increased liability
29 will be required for the resulting contract.

30 Prior to entering into any contract subject to the provisions of this Article, the Division or
31 the agency, as applicable, shall reasonably determine that the contractor possesses sufficient
32 financial resources, either independently or through third-party sources, such as insurance, to
33 satisfy the agreed upon limitation of liability. The limitation of liability required by this
34 subsection shall not apply to liability of the contractor for intentional or willful misconduct,
35 damage to tangible personal property, physical injuries to persons, any notification costs
36 resulting from compliance with G.S. 132-1.10(c1), or any statutory penalties, fees, charges, or
37 other amounts that may be assessed against a State entity based on federal law and that are
38 attributable to an act or failure to act of the contractor. Nothing in this subsection (i) limits the
39 contractor's liability directly to third parties, (ii) alters any indemnity agreement by the
40 contractor, or (iii) affects the rights and obligations related to contribution among joint
41 tortfeasors established by Chapter 1B of the General Statutes and other applicable law.

42 (e) In addition to permitted waivers of competition, the requirements of competitive
43 bidding shall not apply to information technology contracts and procurements:

- 44 (1) In cases of pressing need or emergency arising from a security incident.
45 (2) In the use of master licensing or purchasing agreements governing the State's
46 acquisition of proprietary intellectual property.

47 Any exceptions shall immediately be reported to the Joint Legislative Oversight Committee
48 on Information Technology and the Fiscal Research Division.

49 **"§ 143-64.87. Restriction on State agency contractual authority with regard to**
50 **information technology.**

1 (a) All State agencies covered by this Article shall use contracts for information
2 technology to include enterprise licensing agreements and convenience contracts established by
3 the Division.

4 (b) Notwithstanding any other statute, the authority of State agencies to procure or
5 obtain information technology shall be subject to compliance with the provisions of this Article
6 and the statutes, policies, and rules of the Division. State or local government entities otherwise
7 exempt from the requirements of this Article may, but are not required to, use the information
8 technology contracts and procurement services offered by the Division. Local governmental
9 entities are not required to comply with otherwise applicable competitive bidding requirements
10 when using contracts established by the Division.

11 **"§ 143-64.88. Award review.**

12 (a) When the dollar value of a contract for the procurement of information technology
13 equipment, materials, supplies, and service exceeds the amount of the agency's delegation or
14 benchmark, an award recommendation shall be submitted to the Division of Purchase and
15 Contract for approval or other action. The Division shall promptly notify the agency or
16 institution making the recommendation, or for which the purchase is to be made, of the action
17 taken.

18 (b) Prior to submission for review pursuant to this section for any contract for
19 information technology being acquired for the benefit of an agency authorized to deviate from
20 this Article pursuant to G.S. 143B-1320(c), the State CIO shall review and approve the
21 procurement to ensure compliance with the established processes, specifications, and standards
22 applicable to all information technology purchased, licensed, or leased in State government,
23 including compliance with the State government-wide technical architecture and standards
24 established by the State CIO.

25 **"§ 143-64.89. Multiyear contracts; Attorney General assistance.**

26 (a) Notwithstanding the cash management provisions of G.S. 147-86.11, the Division
27 may procure information technology goods and services for periods up to a total of three years
28 where the terms of the procurement contracts require payment of all or a portion of the contract
29 price at the beginning of the contract agreement. All of the following conditions shall be met
30 before payment for these agreements may be disbursed:

- 31 (1) Any advance payment can be accomplished within the appropriate agency
32 budget.
- 33 (2) The State Controller receives conclusive evidence from the purchasing
34 agency that the proposed agreement would be more cost-effective than a
35 multiyear agreement that complies with G.S. 147-86.11.
- 36 (3) The procurement complies in all other aspects with applicable statutes and
37 rules.
- 38 (4) The proposed agreement contains contract terms that protect the financial
39 interest of the State against contractor nonperformance or insolvency
40 through the creation of escrow accounts for funds, source codes, or both, or
41 by any other reasonable means that have legally binding effect.

42 The Office of State Budget and Management shall ensure the savings from any authorized
43 agreement by the Division shall be included in the Department of Information Technology's IT
44 Internal Service Fund rate calculations before approving annual proposed rates. Any savings
45 resulting from the agreements shall be returned to agencies included in the contract in the form
46 of reduced rates.

47 (b) At the request of the State Purchasing Officer, the Attorney General shall provide
48 legal advice and services necessary to implement this Article.

49 **"§ 143-64.90. Refurbished computer equipment purchasing program.**

50 (a) The Department of Information Technology and the Department of Administration,
51 with the administrative support of the Division of Purchase and Contract, shall offer State and

1 local governmental entities the option of purchasing refurbished computer equipment from
2 registered computer equipment refurbishers whenever most appropriate to meet the needs of
3 State and local governmental entities.

4 (b) State and local governmental entities shall document savings resulting from the
5 purchase of the refurbished computer equipment, including, but not limited to, the initial
6 acquisition cost as well as operations and maintenance costs. These savings shall be reported
7 quarterly to the Division of Purchase and Contract.

8 (c) The Division of Purchase and Contract shall administer the refurbished computer
9 equipment program by establishing a competitive purchasing process to support this initiative
10 that meets all State information technology procurement laws and procedures and ensures that
11 agencies receive the best value.

12 (d) Participating computer equipment refurbishers must meet all procurement
13 requirements established by the Department of Information Technology and the Department of
14 Administration.

15 **"§ 143-64.91. Configuration and specification requirements same as for new computers.**

16 Refurbished computer equipment purchased under this act must conform to the same
17 standards as the State may establish as to the configuration and specification requirements for
18 the purchase of new computers."

19 20 **IT SERVICES PROVIDED BY DIT**

21 **SECTION 7.8.(a)** Notwithstanding G.S. 143B-1333, the State CIO, in
22 collaboration with OSBM and State agencies, shall evaluate all information technology services
23 currently provided by the Department of Information Technology (DIT) and determine whether
24 they should continue to be offered by DIT. The evaluation may include services not currently
25 offered by DIT.

26 **SECTION 7.8.(b)** Factors to be considered in the evaluation, include, but are not
27 limited to, the following:

- 28 (1) The ability of DIT to provide the service.
- 29 (2) The ability of State agencies to provide the service.
- 30 (3) The cost of the service if DIT provides the service compared with the cost if
31 the service is provided by others. Cost calculations shall include the
32 requirements needed to comply with State and federal security requirements
33 which are specific in scope and mandated by statute or administrative code
34 or rule.
- 35 (4) Investments already made and associated costs with discontinuing a service.
- 36 (5) Administrative ease and efficiency.

37 **SECTION 7.8.(c)** For any service where it is determined that DIT should be the
38 service provider, DIT and OSBM must agree whether the service should be funded by rates
39 charged to agencies, a general fund appropriation directly to DIT, or some other method. For
40 any service where DIT will charge rates, the evaluation must include (i) the methodology DIT
41 will use to develop rates, (ii) a plan for DIT to provide clear, understandable bills, and (iii)
42 metrics for DIT to use to measure the cost and level of DIT services compared to other
43 providers on an annual basis.

44 **SECTION 7.8.(d)** The State CIO shall report on the results of this evaluation to the
45 Joint Legislative Oversight Committee on Information Technology and the Fiscal Research
46 Division on or before December 1, 2017, along with any recommended legislation.

47 48 **STATE CONSTRUCTION OFFICE/ELECTRONIC PLAN REVIEW AND** 49 **COLLABORATION SOFTWARE PROJECT**

50 **SECTION 7.9.** Notwithstanding any provision of law to the contrary, remaining
51 funds appropriated in the 2015-2017 fiscal biennium for the Department of Administration's

1 Maintenance Management System Replacement shall not revert and may be used by the State
2 Construction Office to fund an electronic plan review and collaboration software project.

3 4 **PART VIII. PUBLIC SCHOOLS**

5 6 **FUNDS FOR CHILDREN WITH DISABILITIES**

7 **SECTION 8.1.** The State Board of Education shall allocate additional funds for
8 children with disabilities on the basis of four thousand one hundred twenty-five dollars and
9 twenty-seven cents (\$4,125.27) per child for fiscal years 2017-2018 and 2018-2019. Each local
10 school administrative unit shall receive funds for the lesser of (i) all children who are identified
11 as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2017-2018
12 allocated average daily membership in the local school administrative unit. The dollar amounts
13 allocated under this section for children with disabilities shall also be adjusted in accordance
14 with legislative salary increments, retirement rate adjustments, and health benefit adjustments
15 for personnel who serve children with disabilities.

16 17 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

18 **SECTION 8.2.** The State Board of Education shall allocate additional funds for
19 academically or intellectually gifted children on the basis of one thousand three hundred
20 fourteen dollars and fifty-six cents (\$1,314.56) per child for fiscal years 2017-2018 and
21 2018-2019. A local school administrative unit shall receive funds for a maximum of four
22 percent (4%) of its 2017-2018 allocated average daily membership, regardless of the number of
23 children identified as academically or intellectually gifted in the unit. The dollar amounts
24 allocated under this section for academically or intellectually gifted children shall also be
25 adjusted in accordance with legislative salary increments, retirement rate adjustments, and
26 health benefit adjustments for personnel who serve academically or intellectually gifted
27 children.

28 29 **SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

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

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

- 41 (1) "Anticipated county property tax revenue availability" means the
42 county-adjusted property tax base multiplied by the effective State average
43 tax rate.
- 44 (2) "Anticipated total county revenue availability" means the sum of the
45 following:
 - 46 a. Anticipated county property tax revenue availability.
 - 47 b. Local sales and use taxes received by the county that are levied under
48 Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of
49 Chapter 105 of the General Statutes.
 - 50 c. Fines and forfeitures deposited in the county school fund for the most
51 recent year for which data are available.

- 1 (3) "Anticipated total county revenue availability per student" means the
2 anticipated total county revenue availability for the county divided by the
3 average daily membership of the county.
- 4 (4) "Anticipated State average revenue availability per student" means the sum
5 of all anticipated total county revenue availability divided by the average
6 daily membership for the State.
- 7 (5) "Average daily membership" means average daily membership as defined in
8 the North Carolina Public Schools Allotment Policy Manual adopted by the
9 State Board of Education. If a county contains only part of a local school
10 administrative unit, the average daily membership of that county includes all
11 students who reside within the county and attend that local school
12 administrative unit.
- 13 (6) "County-adjusted property tax base" shall be computed as follows:
14 a. Subtract the present-use value of agricultural land, horticultural land,
15 and forestland in the county, as defined in G.S. 105-277.2, from the
16 total assessed real property valuation of the county.
17 b. Adjust the resulting amount by multiplying by a weighted average of
18 the three most recent annual sales assessment ratio studies.
19 c. Add to the resulting amount the following:
20 1. Present-use value of agricultural land, horticultural land, and
21 forestland, as defined in G.S. 105-277.2.
22 2. Value of property of public service companies, determined in
23 accordance with Article 23 of Chapter 105 of the General
24 Statutes.
25 3. Personal property value for the county.
- 26 (7) "County-adjusted property tax base per square mile" means the
27 county-adjusted property tax base divided by the number of square miles of
28 land area in the county.
- 29 (8) "County wealth as a percentage of State average wealth" shall be computed
30 as follows:
31 a. Compute the percentage that the county per capita income is of the
32 State per capita income and weight the resulting percentage by a
33 factor of five-tenths.
34 b. Compute the percentage that the anticipated total county revenue
35 availability per student is of the anticipated State average revenue
36 availability per student and weight the resulting percentage by a
37 factor of four-tenths.
38 c. Compute the percentage that the county-adjusted property tax base
39 per square mile is of the State-adjusted property tax base per square
40 mile and weight the resulting percentage by a factor of one-tenth.
41 d. Add the three weighted percentages to derive the county wealth as a
42 percentage of the State average wealth.
- 43 (9) "Effective county tax rate" means the actual county tax rate multiplied by a
44 weighted average of the three most recent annual sales assessment ratio
45 studies.
- 46 (10) "Effective State average tax rate" means the average of effective county tax
47 rates for all counties.
- 48 (11) "Local current expense funds" means the most recent county current expense
49 appropriations to public schools, as reported by local boards of education in
50 the audit report filed with the Secretary of the Local Government
51 Commission pursuant to G.S. 115C-447.

- 1 (12) "Per capita income" means the average for the most recent three years for
2 which data are available of the per capita income according to the most
3 recent report of the United States Department of Commerce, Bureau of
4 Economic Analysis, including any reported modifications for prior years as
5 outlined in the most recent report.
- 6 (13) "Sales assessment ratio studies" means sales assessment ratio studies
7 performed by the Department of Revenue under G.S. 105-289(h).
- 8 (14) "State average adjusted property tax base per square mile" means the sum of
9 the county-adjusted property tax bases for all counties divided by the
10 number of square miles of land area in the State.
- 11 (15) "State average current expense appropriations per student" means the most
12 recent State total of county current expense appropriations to public schools,
13 as reported by local boards of education in the audit report filed with the
14 Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- 15 (16) "Supplant" means to decrease local per student current expense
16 appropriations from one fiscal year to the next fiscal year.
- 17 (17) "Weighted average of the three most recent annual sales assessment ratio
18 studies" means the weighted average of the three most recent annual sales
19 assessment ratio studies in the most recent years for which county current
20 expense appropriations and adjusted property tax valuations are available. If
21 real property in a county has been revalued one year prior to the most recent
22 sales assessment ratio study, a weighted average of the two most recent sales
23 assessment ratios shall be used. If property has been revalued the year of the
24 most recent sales assessment ratio study, the sales assessment ratio for the
25 year of revaluation shall be used.

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

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

44 **SECTION 8.3.(e) Formula for Distribution of Supplemental Funding Pursuant to**
45 **This Section Only.** – The formula in this section is solely a basis for distribution of
46 supplemental funding for low-wealth counties and is not intended to reflect any measure of the
47 adequacy of the educational program or funding for public schools. The formula is also not
48 intended to reflect any commitment by the General Assembly to appropriate any additional
49 supplemental funds for low-wealth counties.

50 **SECTION 8.3.(f) Minimum Effort Required.** – A county that (i) maintains an
51 effective county tax rate that is at least one hundred percent (100%) of the effective State

1 average tax rate in the most recent year for which data are available or (ii) maintains a county
2 appropriation per student to the school local current expense fund of at least one hundred
3 percent (100%) of the current expense appropriations per student to the school local current
4 expense fund that the county could provide given the county's wealth and an average effort to
5 fund public schools shall receive full funding under this section. A county that maintains a
6 county appropriation per student to the school local current expense fund of less than one
7 hundred percent (100%) of the current expense appropriations per student to the school local
8 current expense fund that the county could provide given the county's wealth and an average
9 effort to fund public schools shall receive funding under this section at the same percentage that
10 the county's appropriation per student to the school local current expense fund is of the current
11 expense appropriations per student to the school local current expense fund that the county
12 could provide given the county's wealth and an average effort to fund public schools.

13 **SECTION 8.3.(g) Nonsupplant Requirement.** – A county in which a local school
14 administrative unit receives funds under this section shall use the funds to supplement local
15 current expense funds and shall not supplant local current expense funds. For the 2017-2019
16 fiscal biennium, the State Board of Education shall not allocate funds under this section to a
17 county found to have used these funds to supplant local per student current expense funds. The
18 State Board of Education shall make a finding that a county has used these funds to supplant
19 local current expense funds in the prior year, or the year for which the most recent data are
20 available, if all of the following criteria apply:

- 21 (1) The current expense appropriations per student of the county for the current
22 year is less than ninety-five percent (95%) of the average of local current
23 expense appropriations per student for the three prior fiscal years.
- 24 (2) The county cannot show (i) that it has remedied the deficiency in funding or
25 (ii) that extraordinary circumstances caused the county to supplant local
26 current expense funds with funds allocated under this section.

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

29 **SECTION 8.3.(h) Counties Containing a Base of the Armed Forces.** –
30 Notwithstanding any other provision of this section, for the 2017-2019 fiscal biennium,
31 counties containing a base of the Armed Forces of the United States that have an average daily
32 membership of more than 23,000 students shall receive the same amount of supplemental
33 funding for low-wealth counties as received in the 2012-2013 fiscal year.

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

38 **SECTION 8.3.(j) Reports.** – For the 2017-2019 fiscal biennium, the State Board of
39 Education shall report to the Fiscal Research Division prior to May 15 of each year if it
40 determines that counties have supplanted funds.

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

50 51 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

1 **SECTION 8.4.(a)** Allotment Schedule for the 2017-2019 Fiscal Biennium. –
 2 Except as otherwise provided in subsection (d) of this section, each eligible county school
 3 administrative unit shall receive a dollar allotment according to the following schedule:

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

13 **SECTION 8.4.(b)** Phase-Out Provision for the 2017-2018 Fiscal Year. – If a local
 14 school administrative unit becomes ineligible for funding under the schedule in subsection (a)
 15 of this section in the 2017-2018 fiscal year, funding for that unit shall be phased out over a
 16 five-year period. Funding for such local school administrative units shall be reduced in equal
 17 increments in each of the five years after the unit becomes ineligible. Funding shall be
 18 eliminated in the fifth fiscal year after the local school administrative unit becomes ineligible.

19 Allotments for eligible local school administrative units under this subsection shall
 20 not be reduced by more than twenty percent (20%) of the amount received in fiscal year
 21 2016-2017 in any fiscal year. A local school administrative unit shall not become ineligible for
 22 funding if either the highest of the first two months total projected average daily membership
 23 for the current year or the higher of the first two months total prior year average daily
 24 membership would otherwise have made the unit eligible for funds under the schedule in
 25 subsection (a) of this section.

26 **SECTION 8.4.(c)** Phase-Out Provision for the 2018-2019 Fiscal Year. – If a local
 27 school administrative unit becomes ineligible for funding under the schedule in subsection (a)
 28 of this section in the 2018-2019 fiscal year, funding for that unit shall be phased out over a
 29 five-year period. Funding for such local school administrative units shall be reduced in equal
 30 increments in each of the five years after the unit becomes ineligible. Funding shall be
 31 eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.

32 Allotments for eligible local school administrative units under this subsection shall
 33 not be reduced by more than twenty percent (20%) of the amount received in fiscal year
 34 2017-2018 in any fiscal year. A local school administrative unit shall not become ineligible for
 35 funding if either the highest of the first two months total projected average daily membership
 36 for the current year or the higher of the first two months total prior year average daily
 37 membership would otherwise have made the unit eligible for funds under the schedule in
 38 subsection (a) of this section.

39 **SECTION 8.4.(d)** Nonsupplant Requirement for the 2017-2019 Fiscal Biennium. –
 40 A county in which a local school administrative unit receives funds under this section shall use
 41 the funds to supplement local current expense funds and shall not supplant local current
 42 expense funds. For the 2017-2019 fiscal biennium, the State Board of Education shall not
 43 allocate funds under this section to a county found to have used these funds to supplant local
 44 per student current expense funds. The State Board of Education shall make a finding that a
 45 county has used these funds to supplant local current expense funds in the prior year, or the
 46 year for which the most recent data are available, if all of the following criteria apply:

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

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

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

6 **SECTION 8.4.(e) Reports.** – For the 2017-2019 fiscal biennium, the State Board of
7 Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it
8 determines that counties have supplanted funds.

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

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

16 17 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

18 **SECTION 8.5.(a)** Funds appropriated in this act for disadvantaged student
19 supplemental funding shall be used, consistent with the policies and procedures adopted by the
20 State Board of Education, only to do the following:

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

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

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

- 38 (1) For counties with wealth greater than ninety percent (90%) of the statewide
39 average, a ratio of 1:19.9.
40 (2) For counties with wealth not less than eighty percent (80%) and not greater
41 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
42 (3) For counties with wealth less than eighty percent (80%) of the statewide
43 average, a ratio of 1:19.1.
44 (4) For local school administrative units receiving DSSF funds in fiscal year
45 2005-2006, a ratio of 1:16. These local school administrative units shall
46 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

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

49 **SECTION 8.5.(c)** If a local school administrative unit's wealth increases to a level
50 that adversely affects the unit's disadvantaged student supplemental funding (DSSF) allotment

1 ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one
2 additional fiscal year.

3 4 **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

5 **SECTION 8.6.** Funds appropriated in this act for the Uniform Education Reporting
6 System (UERS) for the 2017-2019 fiscal biennium shall not revert at the end of each fiscal
7 year, but shall remain available until expended.

8 9 **DIGITAL LEARNING PLAN FUNDS**

10 **SECTION 8.7.(a)** Funds appropriated in Section 8.23 of S.L. 2016-94 to continue
11 the progress in implementing the Digital Learning Plan in North Carolina public schools shall
12 not revert at the end of fiscal year 2016-17 but shall remain available until expended.

13 **SECTION 8.7.(b)** This section becomes effective June 30, 2017.

14 15 **SCHOOL-BASED PERSONNEL TO IMPROVE STUDENT OUTCOMES** 16 **ALLOTMENT**

17 **SECTION 8.8.** The State Board of Education shall allocate funds appropriated in
18 this act for a new allotment for Local Education Agencies (LEAs) to hire additional
19 school-based personnel who will have a direct impact on improving student outcomes. Funding
20 shall be allocated as a dollar allotment based on average daily membership. The Department of
21 Public Instruction shall report to the State Board of Education on the use of these funds by
22 LEAs.

23 24 **WHOLE SCHOOL, WHOLE CHILD, WHOLE COMMUNITY PILOT**

25 **SECTION 8.9.(a)** The State Board of Education shall establish a three-year pilot
26 program (Pilot) to implement the Whole School, Whole Community, Whole Child model in at
27 least five local education agencies (LEAs). This pilot authorized under subsection shall expire
28 on June 30, 2020.

29 **SECTION 8.9.(b)** The Office of State Budget and Management shall remove the
30 two hundred fifty thousand dollar (\$250,000) annual appropriation for this Pilot from the
31 Department of Public Instruction's base budget at the conclusion of the three-year Pilot.

32 **SECTION 8.9.(c)** The State Board of Education shall provide interim reports on
33 implementation of the Pilot to the Joint Legislative Education Oversight Committee no later
34 than May 1, 2018 and May 1, 2019. The State Board shall provide a final report on outcomes
35 of the Pilot no later than September 1, 2020.

36 37 **ADMINISTRATION OF EXCELLENT PUBLIC SCHOOLS ACT**

38 **SECTION 8.10.** From the funds appropriated to implement Section 7A.1 of S.L.
39 2012-142, as amended, the Department of Public Instruction may establish or support
40 additional positions required to administer the program that are in addition to the eleven
41 positions authorized by S.L. 2012-142.

42 43 **TEACHER COMPENSATION AND ADVANCED TEACHING ROLES PILOT**

44 **SECTION 8.11.(a)** From the funds appropriated in this act to the Department of
45 Public Instruction, the sum of nine million eight hundred thousand dollars (\$9,800,000) for the
46 2017-2018 fiscal year shall be used for the award of funds to selected local school
47 administrative units for the Teacher Compensation Models and Advanced Teaching Roles
48 pilots, in accordance with Section 8.7 of S.L. 2016-94. Funds awarded to the local school
49 administrative units shall be awarded in proportion to the current expenditure of the pilot local
50 school administrative unit on teacher salaries.

1 **SECTION 8.11.(b)** Funds subject to subsection (a) of this section shall not revert at
 2 the end of the fiscal year, but shall remain available until expended.

3
 4 **PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

5
 6 **TEACHER SALARY SCHEDULE**

7 **SECTION 9.1.(a)** The following monthly teacher salary schedule shall apply for
 8 the 2017-2018 fiscal year to licensed personnel of the public schools who are classified as
 9 teachers. The salary schedule is based on years of teaching experience.

10 **2017-2018 Teacher Monthly Salary Schedule**

11 Years of Experience	"A" Teachers
12 0	\$3,675
13 1	\$3,760
14 2	\$3,790
15 3	\$3,825
16 4	\$3,875
17 5	\$3,925
18 6	\$4,000
19 7	\$4,050
20 8	\$4,100
21 9	\$4,160
22 10	\$4,240
23 11	\$4,310
24 12	\$4,400
25 13	\$4,475
26 14	\$4,550
27 15	\$4,720
28 16	\$4,740
29 17	\$4,760
30 18	\$4,780
31 19	\$4,800
32 20	\$4,950
33 21	\$5,000
34 22	\$5,025
35 23	\$5,050
36 24	\$5,075
37 25	\$5,275
38 26	\$5,300
39 27	\$5,310
40 28	\$5,320
41 29	\$5,330
42 30	\$5,335
43 31	\$5,340
44 32	\$5,345
45 33	\$5,350
46 34	\$5,355
47 35	\$5,360
48 36	\$5,365
49 37+	\$5,370

- 1 (2) Licensed teachers who are classified as "M" teachers shall receive a salary
2 supplement each month of ten percent (10%) of their monthly salary on the
3 "A" salary schedule.
- 4 (3) Licensed teachers with licensure based on academic preparation at the
5 six-year degree level shall receive a salary supplement of one hundred
6 twenty-six dollars (\$126.00) per month in addition to the supplement
7 provided to them as "M" teachers.
- 8 (4) Licensed teachers with licensure based on academic preparation at the
9 doctoral degree level shall receive a salary supplement of two hundred
10 fifty-three dollars (\$253.00) per month in addition to the supplement
11 provided to them as "M" teachers.
- 12 (5) Certified school nurses shall receive a salary supplement each month of ten
13 percent (10%) of their monthly salary on the "A" salary schedule.

14 **SECTION 9.1.(d)** The first step of the salary schedule for (i) school psychologists,
15 (ii) school speech pathologists who are licensed as speech pathologists at the master's degree
16 level or higher, and (iii) school audiologists who are licensed as audiologists at the master's
17 degree level or higher shall be equivalent to the sixth step of the "A" salary schedule. These
18 employees shall receive a salary supplement each month of ten percent (10%) of their monthly
19 salary and are eligible to receive salary supplements equivalent to those of teachers for
20 academic preparation at the six-year degree level or the doctoral degree level.

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

26 **SECTION 9.1.(f)** Beginning with the 2014-2015 fiscal year, in lieu of providing
27 annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those
28 longevity payments are included in the monthly amounts under the teacher salary schedule.

29 **SECTION 9.1.(g)** A teacher compensated in accordance with these salary
30 schedules for the 2017-2018 and 2018-2019 school years shall receive an amount equal to the
31 greater of the following:

- 32 (1) The applicable amount on the salary schedule for the applicable school year.
- 33 (2) For teachers who were eligible for longevity for the 2013-2014 school year,
34 the sum of the following:
- 35 a. The teacher's salary provided in Section 35.11 of S.L. 2013-360.
- 36 b. The longevity that the teacher would have received under the
37 longevity system in effect for the 2013-2014 school year provided in
38 Section 35.11 of S.L. 2013-360 based on the teacher's current years
39 of service.
- 40 c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.
- 41 (3) For teachers who were not eligible for longevity for the 2013-2014 school
42 year, the sum of the teacher's salary and annual bonus provided in Section
43 9.1 of S.L. 2014-100.

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

46 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

47 **SECTION 9.2.(a)** The following base salary schedule for school-based
48 administrators applies only to principals and assistant principals. This base salary schedule
49 applies for the 2017-2018 fiscal year commencing July 1, 2017.

50 **2017-2018 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	\$4,224	-	-	-	-	
10	\$4,298	-	-	-	-	
11	\$4,455	-	-	-	-	
12	\$4,582	-	-	-	-	
13	\$4,671	\$4,671	-	-	-	
14	\$4,730	\$4,730	-	-	-	
15	\$4,792	\$4,792	\$4,850	-	-	
16	\$4,850	\$4,850	\$4,913	-	-	
17	\$4,913	\$4,913	\$4,977	\$5,041	-	
18	\$4,977	\$4,977	\$5,041	\$5,107	\$5,174	
19	\$5,041	\$5,041	\$5,107	\$5,174	\$5,242	
20	\$5,107	\$5,107	\$5,174	\$5,242	\$5,314	
21	\$5,174	\$5,174	\$5,242	\$5,314	\$5,385	
22	\$5,242	\$5,242	\$5,314	\$5,385	\$5,457	
23	\$5,314	\$5,314	\$5,385	\$5,457	\$5,532	
24	\$5,385	\$5,385	\$5,457	\$5,532	\$5,606	
25	\$5,457	\$5,457	\$5,532	\$5,606	\$5,687	
26	\$5,532	\$5,532	\$5,606	\$5,687	\$5,765	
27	\$5,606	\$5,606	\$5,687	\$5,765	\$5,845	
28	\$5,687	\$5,687	\$5,765	\$5,845	\$5,924	
29	\$5,765	\$5,765	\$5,845	\$5,924	\$6,009	
30	\$5,845	\$5,845	\$5,924	\$6,009	\$6,096	
31	\$5,924	\$5,924	\$6,009	\$6,096	\$6,183	
32	\$6,009	\$6,009	\$6,096	\$6,183	\$6,261	
33	\$6,096	\$6,096	\$6,183	\$6,261	\$6,385	
34	\$6,183	\$6,183	\$6,261	\$6,385	\$6,513	
35	\$6,261	\$6,261	\$6,385	\$6,513	\$6,643	
36	\$6,385	\$6,385	\$6,513	\$6,643	\$6,776	
37	-	\$6,513	\$6,643	\$6,776	\$6,911	
38	-	-	\$6,776	\$6,911	\$7,050	
39	-	-	\$6,911	\$7,050	\$7,190	
40	-	-	-	\$7,190	\$7,334	
41	-	-	-	\$7,334	\$7,481	
42	-	-	-	-	\$7,631	

2017-2018 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	\$5,314	-	-	-	
20	\$5,385	-	-	-	
21	\$5,457	\$5,532	-	-	
22	\$5,532	\$5,606	\$5,765	-	
23	\$5,606	\$5,687	\$5,845	\$5,924	
24	\$5,687	\$5,765	\$5,924	\$6,009	
25	\$5,765	\$5,845	\$6,009	\$6,096	
26	\$5,845	\$5,924	\$6,096	\$6,183	
27	\$5,924	\$6,009	\$6,183	\$6,261	

1	28	\$6,009	\$6,096	\$6,261	\$6,385
2	29	\$6,096	\$6,183	\$6,385	\$6,513
3	30	\$6,183	\$6,261	\$6,513	\$6,643
4	31	\$6,261	\$6,385	\$6,643	\$6,776
5	32	\$6,385	\$6,513	\$6,776	\$6,911
6	33	\$6,513	\$6,643	\$6,911	\$7,050
7	34	\$6,643	\$6,776	\$7,050	\$7,190
8	35	\$6,776	\$6,911	\$7,190	\$7,334
9	36	\$6,911	\$7,050	\$7,334	\$7,481
10	37	\$7,050	\$7,190	\$7,481	\$7,631
11	38	\$7,190	\$7,334	\$7,631	\$7,783
12	39	\$7,334	\$7,481	\$7,783	\$7,939
13	40	\$7,481	\$7,631	\$7,939	\$8,097
14	41	\$7,631	\$7,783	\$8,097	\$8,259
15	42	\$7,783	\$7,939	\$8,259	\$8,424
16	43	\$7,939	\$8,097	\$8,424	\$8,592
17	44	-	\$8,259	\$8,592	\$8,764
18	45	-	\$8,424	\$8,764	\$8,939
19	46+	-	-	\$8,939	\$9,118

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.

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

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

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

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

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

24 **SECTION 9.2.(h)** During the 2017-2018 fiscal year, the placement on the salary
 25 schedule of an administrator with a one-year provisional assistant principal's certificate shall be
 26 at the entry-level salary for an assistant principal or the appropriate step on the teacher salary
 27 schedule, whichever is higher.

28
 29 **CENTRAL OFFICE SALARIES**

30 **SECTION 9.3.(a)** The monthly salary ranges that follow apply to assistant
 31 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
 32 officers for the 2017-2018 fiscal year, beginning July 1, 2017, and shall be increased by two
 33 percent (2.00%) annually as follows:

34	School Administrator I	\$3,511	\$6,547
35	School Administrator II	\$3,719	\$6,942
36	School Administrator III	\$3,946	\$7,362
37	School Administrator IV	\$4,102	\$7,653
38	School Administrator V	\$4,266	\$7,961
39	School Administrator VI	\$4,523	\$8,439
40	School Administrator VII	\$4,703	\$8,778

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

46 **SECTION 9.3.(b)** The monthly salary ranges that follow apply to public school
 47 superintendents for the 2017-2018 fiscal year, beginning July 1, 2017, and shall be increased by
 48 two percent (2.00%) annually as follows:

49	Superintendent I	\$4,989	\$9,309
50	Superintendent II	\$5,294	\$9,869
51	Superintendent III	\$5,614	\$10,467

1	Superintendent IV	\$5,955	\$11,100
2	Superintendent V	\$6,318	\$11,774

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

7 **SECTION 9.3.(c)** Longevity pay for superintendents, assistant superintendents,
8 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
9 provided for State employees under the State Personnel Act.

10 **SECTION 9.3.(d)** Superintendents, assistant superintendents, associate
11 superintendents, directors/coordinators, supervisors, and finance officers with certification
12 based on academic preparation at the six-year degree level shall receive a salary supplement of
13 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
14 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
15 directors/coordinators, supervisors, and finance officers with certification based on academic
16 preparation at the doctoral degree level shall receive a salary supplement of two hundred
17 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
18 section.

19 **SECTION 9.3.(e)** The State Board of Education shall not permit local school
20 administrative units to transfer State funds from other funding categories for salaries for public
21 school central office administrators.

22 23 **NONCERTIFIED PERSONNEL SALARIES**

24 **SECTION 9.4.(a)** The annual salary increase for permanent, full-time noncertified
25 public school employees whose salaries are supported from the State's General Fund shall be
26 two percent (2%) or eight hundred dollars (\$800.00) whichever is greater, commencing July 1,
27 2017.

28 **SECTION 9.4.(b)** Local boards of education shall increase the rates of pay for
29 such employees who were employed for all or part of fiscal year 2016-2017 and who continue
30 their employment for fiscal year 2017-2018 by providing an annual salary increase for
31 employees of two percent (2%) or eight hundred dollars (\$800.00) whichever is greater.

32 For part-time employees, the pay increase shall be pro rata based on the number of
33 hours worked.

34 **SECTION 9.4.(c)** The State Board of Education may adopt salary ranges for
35 noncertified personnel to support increases of two percent (2%) or eight hundred dollars
36 (\$800.00), whichever is greater, for the 2017-2018 fiscal year.

37 38 **INSTRUCTIONAL SUPPLIES STIPEND**

39 **SECTION 9.5.(a)** Effective July 1, 2017, any person paid on the State Teacher
40 Salary Schedule and considered a classroom teacher shall receive, at the beginning of each
41 academic school year, an annual salary stipend of one hundred and fifty dollars (\$150.00) to
42 purchase classroom supplies. The stipend shall be paid to teachers qualifying under this section
43 who begin employment part-way through the academic year.

44 **SECTION 9.5.(b)** Notwithstanding G.S. 135-1(7a), the stipends paid under this
45 section are not compensation under Article 1 of Chapter 135 of the General Statutes.

46 **SECTION 9.5.(c)** Of the funds appropriated in this act to the Department of Public
47 Instruction for the purpose of carrying out this section, the Department shall transfer the
48 amount required to pay the instructional supplies stipend to classroom teachers at schools
49 operated by the Department of Health and Human Services, the Department of Public Safety,
50 the State Board of Education, and the School of Science and Mathematics of the University of
51 North Carolina.

1
2 **PART X. COMMUNITY COLLEGES**

3
4 **NORTH CAROLINA GETTING READY FOR OPPORTUNITIES IN THE**
5 **WORKFORCE (NC GROW) SCHOLARSHIPS**

6 **SECTION 10.1.(a)** Funds appropriated in Section 5.4(a) of this act to the North
7 Carolina Getting Ready for Opportunities in the Workforce (NC GROW) scholarship shall be
8 allocated by the State Education Assistance Authority to establish a grant program to enable
9 recent high school graduates to enroll in a community college free of tuition and fees in
10 accordance with this section.

11 **SECTION 10.1.(b)** Subject to the limitations set forth in this section, the State
12 Education Assistance Authority is authorized to administer this grant program consistent with
13 the manner in which it administers grants to community college students qualifying for the
14 Scholarships for Needy Students under Article 35A of Chapter 115C of the General Statutes
15 and the Need-Based Assistance Program under G.S. 115D-40.1, but utilizing criteria that will
16 result in distributing the funds appropriated after July 1, 2018, and so that no qualifying North
17 Carolina student incurs costs of tuition and selected fees to attend a community college. It is the
18 intent of the General Assembly that the funds appropriated under this section be disbursed after
19 grants are awarded under the Scholarships for Needy Students and the Need-Based Assistance
20 programs, for those students eligible for one or both of those programs, and to those students
21 who do not demonstrate need sufficient to qualify for those other programs. The Authority shall
22 establish criteria for determining eligibility for the grants authorized under this section which
23 criteria shall include the following: (i) status as a legal resident of North Carolina for tuition
24 purposes; (ii) graduation from a North Carolina high school or attainment of a high school
25 equivalency certificate within eighteen (18) months of the first semester for which the grant is
26 disbursed; (iii) minimum GPA of 2.0; and (iv) at least half-time enrollment. The Authority
27 shall not disburse any grant until it receives confirmation from the enrolling community college
28 that the student meets the high school graduation and GPA standards for the grant. A student
29 may receive a grant under this section for subsequent terms of enrollment provided that the
30 student maintains satisfactory academic progress, as determined by the community college, and
31 has not received the grant for more than six consecutive semesters. The Authority may
32 establish a minimum grant of not less than \$50.00 per semester for full-time enrollment.

33 **SECTION 10.1.(c)** If the interest earnings on the funds appropriated under this
34 section are not sufficient to cover the Authority's administrative costs, the State Education
35 Assistance Authority may expend up to one and one-half percent (1.5%) of funds described in
36 subsection (a) of this section to support the costs of administering the program.

37
38 **FINANCIAL ASSISTANCE FOR INDUSTRY CREDENTIALS**

39 **SECTION 10.2.(a)** From funds appropriated in this Act for financial assistance to
40 students pursuing industry credentials, the State Board of Community Colleges shall determine
41 the allocation of financial assistance to students pursuing short-term noncredit State and
42 industry workforce credentials, and shall use the funds to assist these students with any costs
43 incurred while in pursuit of these credentials.

44 **SECTION 10.2.(b)** From funds appropriated in this Act for financial assistance to
45 students pursuing industry credentials, up to five hundred thousand dollars (\$500,000) may be
46 used to market the financial assistance and NC GROW to prospective recipients.

47
48 **IMPLEMENT NEW PERFORMANCE MEASURE ON EARNINGS GAINS OF**
49 **COMMUNITY COLLEGE GRADUATES**

50 **SECTION 10.3.** G.S. 115D-31.3(e) reads as rewritten:

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

3 ...
4 (10) Earnings gains for students enrolled in career and technical education
5 courses.

6 The State Board may also evaluate each college on additional performance measures."
7

8 **REPORT ON USE OF ADDITIONAL STUDENT SUPPORT FUNDS**

9 **SECTION 10.4.** The State Board of Community Colleges shall report by
10 November 1, 2018 to the Joint Education Oversight Committee of the General Assembly on the
11 use of funds appropriated in the Act for additional student services and support activities.
12

13 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

14 **SECTION 10.5.** Of the funds appropriated to the Community Colleges System
15 Office for the 2015-2017 fiscal biennium for the College Information System, up to one million
16 two hundred fifty thousand dollars (\$1,250,000) shall not revert at the end of each fiscal year,
17 but shall remain available until expended. These funds may be used only to purchase periodic
18 system upgrades and modernize the college's enterprise resource planning (ERP) system.
19

20 **ERP PLANNING AND DESIGN FUNDING & REPORTING**

21 **SECTION 10.6.** Section 7.10A of S.L. 2016-94 reads as rewritten:

22 **"COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION**

23 **"SECTION 7.10A.(a)** The North Carolina Community Colleges System Office, in
24 consultation with the Department of Information Technology, shall begin planning and design
25 of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a
26 minimum, student information system, core financial management, grants, human resource
27 management, and payroll. The planning and design of the ERP system may include either a
28 modernization of the current system or a replacement system. A request for proposal for a
29 replacement system implementation shall be prepared for release no later than October 1, 2017.
30 The North Carolina Community Colleges System Office may use funds from the North
31 Carolina Community College IT Systems Budget Code 26802 to support planning, ~~and request~~
32 ~~for proposal development efforts, provided, that the total amount expended for the project does~~
33 ~~not exceed one million dollars (\$1,000,000)-efforts, and implementation; and of the funds~~
34 appropriated to the Community Colleges System Office for the 2017-2019 fiscal biennium for
35 the College Information System, up to five hundred thousand dollars (\$500,000) may be
36 transferred at the end of each fiscal year to Budget Code 26802 Fund 2307 to be used for the
37 North Carolina Community College System enterprise resource planning (ERP) planning and
38 implementation. To the extent that these funds have not been appropriated ~~for the 2016-2017~~
39 ~~fiscal year~~ elsewhere, they are hereby appropriated.

40 **"SECTION 7.10A.(b)** The North Carolina Community Colleges System Office shall
41 submit a preliminary report to the Joint Legislative Oversight Committee on Information
42 Technology on or before January 15, 2017. ~~The report shall identify~~ On or before October 1,
43 2017, the System Office shall report on the results of the planning and design effort, including
44 at least all of the following information:

- 45 (1) Proposed sequence of functional and site implementation.
- 46 (2) A phased-in contracting plan with checkpoints to facilitate budgeting
47 and program management.
- 48 (3) The feasibility of a cloud-based component.
- 49 (4) Cost estimate for full implementation."
50

1 **ALLOW HIGH SCHOOL STUDENTS TO ENROLL IN COURSES LEADING TO A**
2 **STATE OR INDUSTRY CREDENTIAL**

3 **SECTION 10.7.(a)** G.S. 115D-20(4)a.2. reads as rewritten:

4 "2. Academic transition pathways for qualified junior and senior
5 high school students that lead to a career technical education
6 ~~certificate or diploma, certificate, diploma, or State or~~
7 industry-recognized credential, and academic transition
8 pathways for qualified freshmen and sophomore high school
9 students that lead to a career technical education certificate or
10 diploma in (i) industrial and engineering technologies, (ii)
11 agriculture and natural resources, or (iii) transportation
12 technology."

13 **SECTION 10.7.(b)** G.S. 115D-5(b)(12) reads as rewritten:

14 "(12) All ~~curriculum~~ courses taken by high school students at community colleges,
15 in accordance with G.S. 115D-20(4) and this section."
16

17 **YOUTH APPRENTICESHIP TUITION WAIVER CLARIFICATION**

18 **SECTION 10.8.(a)** G.S. 115D-5(b)(16) reads as rewritten:

19 "(16) Courses provided to students who are participating in ~~an~~ a
20 pre-apprenticeship or apprenticeship program that meets all of the following
21 criteria:

- 22 a. Is a registered apprenticeship program recognized by the United
23 States Department of ~~Labor~~ Labor and approved by the North
24 Carolina Department of Commerce, or is an approved
25 pre-apprenticeship program recognized by the North Carolina
26 Department of Commerce.
27 b. Has a documented plan of study with courses relating to a
28 job-specific occupational or technical skill.
29 c. Requires the participants in the program to be high school students
30 when entering the program."

31 **SECTION 10.8.(b)** This section applies beginning with the 2016 fall academic
32 term.
33

34 **CONSECUTIVE AUDIT FINDINGS**

35 **SECTION 10.9.** G.S. 115D-58.16(a) reads as rewritten:

36 "(a) Each community college shall be subject to a financial audit a minimum of once
37 every two years. Community colleges may use State funds to contract with the State Auditor or
38 with a certified public accountant to perform the audits. The colleges shall submit the results of
39 the audits to the State Board of Community Colleges. The State Board of Community Colleges
40 may require a community college which has had findings in two consecutive financial audits to
41 be audited annually.

42 The State Board of Community Colleges shall ensure that all colleges are audited in
43 accordance with this section."
44

45 **INSTRUCTION IN JAILS**

46 **SECTION 10.10.(a)** Section 8.3(b) of S.L. 2010-31 reads as rewritten:

47 "**SECTION 8.3.(b)** Courses in federal prisons ~~or local jails~~ shall not earn regular budget
48 full-time equivalents, but may be offered on a self-supporting basis."

49 **SECTION 10.10.(b)** G.S. 115D-5(c1) reads as rewritten:

50 "(c1) ~~Community colleges shall report full time equivalent (FTE) student hours for~~
51 ~~correction education programs on the basis of contact hours rather than student membership~~

1 ~~hours.~~ No community college shall operate a multi-entry/multi-exit class or program in a prison
2 facility, except for a literacy class or program.

3 The State Board shall work with the Division of Adult Correction of the Department of
4 Public Safety on offering classes and programs that match the average length of stay of an
5 inmate in a prison facility."
6

7 **PART XI. UNIVERSITIES**

8 9 **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS**

10 **SECTION 11.1.(a)** There is appropriated from the Escheat Fund income to the
11 Board of Governors of The University of North Carolina the sum of sixty million seven
12 hundred eighty-seven thousand two hundred forty-two dollars (\$60,787,242) for each year of
13 the 2017-2019 fiscal biennium to be used for The University of North Carolina Need-Based
14 Financial Aid Program.

15 **SECTION 11.1.(b)** There is appropriated from the Escheat Fund income to the
16 State Board of Community Colleges the sum of sixteen million three hundred and thirty-five
17 thousand dollars (\$16,335,000) for each year of the 2017-2019 fiscal biennium to be used for
18 community college grants.

19 **SECTION 11.1.(c)** There is appropriated from the Escheat Fund income to the
20 Department of Military and Veterans Affairs, the sum of eight million twenty thousand nine
21 hundred sixty-four dollars (\$8,020,964) for each year of the 2017-2019 fiscal biennium to be
22 used for need-based student financial aid.

23 **SECTION 11.1.(d)** The funds appropriated by this section from the Escheats Fund
24 for the 2017-2019 fiscal biennium for student financial aid shall be allocated in accordance
25 with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the
26 amounts referenced in this section, the difference may be taken from the Escheat Fund
27 principal to reach the appropriations referenced in this section; however, under no
28 circumstances shall the Escheat Fund principal be reduced below the sum required in
29 G.S. 116B-6(f). If any funds appropriated under this section remain uncommitted for
30 need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat
31 Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that
32 fiscal year.

33 **SECTION 11.1.(e)** The State Education Assistance Authority (SEAA) shall
34 conduct periodic evaluations of expenditures of the student financial aid programs administered
35 by SEAA to determine if the allocations are utilized to ensure access to institutions of higher
36 learning and to meet the goals of the respective programs. The SEAA may make
37 recommendations for redistribution of funds to The University of North Carolina, and the
38 President of the Community College System regarding their respective financial aid programs,
39 who then may authorize redistribution of unutilized funds for a particular fiscal year.
40

41 **COMPETITIVE GRANTS TO IMPROVE GRADUATION RATES**

42 **SECTION 11.2.(a)** The Board of Governors of the University of North Carolina
43 shall create and administer a competitive grant program for higher education constituent
44 institutions of the University of North Carolina to implement new programs designed to
45 improve student graduation rates. Constituent institutions shall provide a twenty-five percent
46 (25%) match for funding awarded pursuant to this section.

47 **SECTION 11.2.(b)** The Board of Governors shall contract with an independent,
48 third party entity to assist constituent institutions with an evaluation plan prior to implementing
49 a program for which funds are awarded pursuant to this section. The third-party entity shall
50 conduct evaluations of all programs receiving funds pursuant to this section on an annual basis.
51 The Board of Governors shall use the evaluation results to identify highly successful student

1 success initiatives and replicate those programs at other constituent institutions. No more than
2 five hundred thousand dollars (\$500,000) shall be used each year for evaluation and
3 administration of this section.

4 **SECTION 11.2.(c)** No later than August 1, 2018 and annually thereafter, The
5 Board of Governors shall report on the expenditure of funds and evaluation results to the Office
6 of State Budget and Management and Fiscal Research Division of the North Carolina General
7 Assembly.

8
9 **ENHANCE DATA SYSTEMS TO IMPROVE INSTITUTIONAL PERFORMANCE**
10 **AND STUDENT SUCCESS**

11 **SECTION 11.3.(a)** The Board of Governors of the University of North Carolina
12 shall use funds appropriated in this act to enhance data systems for the following purposes:
13 integrating financial, human resource, and student account systems across the UNC System;
14 developing new data collections systems that track faculty and staff retention rates and
15 post-graduation student outcomes; expanding "Know Before You Go" data reporting; and
16 implementing a web-based student advising tool as part of a pilot program to be known as
17 "Finish in Four."

18 **SECTION 11.3.(b)** The President of the University of North Carolina shall report
19 on implementation of this section to the Joint Legislative Education Oversight Committee on or
20 before March 1, each year of the 2017-2019 fiscal biennium. The report shall identify specific
21 improvements to data access, analytics, and transparency, available to the public and legislative
22 and executive branch decision-makers resulting from this project.

23
24 **NCSU NATIONAL INSTITUTE FOR INNOVATION IN MANUFACTURING**
25 **BIOPHARMACEUTICALS STATE MATCHING FUNDS/OSBM TO ADJUST UNC**
26 **BASE BUDGET WHEN STATE MATCH PLEDGE IS FULFILLED**

27 **SECTION 11.4.(a)** By making the two million dollar (\$2,000,000) appropriation in
28 this act to North Carolina State University for the National Institute for Innovation in
29 Manufacturing Biopharmaceuticals a recurring appropriation, it is the intent of the General
30 Assembly (i) to provide funding of two million dollars (\$2,000,000) per year for five years in
31 order to provide a total of ten million dollars (\$10,000,000) in State funds that shall be used as
32 a match for federal National Institute for Innovation in Manufacturing Biopharmaceuticals
33 funds and (ii) that thereafter no further funds shall be appropriated for this purpose.
34 Accordingly, the Office of State Budget and Management shall remove this two-million-dollar
35 (\$2,000,000) annual appropriation from the UNC System base budget once this funding pledge
36 has been fulfilled.

37 **SECTION 11.4.(b)** The five-year commitment in subsection (a) of this section
38 shall extend from the 2017-2018 fiscal year through the 2021-2022 fiscal year. Subsection (a)
39 of this section shall expire on June 29, 2022.

40
41 **ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS**
42 **REPORT**

43 **SECTION 11.5.** The President of The University of North Carolina shall report
44 each quarter of the 2017-2019 fiscal biennium to the Office of State Budget and Management
45 and the Fiscal Research Division of the General Assembly on the status of budget stabilization
46 funds appropriated to Elizabeth City State University by this act. The reports shall provide
47 detailed descriptions of the scope of work that has been completed to date, anticipated activities
48 for the next quarter, and a plan with time lines to complete the full scope of work. The reports
49 shall also include outcomes achieved from improvements implemented using these funds. The
50 first quarterly report required by this section shall be made no later than January 1, 2018.

IMPROVE BUDGET ADMINISTRATION EFFICIENCIES FOR UNC SYSTEM

SECTION 11.6.(a) G.S. 116-14(b1) reads as rewritten:

"(b1) The President shall receive General Fund appropriations made by the General Assembly for continuing operations of The University of North Carolina that are administered by the President and the President's staff complement established pursuant to G.S. 116-14(b) in the form of a single sum to Budget Code 16010 of The University of North Carolina in the manner and under the conditions prescribed by G.S. 116-30.2. The President, with respect to the foregoing appropriations, shall have the same duties and responsibilities that are prescribed by G.S. 116-30.2 for the Chancellor of a special responsibility constituent institution. ~~The President may establish procedures for transferring funds from Budget Code 16010 to the constituent institutions for nonrecurring expenditures.~~ The President may transfer appropriations between Budget Code 16010 and General Fund budget codes of special constituent institutions. Transfers shall be considered certified even if as a result of agreements between the President or special responsibility constituent institutions or both. The President may identify funds for capital improvement projects from Budget Code 16010, and the capital improvement projects may be established following the procedures set out in G.S. 143C-8-8 and G.S. 143C-8-9."

SECTION 11.6.(b) G.S. 116-30.2(a) reads as rewritten:

"(a) All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143C-6-4 and G.S. 120-76(8), each special responsibility constituent institution may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors. Special responsibility constituent institutions may transfer General Fund appropriations between budget codes, including transfers between budget codes within a single institution. These transfers shall be considered certified even if as a result of agreements between special responsibility constituent institutions. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions. The quarterly allotment procedure established pursuant to G.S. 143C-6-3 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions."

UNC SYSTEM ENROLLMENT GROWTH FUNDING FORMULA STUDY

SECTION 11.7.(a) The Office of State Budget and Management, in collaboration with The University of North Carolina, shall study the UNC enrollment growth funding formula to (i) assess the accuracy of the current formula, (ii) identify best practices used by other states to fund enrollment growth, (iii) examine the feasibility of incorporating performance metrics into the enrollment funding model, and (iv) recommend alternative methods of funding enrollment growth that improve accuracy and transparency.

SECTION 11.7.(b) The Office of State Budget and Management shall report its findings and recommendations to the Joint Legislative Education Oversight Committee no later than March 1, 2018.

SUBPART XI-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

NC BEST AND BRIGHTEST FORGIVABLE LOAN

SECTION 11A.1.(a) Part 1 of Article 23 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-209.28. NC Best and Brightest Forgivable Loan Program.

(a) Policy. – The General Assembly finds that it is in the public interest to target financial assistance in the form of forgivable loans for service to exemplary high school seniors who are committed to teaching in the North Carolina public schools.

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

(1) Eligible institution. – Notwithstanding G.S. 116-201(b)(5) and G.S. 116-201(b)(6) and for purposes of this section only, an institution of higher education is either of the following:

a. A postsecondary constituent institution of The University of North Carolina as defined in G.S. 116-2(4).

b. An eligible private postsecondary institution as defined in G.S. 116-280(3).

(2) Fund. – The NC Best and Brightest Fund.

(3) Loan. – A forgivable loan made under the Program.

(4) Program. – The NC Best and Brightest Program.

(c) Establish the NC Best and Brightest Program. – There is established the NC Best and Brightest Program to be administered by the Authority. The purpose of the Program is to attract highly qualified high school seniors to the teaching profession by providing financial assistance in the form of forgivable loans to such students to enable them to attend accredited, undergraduate teacher preparation programs at eligible institutions in order to obtain the requisite postsecondary education to work in North Carolina as licensed teachers.

(d) Establish the NC Best and Brightest Fund. – There is established the NC Best and Brightest Fund to be administered by the Authority consistent with this section. All funds appropriated to or otherwise received by the Authority to provide loans under the Program, all funds received as repayment of loans, and all interest earned on these funds shall be placed in the Fund. The Fund shall be used only for loans made pursuant to this section and the administrative costs of the Authority.

(e) Eligibility for Loans. – The Authority shall establish the criteria for initial and continuing eligibility to participate in the Program. A loan recipient shall qualify as a resident of North Carolina for tuition purposes and attend an eligible institution. The Authority shall adopt very stringent standards, including a minimum grade point average of 3.5, for awarding loans to ensure that only highly qualified and committed high school seniors receive loans. A recipient of a loan shall not be eligible to receive concurrently a loan under the Forgivable Education Loans for Service Program pursuant to G.S. 116-209.45(c).

(f) Selection Process. – The Authority is authorized to consult with the Education Cabinet established under G.S. 116C-1 to determine an appropriate process for selecting loan recipients which may include establishing committees of public school personnel to review applications and recommend qualified applicants to receive loans.

(g) Loan Terms and Conditions. – The following terms and conditions shall apply to each loan made pursuant to this section:

(1) Promissory note. – All loans shall be evidenced by promissory notes made payable to the Authority.

(2) Interest. – All loans shall bear interest at a rate set by the Authority that does not exceed ten percent (10%) and is in relation to the current interest rate for nonneed-based federal loans made pursuant to Title IV of the Higher Education Act of 1965, as amended. Interest shall accrue from the date of disbursement of the loan funds.

- 1 (3) Loan amount. – The initial maximum loan amount shall be ten thousand
2 dollars (\$10,000). The maximum loan amount may be adjusted by the
3 Authority for subsequent years of the Program based on funds available for
4 the Program; however, in no event shall the loan amount exceed the total
5 cost of attendance at the eligible institution in which the recipient enrolls.
- 6 (4) Renewal limitations. – A loan is renewable up to a maximum of eight
7 semesters, provided that the recipient maintains satisfactory academic
8 progress towards acceptance in an accredited teacher education program at
9 an eligible institution and then in the teacher education program for which a
10 renewal loan is subsequently granted. The Authority may provide a recipient
11 a loan for an additional semester upon determining that extenuating
12 circumstances prevented the recipient from completing the teacher education
13 program in eight semesters.
- 14 (5) Repayment. – The Authority shall forgive the loan if, within six years after
15 graduation, the recipient teaches one academic year at a North Carolina
16 public school or at a school operated by the United States government in
17 North Carolina for each year of loan funding received. The Authority may
18 provide an accelerated forgiveness option if, within six years after
19 graduation, the recipient teaches for three consecutive years at a North
20 Carolina public school that, at the time the recipient accepts employment
21 with the local school administrative unit in which the school is located, is (i)
22 low-performing, as identified by the State Board of Education pursuant to
23 G.S. 115C-105.37 or (ii) low-wealth, as defined by the North Carolina State
24 Board of Education. The Authority may provide an accelerated forgiveness
25 option if, within six years after graduation, the recipient teaches for three
26 consecutive years in a hard to recruit subject area as defined by the
27 Authority. The Authority, in exercise of its sole discretion, shall have the
28 authority to extend the period of time in which repayment must be
29 completed by one additional year due to extenuating circumstances.
- 30 (6) Other. – The Authority may establish other terms and conditions that are
31 necessary or convenient to effectuate the purpose of the Program and align
32 the administration of the Program with that of the Forgivable Loans for
33 Service Program.
- 34 (h) Rule-Making Authority. – The Authority may adopt rules necessary to implement,
35 administer, and enforce the provisions of this section.
- 36 (i) Report to the General Assembly. – The Authority shall report no later than
37 December 1, 2018, and annually thereafter, to the Joint Legislative Education Oversight
38 Committee regarding loans awarded from the Fund for the Program."

40 **MODIFICATIONS TO OPPORTUNITY SCHOLARSHIP PROGRAM**

41 **SECTION 11A.2.(a)** G.S. 115C-562.8(b) is repealed.

42 **SECTION 11A.2.(b)** The State Education Assistance Authority shall not award
43 scholarship funds to new recipients pursuant to Part 2A of Chapter 115C of the General
44 Statutes after the 2016-2017 academic year.

46 **PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

48 **SUBPART XII-A. DIVISION OF CENTRAL ADMINISTRATION**

50 **HEALTH INFORMATION TECHNOLOGY**

1 **SECTION 12A.1.(a)** The Department of Health and Human Services
2 (Department), in cooperation with the State Chief Information Officer (State CIO), shall
3 coordinate health information technology (HIT) policies and programs within the State of
4 North Carolina. The goal of the DHHS CIO in coordinating State HIT policy and programs
5 shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and
6 private entity that undertakes health information technology activities does so within the area of
7 its greatest expertise and technical capability and in a manner that supports coordinated State
8 and national goals, which shall include at least all of the following:

- 9 (1) Ensuring that patient health information is secure and protected, in
10 accordance with applicable law.
- 11 (2) Improving health care quality, reducing medical errors, reducing health
12 disparities, and advancing the delivery of patient-centered medical care.
- 13 (3) Providing appropriate information to guide medical decisions at the time and
14 place of care.
- 15 (4) Ensuring meaningful public input into HIT infrastructure development.
- 16 (5) Improving the coordination of information among hospitals, laboratories,
17 physicians' offices, and other entities through an effective infrastructure for
18 the secure and authorized exchange of health care information.
- 19 (6) Improving public health services and facilitating early identification and
20 rapid response to public health threats and emergencies, including
21 bioterrorist events and infectious disease outbreaks.
- 22 (7) Facilitating health and clinical research.
- 23 (8) Promoting early detection, prevention, and management of chronic diseases.

24 **SECTION 12A.1.(b)** The Department, in cooperation with the Department of
25 Information Technology, shall establish and direct an HIT management structure that is
26 efficient and transparent and that is compatible with the Office of the National Health
27 Coordinator for Information Technology (National Coordinator) governance mechanism. The
28 HIT management structure shall be responsible for all of the following:

- 29 (1) Developing a State plan for implementing and ensuring compliance with
30 national HIT standards and for the most efficient, effective, and widespread
31 adoption of HIT.
- 32 (2) Ensuring that (i) specific populations are effectively integrated into the State
33 plan, including aging populations, populations requiring mental health
34 services, and populations utilizing the public health system, and (ii) unserved
35 and underserved populations receive priority consideration for HIT support.
- 36 (3) Identifying all HIT stakeholders and soliciting feedback and participation
37 from each stakeholder in the development of the State plan.
- 38 (4) Ensuring that existing HIT capabilities are considered and incorporated into
39 the State plan.
- 40 (5) Identifying and eliminating conflicting HIT efforts where necessary.
- 41 (6) Identifying available resources for the implementation, operation, and
42 maintenance of health information technology, including identifying
43 resources and available opportunities for North Carolina institutions of
44 higher education.
- 45 (7) Ensuring that potential State plan participants are aware of HIT policies and
46 programs and the opportunity for improved health information technology.
- 47 (8) Monitoring HIT efforts and initiatives in other states and replicating
48 successful efforts and initiatives in North Carolina.
- 49 (9) Monitoring the development of the National Coordinator's strategic plan and
50 ensuring that all stakeholders are aware of and in compliance with its
51 requirements.

- 1 (10) Monitoring the progress and recommendations of the HIT Policy and
2 Standards Committee and ensuring that all stakeholders remain informed of
3 the Committee's recommendations.
- 4 (11) Monitoring all studies and reports provided to the United States Congress
5 and reporting to the Joint Legislative Oversight Committee on Information
6 Technology and the Fiscal Research Division on the impact of report
7 recommendations on State efforts to implement coordinated HIT.
8

9 **FUNDS FOR MEDICAID MANAGEMENT INFORMATION SYSTEM AND**
10 **ANALYTICS REPROCUREMENT**

11 **SECTION 12A.2.** The Department of Health and Human Services shall enhance
12 the NC Medicaid Management Information System (MMIS) to align with federal Medicaid
13 Information Technology Architecture (MITA) standards, system modularity, and reporting
14 analytics as mandated by the Centers for Medicare and Medicaid Services (CMS). In addition,
15 DHHS shall prepare for the procurement of a take-over vendor for the MMIS and the Reporting
16 and Analytics contract. The sum of one hundred forty-two thousand and seven hundred dollars
17 (\$142,700) for fiscal year 2017-2018 and the sum of two hundred forty-three thousand nine
18 hundred and sixty-seven dollars (\$243,967) for fiscal year 2018-2019 in Departmental prior
19 year earned revenues shall be used to match federal funds for this purpose. The project shall not
20 proceed until the business case has been approved by the Office of State Budget and
21 Management and the State Chief Information Officer in the Enterprise Project Management
22 Office's Touchdown System. Upon approval, funds may be budgeted and up to 10 full-time
23 equivalent time-limited positions may be created in fiscal year 2018-2019.
24

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

27 **SECTION 12A.3.(a)** Of the funds appropriated in this act to the Department of
28 Health and Human Services, the sum of eight million nine hundred thousand dollars
29 (\$8,900,000) for the 2017-2018 fiscal year and eleven million one hundred nine thousand
30 dollars (\$11,109,000) for the 2018-2019 fiscal year, along with prior year earned revenue in the
31 amount of eleven million nine hundred thousand dollars (\$11,900,000) in each year of the
32 biennium and the cash balance in Budget Code 24410 Fund 2411 shall be used for the North
33 Carolina Families Accessing Services through Technology (NC FAST) project. To that extent,
34 these funds shall be used to match federal funds in the 2017-2018 and 2018-2019 fiscal years to
35 expedite the development and implementation of Child Services Case Management, additional
36 Medicaid eligibility requirements, Enterprise Program Integrity, and Identity Proofing
37 Feasibility components of the NC FAST Program. The Department shall report any changes in
38 approved federal funding or federal match rates within 30 days after the change to the Joint
39 Legislative Oversight Committees on Health and Human Services and Information Technology
40 and the Fiscal Research Division. Departmental receipts appropriated in this act in the amount
41 of one hundred sixteen million six hundred thousand dollars (\$116,600,000) for the 2017-2018
42 fiscal year and seventy-five million five hundred ninety-one thousand dollars (\$75,591,000) for
43 the 2018-2019 fiscal year shall be used to implement the components of the NC FAST project
44 described in this subsection.

45 **SECTION 12A.3.(b)** Of the funds appropriated in this act to the Department of
46 Health and Human Services, the sum of one million nine hundred thousand dollars
47 (\$1,900,000) for the 2017-2018 fiscal year and seven million seven hundred thousand dollars
48 (\$7,700,000) for the 2018-2019 fiscal year shall be used to provide ongoing maintenance and
49 operations for the NC FAST system, including the creation of thirty-two full-time equivalent
50 positions for the 2017-2018 fiscal year and fifty-four full-time equivalent positions for the
51 2018-2019 fiscal year. Departmental receipts appropriated in this act in the amount of ten

1 million five hundred thousand dollars (\$10,500,000) for the 2017-2018 fiscal year and fifteen
2 million dollars (\$15,000,000) for the 2018-2019 fiscal year shall be used to implement the
3 components of the NC FAST project described in this subsection.
4

5 **RECEIPT-SUPPORTED INFORMATION TECHNOLOGY PROJECTS**

6 **SECTION 12A.4.** Funds appropriated in this act to the Department of Health and
7 Human Services for receipt-supported IT projects shall be used as follows:

- 8 (1) The amount of three million six hundred thousand dollars (\$3,600,000) for
9 the 2017-2018 fiscal year and four million eight hundred thousand dollars
10 (\$4,800,000) for the 2018-2019 fiscal shall be used to develop the Electronic
11 Network Centered on Rehabilitation Effectiveness (ENCORE), a case
12 management system for the Division of Vocational Rehabilitation and the
13 Divisions of Services for the Blind, Deaf, and Hard of Hearing. These funds
14 shall be transferred to Budget Code 24410 for the development of the
15 project.
- 16 (2) The amount of three million eight hundred sixty-two thousand three hundred
17 twenty-one dollars (\$3,862,321) for the 2017-2018 fiscal year shall be used
18 to develop an Electronic Benefit Transfer (EBT) system for the Women,
19 Infants, and Children (WIC) Program in the Division of Public Health.
20 These funds shall be transferred to Budget Code 24410 for the development
21 of the project.
- 22 (3) The amount of one hundred thousand nine hundred twenty-two dollars
23 (\$100,922) for the 2017-2018 fiscal year and one hundred fifty-nine
24 thousand seven hundred thirteen dollars (\$159,713) shall be used for the
25 operations and maintenance of the North Carolina County Reimbursement
26 Ledger Suite (NC-CoReLS), an electronic county reimbursement system for
27 the Division of Social Services.
28

29 **COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS**

30 **SECTION 12A.5.(a)** Of the funds appropriated in this act to the Department of
31 Health and Human Services, Division of Central Management and Support, the sum of ten
32 million six hundred fifty-three thousand nine hundred eleven dollars (\$10,653,911) for each
33 year of the 2017-2019 fiscal biennium and the sum of three million eight hundred fifty-two
34 thousand five hundred dollars (\$3,852,500) appropriated in Section 12J.1 of this act in Social
35 Services Block Grant funds for each year of the 2017-2019 fiscal biennium shall be used to
36 allocate funds for nonprofit organizations.

37 **SECTION 12A.5.(b)** The Department shall continue administering a competitive
38 grants process for nonprofit funding. The Department shall administer a plan that, at a
39 minimum, includes each of the following:

- 40 (1) A request for application (RFA) process to allow nonprofits to apply for and
41 receive State funds on a competitive basis. The Department shall require
42 nonprofits to include in the application a plan to evaluate the effectiveness,
43 including measurable impact or outcomes, of the activities, services, and
44 programs for which the funds are being requested.
- 45 (2) A requirement that nonprofits match a minimum of fifteen percent (15%) of
46 the total amount of the grant award.
- 47 (3) A requirement that the Secretary prioritize grant awards to those nonprofits
48 that are able to leverage non-State funds in addition to the grant award.
- 49 (4) A process that awards grants to nonprofits that have the capacity to provide
50 services on a statewide basis and that support any of the following State
51 health and wellness initiatives:

- 1 a. A program targeting advocacy, support, education, or residential
- 2 services for persons diagnosed with autism.
- 3 b. A system of residential supports for those afflicted with substance
- 4 abuse addiction.
- 5 c. A program of advocacy and supports for individuals with intellectual
- 6 and developmental disabilities or severe and persistent mental illness,
- 7 the substance abusers, or the elderly.
- 8 d. Supports and services to children and adults with developmental
- 9 disabilities or mental health diagnoses.
- 10 e. A food distribution system for needy individuals.
- 11 f. The provision and coordination of services for the homeless.
- 12 g. The provision of services for individuals aging out of foster care.
- 13 h. Programs promoting wellness, physical activity, and health education
- 14 programming for North Carolinians.
- 15 i. The provision of services and screening for blindness.
- 16 j. A provision for the delivery of after-school services for
- 17 apprenticeships or mentoring at-risk youth.
- 18 k. The provision of direct services for amyotrophic lateral sclerosis
- 19 (ALS) and those diagnosed with the disease.
- 20 l. A comprehensive smoking prevention and cessation program that
- 21 screens and treats tobacco use in pregnant women and postpartum
- 22 mothers.
- 23 m. A program providing short- or long-term residential substance abuse
- 24 services. For purposes of this sub-subdivision, "long-term" means a
- 25 minimum of 12 months.
- 26 n. A program that provides year-round sports training and athletic
- 27 competition for children and adults
- 28 (5) Ensures that funds received by the Department to implement the plan
- 29 supplement and do not supplant existing funds for health and wellness
- 30 programs and initiatives.
- 31 (6) Allows grants to be awarded to nonprofits for up to two years.
- 32 (7) With grants awarded beginning July 1, 2017, a requirement that of the funds
- 33 provided for competitive grants pursuant to this section, a minimum of five
- 34 percent (5%) of the grants be awarded to new grant recipients who did not
- 35 receive grant awards during the previous competitive grants process.
- 36 (8) A requirement that initial disbursement of the grants be awarded no later
- 37 than 30 days after certification of the State budget for the respective fiscal
- 38 year.

39 **SECTION 12A.5.(c)** No later than July 1 of each year, as applicable, the Secretary
40 shall announce the recipients of the competitive grant awards and allocate funds to the grant
41 recipients for the respective grant period pursuant to the amounts designated under subsection
42 (a) of this section. After awards have been granted, the Secretary shall submit a report to the
43 Joint Legislative Oversight Committee on Health and Human Services on the grant awards that
44 includes at least all of the following:

- 45 (1) The identity and a brief description of each grantee and each program or
- 46 initiative offered by the grantee.
- 47 (2) The amount of funding awarded to each grantee.
- 48 (3) The number of persons served by each grantee, broken down by program or
- 49 initiative.

50 **SECTION 12A.5.(d)** No later than December 1 of each fiscal year, each nonprofit
51 organization receiving funding pursuant to this subsection in the respective fiscal year shall

1 submit to the Division of Central Management and Support a written report of all activities
2 funded by State appropriations. The report shall include the following information about the
3 fiscal year preceding the year in which the report is due:

- 4 (1) The entity's mission, purpose, and governance structure.
- 5 (2) A description of the types of programs, services, and activities funded by
6 State appropriations.
- 7 (3) Statistical and demographical information on the number of persons served
8 by these programs, services, and activities, including the counties in which
9 services are provided.
- 10 (4) Outcome measures that demonstrate the impact and effectiveness of the
11 programs, services, and activities.
- 12 (5) A detailed program budget and list of expenditures, including all positions
13 funded, matching expenditures, and funding sources.

14 **SECTION 12A.6.** Reserved.

15 **SECTION 12A.7.** Reserved.

16 17 **GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL** 18 **CENTER**

19 **SECTION 12A.8.(a)** Calculation of Recurring Payment of Funds. – Of the funds
20 appropriated in this act to the Department of Health and Human Services, Division of Central
21 Management and Support, for the 2017-2018 fiscal year for Graduate Medical Education, the
22 sum of up to seven million seven hundred thousand dollars (\$7,700,000) in recurring funds
23 shall be allocated to Cape Fear Valley Medical Center (the Center) to support the residency
24 programs affiliated with Campbell University School of Medicine. In addition, any payment
25 due under this section shall subject to fulfillment of the conditions specified in subsection (b) of
26 this section. Furthermore, the amount of funds allocated to the Center pursuant to this section
27 shall be calculated so as not to exceed the lesser of the following two amounts:

- 28 (1) The total amount of actual lost Medicare payments attributed to the Center's
29 reclassification by the federal Centers for Medicare and Medicaid Services
30 (CMS) as a rural hospital minus three million dollars (\$3,000,000) in private
31 donations for the residency programs.
- 32 (2) Seven million seven hundred thousand dollars (\$7,700,000).

33 **SECTION 12A.8.(b)** Conditions for Payment of Funds. – No funds shall be paid to
34 the Center pursuant to the calculation specified in subsection (a) of this section until the Office
35 of State Budget and Management (OSBM) certifies, in writing, that the Center has met the
36 following criteria by June 30, 2018:

- 37 (1) Received private donations for the residency programs in the amount of at
38 least three million dollars (\$3,000,000). No funds shall be allocated to the
39 Center in any subsequent fiscal year pursuant to this section unless OSBM
40 certifies, in writing, that the Center has received three million dollars
41 (\$3,000,000) in private donations for the residency programs by June 30th of
42 that fiscal year.
- 43 (2) Obtained approval from CMS for reclassification as a rural hospital.
- 44 (3) Obtained approval from the Accreditation Council for Graduate Medical
45 Education or the American Osteopathic Association for residency programs
46 with a minimum of 130 additional residency slots.

47 48 **COMMUNITY HEALTH GRANT PROGRAM CHANGES**

49 **SECTION 12A.9.(a)** The Department of Health and Human Services, Office of
50 Rural Health, shall continue to administer the Community Health Grant Program. Of the funds
51 appropriated in this act to the Department of Health and Human Services, the sum of seven

1 million six hundred eighty-seven thousand one hundred sixty-nine dollars (\$7,687,169) in
2 recurring funds for the 2017-2019 fiscal biennium shall be used to administer the Community
3 Health Grant Program. The Community Health Grant Program is available to rural health
4 centers, free and charitable clinics, public health departments, school based health centers,
5 federally qualified health centers, and other nonprofit organizations that provide primary care
6 and preventive health services to low income populations, including uninsured, underinsured,
7 Medicaid, and Medicare residents across the State.

8 **SECTION 12A.9.(b)** The Department of Health and Human Services, Office of
9 Rural Health, shall repurpose up to one hundred fifty thousand (\$150,000) of Community
10 Health Grant Program appropriations to leverage federal funding for administration of activities
11 that benefit the statewide safety net system eligible for Community Health Grant support.
12

13 **RURAL HEALTH LOAN REPAYMENT PROGRAMS**

14 **SECTION 12A.10.(a)** The Department of Health and Human Services, Office of
15 Rural Health, shall use funds appropriated in this act for loan repayment to medical, dental, and
16 psychiatric providers practicing in State hospitals or in rural or medically underserved
17 communities in this State to combine the following loan repayment programs in order to
18 achieve efficient and effective management of these programs:

- 19 (1) The Physician Loan Repayment Program.
- 20 (2) The Psychiatric Loan Repayment Program.
- 21 (3) The Loan Repayment Initiative at State Facilities.

22 **SECTION 12A.10.(b)** The funds described in subsection (a) of this section may be
23 used for the following additional purposes:

- 24 (1) Continued funding of the State Loan Repayment Program for primary care
25 providers and expansion of State incentives to general surgeons practicing in
26 Critical Access Hospitals (CAHs) located across the State.
- 27 (2) Expansion of the State Loan Repayment Program to include eligible
28 providers residing in North Carolina who use telemedicine in rural and
29 underserved areas.
30

31 **DATA ANALYTICS AND PERFORMANCE ENHANCEMENT**

32 **SECTION 12A.11.** Any enhancement of the State's data analytics capabilities
33 utilizing funds appropriated in this act to the Department of Health and Human Services,
34 Division of Central Management and Support, for the 2017-2019 fiscal biennium shall be
35 subject to applicable State laws requiring that these analytics be developed and implemented in
36 collaboration with the Government Data Analytics Center.
37

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

39 **NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED** 40 **FACILITIES**

41 **SECTION 12B.1.(a)** Eligibility. – The Department of Health and Human Services,
42 Division of Child Development and Early Education, shall continue implementing the
43 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four
44 years of age on or before August 31 of the program year. In determining eligibility, the
45 Division shall establish income eligibility requirements for the program not to exceed
46 seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children
47 enrolled may have family incomes in excess of seventy-five percent (75%) of median income if
48 those children have other designated risk factors. Furthermore, any age-eligible child who is a
49 child of either of the following shall be eligible for the program: (i) an active duty member of
50 the Armed Forces of the United States, including the North Carolina National Guard, State
51

1 military forces, or a reserve component of the Armed Forces who was ordered to active duty by
 2 the proper authority within the last 18 months or is expected to be ordered within the next 18
 3 months or (ii) a member of the Armed Forces of the United States, including the North
 4 Carolina National Guard, State military forces, or a reserve component of the Armed Forces
 5 who was injured or killed while serving on active duty. Eligibility determinations for
 6 prekindergarten participants may continue through local education agencies and local North
 7 Carolina Partnership for Children, Inc., partnerships.

8 Other than developmental disabilities or other chronic health issues, the Division
 9 shall not consider the health of a child as a factor in determining eligibility for participation in
 10 the NC Pre-K program.

11 **SECTION 12B.1.(b)** Multiyear Contracts. – The Division of Child Development
 12 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for
 13 licensed private child care centers providing NC Pre-K classrooms.

14 **SECTION 12B.1.(c)** Building Standards. – Notwithstanding G.S. 110-91(4),
 15 private child care facilities and public schools operating prekindergarten classrooms shall meet
 16 the building standards for preschool students as provided in G.S. 115C-521.1.

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

21 **SECTION 12B.1.(e)** NC Pre-K Committees. – Local NC Pre-K committees shall
 22 use the standard decision-making process developed by the Division of Child Development and
 23 Early Education in awarding prekindergarten classroom slots and student selection.

24 **SECTION 12B.1.(f)** Reporting. – The Division of Child Development and Early
 25 Education shall submit an annual report no later than March 15 of each year to the Joint
 26 Legislative Oversight Committee on Health and Human Services, the Office of State Budget
 27 and Management, and the Fiscal Research Division. The report shall include the following:

- 28 (1) The number of children participating in the NC Pre-K program by county.
- 29 (2) The number of children participating in the NC Pre-K program who have
 30 never been served in other early education programs such as child care,
 31 public or private preschool, Head Start, Early Head Start, or early
 32 intervention programs.
- 33 (3) The expected NC Pre-K expenditures for the programs and the source of the
 34 local contributions.
- 35 (4) The results of an annual evaluation of the NC Pre-K program.

36 **SECTION 12B.1.(g)** Audits. – The administration of the NC Pre-K program by
 37 local partnerships shall be subject to the financial and compliance audits authorized under
 38 G.S. 143B-168.14(b).

39 **SECTION 12B.1.(h)** Oral Health Screen and Health Assessment Transmittal
 40 Form. – G.S. 130A-441(a)(5) reads as rewritten:

41 "(5) A section that includes the following information, if applicable, supplied
 42 by a health care provider specified in G.S. 130A-440(c):

43 ...

44 g. Information on whether the student passed a dental screening and any
 45 concerns related to the student's oral health.

46 h. An opportunity to indicate whether there are recommendations,
 47 concerns, or needs related to the student's health and whether school
 48 follow-up is needed.

49 h-i. An opportunity to provide comments."

51 CHILD CARE SUBSIDY RATES

1 enrollees and shall be representative of fees charged to parents for each age group of enrollees
2 within the county. The Division of Child Development and Early Education shall also calculate
3 a statewide rate and regional market rate for each rated license level for each age category.

4 **SECTION 12B.2.(g)** The Division of Child Development and Early Education
5 shall continue implementing policies that improve the quality of child care for subsidized
6 children, including a policy in which child care subsidies are paid, to the extent possible, for
7 child care in the higher quality centers and homes only. The Division shall define
8 higher-quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For
9 those counties with an inadequate number of four- and five-star-rated facilities, the Division
10 shall continue a transition period that allows the facilities to continue to receive subsidy funds
11 while the facilities work on the increased star ratings. The Division may allow exemptions in
12 counties where there is an inadequate number of four- and five-star-rated facilities for
13 nonstar-rated programs, such as religious programs.

14 **SECTION 12B.2.(h)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
15 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the
16 program that provides for the purchase of care in child care facilities for minor children of
17 needy families. Except as authorized by subsection (g) of this section, no separate licensing
18 requirements shall be used to select facilities to participate. In addition, child care facilities
19 shall be required to meet any additional applicable requirements of federal law or regulations.
20 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of
21 the General Statutes shall meet the requirements established by other State law and by the
22 Social Services Commission.

23 County departments of social services or other local contracting agencies shall not
24 use a provider's failure to comply with requirements in addition to those specified in this
25 subsection as a condition for reducing the provider's subsidized child care rate.

26 **SECTION 12B.2.(i)** Payment for subsidized child care services provided with
27 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations
28 and policies issued by the Division of Child Development and Early Education for the
29 subsidized child care program.

30 **SECTION 12B.2.(j)** Noncitizen families who reside in this State legally shall be
31 eligible for child care subsidies if all other conditions of eligibility are met. If all other
32 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be
33 eligible for child care subsidies only if at least one of the following conditions is met:

- 34 (1) The child for whom a child care subsidy is sought is receiving child
35 protective services or foster care services.
- 36 (2) The child for whom a child care subsidy is sought is developmentally
37 delayed or at risk of being developmentally delayed.
- 38 (3) The child for whom a child care subsidy is sought is a citizen of the United
39 States.

40 **SECTION 12B.2.(k)** The Department of Health and Human Services, Division of
41 Child Development and Early Education, shall require all county departments of social services
42 to include on any forms used to determine eligibility for child care subsidy whether the family
43 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

44 **SECTION 12B.2.(l)** Department of Defense certified child care facilities licensed
45 pursuant to G.S. 110-106.2 may participate in the State subsidized child care program that
46 provides for the purchase of care in child care facilities for minor children in needy families;
47 provided, that funds allocated from the State subsidized child care program to Department of
48 Defense certified child care facilities shall supplement and not supplant funds allocated in
49 accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose
50 Department of Defense certified child care facilities and who are eligible to receive subsidized
51 child care shall be as set forth in this Section.

CHILD CARE SUBSIDY MARKET RATE INCREASES

SECTION 12B.3. Over the course of the fiscal biennium, the Department of Health and Human Services, Division of Child Development and Early Education, shall increase the child care subsidy market rates to twenty-five percent (25%) of the rates recommended by the 2015 Child Care Market Rate Study from birth through five years of age in three-, four-, and five-star-rated child care centers and homes in development tier three areas, as defined in G.S. 143B-437.08 for the 2017 calendar year.

CHILD CARE ALLOCATION FORMULA

SECTION 12B.4.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

- (1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 12B.2 of this act.
- (2) The Department of Health and Human Services may withhold up to two percent (2%) of available funds from the allocation formula for preventing termination of services. The Division of Child Development will allocate any funds withheld that are not needed for this purpose to counties by September 30, 2017.
- (3) Each county's child care subsidy allocation shall include a four percent (4%) set-aside for vulnerable populations, which include children identified as having special needs and for children whose applications for assistance indicate that they and their families are experiencing homeless or in a temporary living situation. These children shall be given priority for receiving services until such time as each county's set-aside for vulnerable populations is exhausted.

SECTION 12B.4.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families or for repayment of any federal funds that cannot be reobligated that are identified by counties as overpayments. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county. Counties shall manage service levels within the funds allocated to them. Counties with a spending coefficient over one hundred percent (100%) must submit a plan for managing their allocations to the Division of Child Development and Early Education before receiving any reallocated funds.

SECTION 12B.4.(c) When implementing the formula under subsection (a) of this section, the Department of Health and Human Services, Division of Child Development and Early Education, shall include the market rate increase in the formula process, rather than calculating the increases outside of the formula process. Moreover, based on the newest Census data release, the Department shall implement (i) one-third of the change in a county's allocation in the year following the data release; (ii) an additional one-third of the change in a county's allocation beginning two years after the initial change under this subdivision; and (iii) the final one-third change in a county's allocation beginning the following two years thereafter.

CHILD CARE FUNDS MATCHING REQUIREMENTS

SECTION 12B.5. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of an emergency as defined in G.S. 166A-19.3(6).

CHILD CARE REVOLVING LOAN

SECTION 12B.6. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION

SECTION 12B.7.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand dollars (\$80,000), whichever is greater.

SECTION 12B.7.(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

SECTION 12B.7.(c) The Division of Child Development and Early Education may adjust the allocations in the Child Care and Development Fund Block Grant under Section 12J.1 of this act according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30 of each year of the fiscal biennium.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 12B.8.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.,'s mission of improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.,-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star-rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

- (1) Increase children's literacy.
- (2) Increase the parents' ability to raise healthy, successful children.
- (3) Improve children's health.
- (4) Assist four- and five-star-rated facilities in improving and maintaining quality.

1 **SECTION 12B.8.(b)** Administration. – Administrative costs shall be equivalent to,
2 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the
3 total statewide allocation to all local partnerships. For purposes of this subsection,
4 administrative costs shall include costs associated with partnership oversight, business and
5 financial management, general accounting, human resources, budgeting, purchasing,
6 contracting, and information systems management. The North Carolina Partnership for
7 Children, Inc., shall continue using a single statewide contract management system that
8 incorporates features of the required standard fiscal accountability plan described in
9 G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract
10 management system and, directed by the North Carolina Partnership for Children, Inc., to
11 collaborate, to the fullest extent possible, with other local partnerships to increase efficiency
12 and effectiveness.

13 **SECTION 12B.8.(c)** Salaries. – The salary schedule developed and implemented
14 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State
15 funds that may be used for the salary of the Executive Director of the North Carolina
16 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina
17 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 18 (1) The population of the area serviced by a local partnership.
- 19 (2) The amount of State funds administered.
- 20 (3) The amount of total funds administered.
- 21 (4) The professional experience of the individual to be compensated.
- 22 (5) Any other relevant factors pertaining to salary, as determined by the North
23 Carolina Partnership for Children, Inc.

24 The salary schedule shall be used only to determine the maximum amount of State
25 funds that may be used for compensation. Nothing in this subsection shall be construed to
26 prohibit a local partnership from using non-State funds to supplement an individual's salary in
27 excess of the amount set by the salary schedule established under this subsection.

28 **SECTION 12B.8.(d)** Match Requirements. – The North Carolina Partnership for
29 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one
30 hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the
31 2017-2019 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the
32 local partnerships are required to match, contributions of cash shall be equal to at least thirteen
33 percent (13%) and in kind donated resources shall be equal to no more than six percent (6%)
34 for a total match requirement of nineteen percent (19%) for the 2017-2018 fiscal year. The
35 North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the
36 required match for a fiscal year in order to meet the match requirement of the succeeding fiscal
37 year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match
38 requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the
39 match requirement of this subsection. Volunteer services that qualify as professional services
40 shall be valued at the fair market value of those services. All other volunteer service hours shall
41 be valued at the statewide average wage rate as calculated from data compiled by the Division
42 of Employment Security of the Department of Commerce in the Employment and Wages in
43 North Carolina Annual Report for the most recent period for which data are available.
44 Expenses, including both those paid by cash and in-kind contributions, incurred by other
45 participating non-State entities contracting with the North Carolina Partnership for Children,
46 Inc., or the local partnerships, also may be considered resources available to meet the required
47 private match. In order to qualify to meet the required private match, the expenses shall:

- 48 (1) Be verifiable from the contractor's records.
- 49 (2) If in-kind, other than volunteer services, be quantifiable in accordance with
50 generally accepted accounting principles for nonprofit organizations.
- 51 (3) Not include expenses funded by State funds.

- 1 (4) Be supplemental to and not supplant preexisting resources for related
2 program activities.
- 3 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and
4 be necessary and reasonable for the proper and efficient accomplishment of
5 the Program's objectives.
- 6 (6) Be otherwise allowable under federal or State law.
- 7 (7) Be required and described in the contractual agreements approved by the
8 North Carolina Partnership for Children, Inc., or the local partnership.
- 9 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local
10 partnership by the contractor in the same manner as reimbursable expenses.

11 Failure to obtain a nineteen percent (19%) match by June 30, 2018, shall result in a
12 dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year.
13 The North Carolina Partnership for Children, Inc., shall be responsible for compiling
14 information on the private cash and in-kind contributions into a report that is submitted to the
15 Joint Legislative Oversight Committee on Health and Human Services in a format that allows
16 verification by the Department of Revenue. The same match requirements shall apply to any
17 expansion funds appropriated by the General Assembly.

18 **SECTION 12B.8.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,
19 and all local partnerships shall use competitive bidding practices in contracting for goods and
20 services on contract amounts as follows:

- 21 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
22 specified by a written policy as developed by the Board of Directors of the
23 North Carolina Partnership for Children, Inc.
- 24 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen
25 thousand dollars (\$15,000), three written quotes.
- 26 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than
27 forty thousand dollars (\$40,000), a request for proposal process.
- 28 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
29 proposal process and advertising in a major newspaper.

30 **SECTION 12B.8.(f) Allocations.** – The North Carolina Partnership for Children,
31 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the
32 2012-2013 funding level.

33 **SECTION 12B.8.(g) Performance-Based Evaluation.** – The Department of Health
34 and Human Services shall continue to implement the performance-based evaluation system.

35 **SECTION 12B.8.(h) Expenditure Restrictions.** – The Department of Health and
36 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the
37 allocation of funds for Early Childhood Education and Development Initiatives for the
38 2017-2019 fiscal biennium shall be administered and distributed in the following manner:

- 39 (1) Capital expenditures are prohibited for the 2017-2019 fiscal biennium. For
40 the purposes of this section, "capital expenditures" means expenditures for
41 capital improvements as defined in G.S. 143C-1-1(d)(5).
- 42 (2) Expenditures of State funds for advertising and promotional activities are
43 prohibited for the 2017-2019 fiscal biennium.

44 For the 2017-2019 fiscal biennium, local partnerships shall not spend any State
45 funds on marketing campaigns, advertising, or any associated materials. Local partnerships
46 may spend any private funds the local partnerships receive on those activities.

47 **MANDATORY CHILD CARE PROVIDERS' CRIMINAL HISTORY CHECKS**

48 **SECTION 12B.9.** G.S. 110-90.2 reads as rewritten:

49 **"§ 110-90.2. Mandatory child care providers' criminal ~~history~~ background checks.**

- 50 (a) For purposes of this section:

- 1 (1) "Child care", notwithstanding the definition in G.S. 110-86, means any child
2 care provided in child care facilities required to be licensed or regulated
3 under this Article and ~~nonlicensed child care homes~~any other facility
4 approved to receive or receiving State or federal funds for providing child
5 care.
- 6 (2) "Child care provider" means a person who:
7 a. Is employed by or seeks to be employed by a child care facility
8 providing child care as defined in subdivision (1) of this subsection,
9 whether in temporary or permanent capacity, including substitute
10 ~~providers;~~ providers.
11 b. Owns or operates or seeks to own or operate a child care facility or
12 nonlicensed child care home providing child care as defined in
13 subdivision (1) of this ~~subsection;~~ or subsection.
14 c. Is a member of the household in a family child care home,
15 nonlicensed child care home, or child care center in a residence and
16 who is over 15 years old, including family members and nonfamily
17 members who use the home on a permanent or temporary basis as
18 their place of residence.
19 d. Is a substitute who temporarily assumes the duties of a staff person
20 and may or may not be monetarily compensated by the facility.
21 e. Works or volunteers in a child care facility and is counted in
22 staff/child ratio or has unsupervised contact with children, but who is
23 not monetarily compensated by the facility.
- 24 (3) "Criminal history" means a county, state, or federal criminal history ~~of a~~
25 ~~conviction or pending indictment of a crime or a criminal charge, whether a~~
26 ~~misdemeanor or a felony,~~ that bears upon an individual's fitness to have
27 responsibility for the safety and well-being of children. ~~Such crimes~~
28 a. Criminal history shall include felony or misdemeanor convictions, as
29 well as pending misdemeanor charges, pending felony charges, or
30 pending felony indictments.
31 b. Crimes that have a bearing on an individual's fitness to have
32 responsibility for the safety and well-being of children include, but
33 are not limited to, the following North Carolina crimes contained in
34 any of the following Articles of Chapter 14 of the General Statutes:
35 Article 3A, Terrorism; Article 6, Homicide; Article 6A, Unborn
36 Victims; Article 7B, Rape and Other Sex Offenses; Article 8,
37 Assaults; Article 10, Kidnapping and Abduction; Article 13,
38 Malicious Injury or Damage by Use of Explosive or Incendiary
39 Device or Material; Article 14, ~~Burglary;~~ Burglary and Other House
40 ~~Breakings;~~ Article 15, Arson and Other Burnings; Article 16,
41 Larceny; Article 17, Robbery; Article 18, Embezzlement; Article 19,
42 False Pretenses and Cheats; Article 19A, Obtaining Property or
43 Services by False or Fraudulent Use of Credit Device or Other
44 Means; Article 19B, Financial Transaction Card Crime Act; Article
45 19C, ~~Identity Theft;~~ Financial Identity Fraud; Article 21, Forgery;
46 Article 26, Offenses Against Public Morality and Decency; Article
47 27, Prostitution; Article 27A, Sex Offender and Public Protection
48 Registration Program; Article 29, Bribery; Article 35, Offenses
49 Against the Public Peace; Article 36A, ~~Riots and Riots,~~ Civil
50 ~~Disorders;~~ Disorders, and Emergencies; Article 39, Protection of
51 Minors; Article 40, Protection of the Family; Article 52,

1 Miscellaneous Police Regulations; and Article 59, Public
2 Intoxication. Such crimes also include cruelty to animals in violation
3 of Article 3 of Chapter 19A of the General Statutes, possession or
4 sale of drugs in violation of the North Carolina Controlled
5 Substances Act, Article 5 of Chapter 90 of the General Statutes, and
6 alcohol-related offenses such as sale to underage persons in violation
7 of G.S. 18B-302 or driving while impaired in violation of
8 G.S. 20-138.1 through G.S. 20-138.5. In addition to the North
9 Carolina crimes listed in this subdivision, such crimes also include
10 similar crimes under federal law or under the laws of other states.

11 c. Nothing in this section shall be construed to prevent the Department
12 from disqualifying child care providers based on their conviction for
13 crimes not specifically listed in this section that bear upon the fitness
14 of an individual to provide care for and have responsibility for the
15 safety and well-being of children.

16 (4) "Substitute provider" means a person who temporarily assumes the duties of
17 a staff person for a time period not to exceed two consecutive months and
18 may or may not be monetarily compensated by the facility.

19 (5) "Uncompensated provider" means a person who works in a child care
20 facility and is counted in staff/child ratio or has unsupervised contact with
21 children, but who is not monetarily compensated by the facility.

22 (a1) No person shall ever be a child care provider ~~or uncompensated child care provider~~
23 who has been any of the following:

24 (1) Convicted of a misdemeanor or a felony crime involving child neglect or
25 child abuse.

26 (2) Adjudicated a "responsible individual" under G.S. 7B-311(b).

27 (3) Convicted of a "reportable conviction" as defined under G.S. 14-208.6(4).

28 (4) Is registered, or is required to be registered, on any State sex offender
29 registry.

30 (5) Is registered, or is required to be registered on the National Sex Offender
31 Registry established under the Adam Walsh Child Protection and Safety Act
32 of 2006 (42 U.S.C. § 16901 et seq.).

33 (6) Placed on the Child Maltreatment Registry in accordance with
34 G.S. 110-105.5.

35 (7) Convicted of a felony consisting of:

36 a. Murder, as described in section 1111 of title 18, United States Code.

37 b. A crime against children, including child pornography.

38 c. Spousal abuse.

39 d. A crime involving rape or sexual assault.

40 e. Kidnapping.

41 f. Arson.

42 g. Physical assault or battery.

43 h. Has been convicted of a violent misdemeanor committed as an adult
44 against a child, including the following crimes: child endangerment,
45 sexual assault, or a misdemeanor involving child pornography.

46 (a2) No person shall be a child care provider who has been convicted of a felony
47 consisting of a drug-related offense committed during the preceding five years; however, such
48 person may reapply under this section, five years after disqualification, or five years after the
49 last drug-related felony offense, whichever is sooner.

50 (b) ~~Effective January 1, 1996~~ The Department shall ensure that, prior to employment
51 and every three years thereafter, the criminal history of all child care providers is checked and a

determination is made of the child care provider's fitness to have responsibility for the safety and well-being of children based on the criminal history. The Department shall ensure that all child care providers are checked for county, State, and federal criminal histories. The department shall further ensure that the State criminal sex offender registry or repository, abuse and neglect registries, and databases of any state where the child care provider resided during the preceding five years is checked and is part of the basis of the Department's determination of fitness.

(b1) The Department may prevent an individual from being a child care provider if the Department determines that the individual ~~is a habitually excessive user of alcohol, illegally uses narcotic or other impairing drugs, or is mentally or emotionally impaired to an extent that may be injurious to children.~~ meets any of the following:

(1) Is a habitually excessive user of alcohol, as evidenced by, among other things:

a. Two or more convictions of driving while intoxicated or driving under the influence within the three years immediately preceding the review of the criminal history

b. Alcohol-related convictions, pending charges, or pending indictments of alcohol related offenses.

c. Documentation or other evidence obtained by or provided to the Department related to the individual's alcohol use.

(2) Illegally uses narcotic or other impairing drugs.

(3) Is mentally or emotionally impaired to an extent that may be injurious to children, as evidenced by, among other things:

a. An evaluation of an employee's emotional and physical fitness to care for children by a licensed mental health professional indicating that there has been deterioration in the person's emotional or physical fitness to care for children.

b. A current civil no contact order, restraining order, or similar order from a court of competent jurisdiction entered against the employee.

(c) The Department of Public Safety shall provide to the Division of Child ~~Development, Development and Early Education, Department of Health and Human Services,~~ the criminal history from the State and National Repositories of Criminal Histories-Histories and the results of the State and national sex offender registries of any child care provider as requested by the Division.

The Division shall provide to the Department of Public Safety, along with the request, the ~~fingerprints-fingerprint impressions~~ of the provider to be checked, any additional information required by the Department of Public Safety, and checked. The Division of Child Development and Early Education shall maintain a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories signed by the child care provider to be checked. ~~The fingerprints of the provider shall be forwarded to the State Bureau of Investigation for a search of their criminal history record file and the State Bureau of Investigation.~~ The Department of Public Safety shall forward a set of fingerprints to the Federal Bureau of Investigation for a federal criminal history record check.

At the time of application, the child care provider whose criminal history is to be checked shall be furnished with a statement substantially similar to the following:

NOTICE

**CHILD CARE PROVIDER
MANDATORY CRIMINAL HISTORY BACKGROUND CHECK**

1 NORTH CAROLINA LAW REQUIRES THAT A CRIMINAL HISTORY RECORD
2 BACKGROUND CHECK BE CONDUCTED ON ALL PERSONS WHO PROVIDE CHILD
3 CARE IN A LICENSED OR REGULATED CHILD CARE FACILITY, AND ALL
4 PERSONS PROVIDING CHILD CARE IN NONLICENSED CHILD CARE HOMES ANY
5 OTHER FACILITY THAT RECEIVE RECEIVES STATE OR FEDERAL FUNDS.

6 "Criminal history" means a county, state, or federal criminal history of conviction, pending
7 indictment of a crime, or criminal charge, whether a misdemeanor or a felony, that bears on an
8 individual's fitness to have responsibility for the safety and well-being of children. Such
9 Criminal history includes felony or misdemeanor convictions, as well as pending misdemeanor
10 charges and pending felony charges and felony indictments. Relevant crimes include, but are
11 not limited to, the following North Carolina crimes contained in any of the following Articles
12 of Chapter 14 of the General Statutes: Article 6, Homicide; Article 7B, Rape and Other Sex
13 Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious
14 Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary;
15 Article 16, Larceny; Article 17, Robbery; Article 19, False Pretenses and Cheats; Article 19A,
16 Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means;
17 Article 19C, Identity Theft; Article 26, Offenses Against Public Morality and Decency; Article
18 27, Prostitution; Article 29, Bribery; Article 35, Offenses Against the Public Peace; Article
19 36A, Riots and Civil Disorders; Article 39, Protection of Minors; Article 40, Protection of the
20 Family; and Article 59, Public Intoxication. Such crimes also include cruelty to animals in
21 violation of Article 3 of Chapter 19A of the General Statutes, violation of the North Carolina
22 Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related
23 offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while
24 impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. Article 3A, Terrorism; Article 6,
25 Homicide; Article 6A, Unborn Victims; Article 7B, Rape and Other Sex Offenses; Article 8,
26 Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by
27 Use of Explosive or Incendiary Device or Material; Article 14, Burglary and Other House
28 Breakings; Article 15, Arson and Other Burnings; Article 16, Larceny; Article 17, Robbery;
29 Article 18, Embezzlement; Article 19, False Pretenses and Cheats; Article 19A, Obtaining
30 Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 19B,
31 Financial Transaction Card Crime Act; Article 19C, Financial Identity Fraud; Article 21,
32 Forgery; Article 26, Offenses Against Public Morality and Decency; Article 27, Prostitution;
33 Article 27A, Sex Offender and Public Protection Registration Program; Article 29, Bribery;
34 Article 35, Offenses Against the Public Peace; Article 36A, Riots and Civil Disorders and
35 Emergencies; Article 39, Protection of Minors; Article 40, Protection of the Family; Article 52,
36 Miscellaneous Police Regulations; and Article 59, Public Intoxication. Such crimes also
37 include cruelty to animals in violation of Article 3 of Chapter 19A of the General Statutes,
38 possession or sale of drugs in violation of the North Carolina Controlled Substances Act,
39 Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to
40 underage persons in violation of G.S. 18B-302 or driving while impaired in violation of
41 G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this
42 subdivision, such crimes also include similar crimes under federal law or under the laws of
43 other states.

44 In addition to the North Carolina crimes listed in this notice, such crimes also include
45 similar crimes under federal law or under the laws of other states. Your fingerprints will be
46 used to check the criminal history records of the State Bureau of Investigation (SBI) and the
47 Federal Bureau of Investigation (FBI).

48 If it is determined, based on your criminal history, If the North Carolina Department of
49 Health and Human Services determines that you are unfit to have responsibility for the safety
50 and well-being of children, you shall have the opportunity to complete, or challenge the
51 accuracy of, the information contained in the SBI or FBI identification records.

1 If you disagree with the determination of the North Carolina Department of Health and
2 Human Services on your fitness to provide child care, you may file a civil lawsuit in the district
3 court in the county where you live within 60 days after ~~receiving written notification of~~
4 ~~disqualification in the district court in the county where you live.~~the date of determination of
5 disqualification.

6 Any child care provider who intentionally falsifies any information required to be furnished
7 to conduct the criminal history record check shall be guilty of a Class 2 misdemeanor.

8 Refusal to consent to a criminal history record check or intentional falsification of any
9 information required to be furnished to conduct a criminal history record check is grounds for
10 the Department to prohibit the child care provider from providing child care. Any child care
11 provider who intentionally falsifies any information required to be furnished to conduct the
12 criminal history shall be guilty of a Class 2 misdemeanor.

13 (d) The Department shall notify in writing the child care provider, and the child care
14 provider's employer, if any, or for ~~nonlicensed child care homes the local purchasing agency,~~
15 other facilities receiving State of federal funds for providing child care, of the determination by
16 the Department whether the child care provider is qualified to provide child care based on the
17 child care provider's criminal history. In accordance with the law regulating the dissemination
18 of the contents of the criminal history file furnished by the Federal Bureau of Investigation, the
19 Department shall not release nor disclose any portion of the child care provider's criminal
20 history to the child care provider or the child care provider's ~~employer or local purchasing~~
21 ~~agency.~~employer. The Department shall also notify the child care provider of the procedure for
22 completing or challenging the accuracy of the criminal history and the child care provider's
23 right to contest the Department's determination in court.

24 (e) A child care provider who disagrees with the Department's decision may file a civil
25 action in the district court of the county of residence of the child care provider within 60 days
26 after ~~receiving written notification~~the date of disqualification. Review of the Department's
27 determination disqualifying a child care provider shall be de novo. No jury trial is available for
28 appeals to district court under this section.

29 (e)(f) All the information that the Department receives through the checking of the
30 criminal history is privileged information and is not a public record but is for the exclusive use
31 of the Department and those persons authorized under this section to receive the information.
32 The Department may destroy the information after it is used for the purposes authorized by this
33 section after one calendar year.

34 (f)(g) There shall be no liability for negligence on the part of an employer of a child care
35 provider, an owner or operator of a child care facility, a State or local agency, or the employees
36 of a State or local agency, arising from any action taken or omission by any of them in carrying
37 out the provisions of this section. The immunity established by this subsection shall not extend
38 to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be
39 actionable. The immunity established by this subsection is waived to the extent of
40 indemnification by insurance, indemnification under Article 31A of Chapter 143 of the General
41 Statutes, and to the extent sovereign immunity is waived under the Torts Claim Act, as set forth
42 in Article 31 of Chapter 143 of the General Statutes.

43 (g)(h) The child care provider shall pay the cost of the fingerprinting and the federal
44 criminal history record check in accordance with G.S. 143B-934. The Department of Public
45 Safety shall perform the State criminal history record check. The Department of Health and
46 Human Services shall pay for and conduct the county criminal history record check. Child care
47 providers who reside outside the State bear the cost of the county criminal history record check
48 and shall provide the county criminal history record check to the Division of Child
49 Development as required by this section.

1 (i) A child care operator shall not knowingly permit an individual disqualified from
2 being a child care provider pursuant to this section to be present on the premises of any child
3 care facility or other regulated facility while children are in care.

4 (j) Operators who fail to comply with the provisions of this section shall be subject to
5 administrative penalties up to and including summary suspension, revocation, or order to cease
6 operation of their child care facility or regulated facility."

8 **SUBPART XII-C. DIVISION OF SOCIAL SERVICES**

10 **UPDATE DATES/TANF BENEFIT IMPLEMENTATION PLAN**

11 **SECTION 12C.1.(a)** Beginning October 1, 2017, the General Assembly approves
12 the plan titled "North Carolina Temporary Assistance for Needy Families State Plan fiscal
13 biennium 2017-2019," prepared by the Department of Health and Human Services and
14 presented to the General Assembly. The North Carolina Temporary Assistance for Needy
15 Families State Plan covers the period October 1, 2017, through September 30, 2019. The
16 Department shall submit the State Plan, as revised in accordance with subsection (b) of this
17 section, to the United States Department of Health and Human Services.

18 **SECTION 12C.1.(b)** The counties approved as Electing Counties in the North
19 Carolina Temporary Assistance for Needy Families State Plan fiscal biennium 2017-2019, as
20 approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and
21 Wilson Counties.

22 **SECTION 12C.1.(c)** Counties that submitted the letter of intent to remain as an
23 Electing County or to be redesignated as an Electing County and the accompanying county plan
24 for the 2017-2019 fiscal biennium, pursuant to G.S. 108A-27(e), shall operate under the
25 Electing County budget requirements effective July 1, 2017. For programmatic purposes, all
26 counties referred to in this subsection shall remain under their current county designation
27 through September 30, 2019.

28 **SECTION 12C.1.(d)** For the 2017-2018 fiscal year, Electing Counties shall be
29 held harmless to their Work First Family Assistance allocations for the 2016-2017 fiscal year,
30 provided that remaining funds allocated for Work First Family Assistance and Work First
31 Diversion Assistance are sufficient for payments made by the Department on behalf of
32 Standard Counties pursuant to G.S. 108A-27.11(b).

33 **SECTION 12C.1.(e)** In the event that departmental projections of Work First
34 Family Assistance and Work First Diversion Assistance for the 2017-2018 fiscal year indicate
35 that remaining funds are insufficient for Work First Family Assistance and Work First
36 Diversion Assistance payments to be made on behalf of Standard Counties, the Department is
37 authorized to deallocate funds, of those allocated to Electing Counties for Work First Family
38 Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for
39 payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by
40 the Office of State Budget and Management. If the Department adjusts the allocation set forth
41 in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight
42 Committee on Health and Human Services and the Fiscal Research Division.

44 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 45 **PERFORMANCE ENHANCEMENTS**

46 **SECTION 12C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the
47 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to
48 children and families in cases of abuse, neglect, and dependency where a child is at imminent
49 risk of removal from the home and to children and families in cases of abuse where a child is
50 not at imminent risk of removal. The Program shall be developed and implemented statewide

1 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria
2 for determining imminent risk and clear criteria for determining out-of-home placement.

3 **SECTION 12C.2.(b)** The Department of Health and Human Services shall require
4 that any program or entity that receives State, federal, or other funding for the purpose of IFPS
5 shall provide information and data that allows for the following:

- 6 (1) An established follow-up system with a minimum of six months of
7 follow-up services.
- 8 (2) Detailed information on the specific interventions applied, including
9 utilization indicators and performance measurement.
- 10 (3) Cost-benefit data.
- 11 (4) Data on long-term benefits associated with IFPS. This data shall be obtained
12 by tracking families through the intervention process.
- 13 (5) The number of families remaining intact and the associated interventions
14 while in IFPS and 12 months thereafter.
- 15 (6) The number and percentage, by race, of children who received IFPS
16 compared to the ratio of their distribution in the general population involved
17 with Child Protective Services.

18 **SECTION 12C.2.(c)** The Department shall establish a performance-based funding
19 protocol and shall only provide funding to those programs and entities providing the required
20 information specified in subsection (b) of this section. The amount of funding shall be based on
21 the individual performance of each program.

22 23 **CHILD CARING INSTITUTIONS**

24 **SECTION 12C.3.** Until the Social Services Commission adopts rules setting
25 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the
26 maximum reimbursement for child caring institutions shall not exceed the rate established for
27 the specific child caring institution by the Department of Health and Human Services, Office of
28 the Controller. In determining the maximum reimbursement, the State shall include county and
29 IV-E reimbursements.

30 31 **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

32 **SECTION 12C.4.** Of the funds available for the provision of foster care services,
33 the Department of Health and Human Services, Division of Social Services, may provide for
34 the financial support of children who are deemed to be (i) in a permanent family placement
35 setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency.
36 No additional expenses shall be incurred beyond the funds budgeted for foster care for the
37 Guardianship Assistance Program (GAP). The Division of Social Services shall design the
38 GAP to include provisions for extending guardianship services for individuals who have
39 attained the age of 18 years and opt to continue to receive guardianship services until reaching
40 21 years of age if the individual is (i) completing secondary education or a program leading to
41 an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational
42 education, (iii) participating in a program or activity designed to promote or remove barriers to
43 employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the
44 educational or employment requirements of this section due to a medical condition or
45 disability. The GAP rates shall reimburse the legal guardian for room and board and be set at
46 the same rate as the foster care room and board rates in accordance with rates established under
47 G.S. 108A-49.1. The Social Services Board shall adopt rules establishing a GAP to implement
48 this section, including defining the phrase "legal guardian" as used in this section.

49 50 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

1 **SECTION 12C.5.(a)** The funds appropriated in this act to the Department of
2 Health and Human Services for the child welfare postsecondary support program shall be used
3 to continue providing assistance with the "cost of attendance" as that term is defined in 20
4 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system
5 and special needs children adopted from foster care after age 12. These funds shall be allocated
6 by the State Education Assistance Authority.

7 **SECTION 12C.5.(b)** Of the funds appropriated in this act to the Department of
8 Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the 2017-2018
9 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2018-2019 fiscal year shall
10 be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA
11 shall use these funds only to perform administrative functions necessary to manage and
12 distribute scholarship funds under the child welfare postsecondary support program.

13 **SECTION 12C.5.(c)** Of the funds appropriated in this act to the Department of
14 Health and Human Services, the sum of three hundred thirty-nine thousand four hundred
15 ninety-three dollars (\$339,493) for the 2017-2018 fiscal year and the sum of three hundred
16 thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2018-2019 fiscal year
17 shall be used to contract with an entity to administer the child welfare postsecondary support
18 program described under subsection (a) of this section, which administration shall include the
19 performance of case management services.

20 **SECTION 12C.5.(d)** Funds appropriated to the Department of Health and Human
21 Services for the child welfare postsecondary support program shall be used only for students
22 attending public institutions of higher education in this State.

23 24 **FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

25 **SECTION 12C.6.(a)** Centralized Services. – The North Carolina Child Support
26 Services Section (NCCSS) of the Department of Health and Human Services, Division of
27 Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive
28 payments it receives from the federal government to enhance centralized child support services.
29 To accomplish this requirement, NCCSS shall do the following:

- 30 (1) In consultation with representatives from county child support services
31 programs, identify how federal incentive funding could improve centralized
32 services.
- 33 (2) Use federal incentive funds to improve the effectiveness of the State's
34 centralized child support services by supplementing and not supplanting
35 State expenditures for those services.
- 36 (3) Develop and implement rules that explain the State process for calculating
37 and distributing federal incentive funding to county child support services
38 programs.

39 **SECTION 12C.6.(b)** County Child Support Services Programs. – NCCSS shall
40 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it
41 receives from the federal government to county child support services programs to improve
42 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall
43 do the following:

- 44 (1) In consultation with representatives from county child support services
45 programs, examine the current methodology for distributing federal
46 incentive funding to the county programs and determine whether an
47 alternative formula would be appropriate. NCCSS shall use its current
48 formula for distributing federal incentive funding until an alternative
49 formula is adopted.

- 1 (2) Upon adopting an alternative formula, develop a process to phase-in the
2 alternative formula for distributing federal incentive funding over a
3 four-year period.

4 **SECTION 12C.6.(c)** Reporting by County Child Support Services Programs. –
5 NCCSS shall establish guidelines that identify appropriate uses for federal incentive funding.
6 To ensure those guidelines are properly followed, NCCSS shall require county child support
7 services programs to comply with each of the following:

- 8 (1) Submit an annual plan describing how federal incentive funding would
9 improve program effectiveness and efficiency as a condition of receiving
10 federal incentive funding.
11 (2) Report annually on (i) how federal incentive funding has improved program
12 effectiveness and efficiency and been reinvested into their programs, (ii)
13 provide documentation that the funds were spent according to their annual
14 plans, and (iii) explain any deviations from their plans.

15 NCCSS shall submit a report on federal child support incentive funding to the Joint
16 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
17 Division by November 1 of each year. The report shall describe how federal incentive funds
18 enhanced centralized child support services to benefit county child support services programs
19 and improved the effectiveness and efficiency of county child support services programs. The
20 report shall further include any changes to the State process the NCCSS used in calculating and
21 distributing federal incentive funding to county child support services programs and any
22 recommendations for further changes
23

24 **CHILD WELFARE SYSTEM CHANGES**

25 **SECTION 12C.7.(a)** Federal Improvement Plan Implementation. – The
26 Department of Health and Human Services, Division of Social Services, shall implement the
27 requirements of the federal Program Improvement Plan to bring the State into compliance with
28 national standards for child welfare policy and practices. The Division shall collaborate with
29 county departments of social services to develop a model of oversight that supports program
30 outcomes and a county's ability to meet performance standards as outlined in the Program
31 Improvement Plan. Oversight may include support for continuous quality improvement, staff
32 training, and data analysis. During the first two years of implementing the Program
33 Improvement Plan, the Division shall ensure the three new Human Services/Planner Evaluator
34 positions funded by this act are used to carry out the activities detailed in the Plan. Upon
35 complete implementation of the Plan, these positions shall be used in child welfare services to
36 continually improve outcomes for children and families.

37 The Division shall report on the implementation and outcomes of the Program
38 Improvement Plan to the Joint Legislative Oversight Committee on Health and Human
39 Services. The report shall be submitted semiannually on February 1 and August 1 of each year,
40 through February 1, 2019.

41 **SECTION 12C.7.(b)** Child Welfare/NC FAST. – The Department of Health and
42 Human Services, Division of Social Services, shall continue toward completion of the child
43 welfare component of the North Carolina Families Accessing Services Through Technology
44 (NC FAST) system to (i) bring the State into compliance with the Statewide Information
45 System systematic factor of the Child and Family Services Review (CFSR) and (ii) ensure that
46 data quality meets federal standards and adequate information is collected and available to
47 counties to assist in tracking children and outcomes across counties.

48 It is the intent of the General Assembly that the child welfare component of the NC
49 FAST system be operational by December 31, 2017. To that end, the Department of Health and
50 Human Services, Division of Social Services, shall report quarterly on the development,
51 implementation, and outcomes of the child welfare component of the NC FAST system to the

1 Joint Legislative Oversight Committee on Health and Human Services from October 1, 2017,
2 through February 1, 2018. The report shall include, at a minimum, each of the following:

- 3 (1) The current time line for development and implementation of the child
4 welfare component to NC FAST.
- 5 (2) Any adjustments and justifications for adjustments to the time line.
- 6 (3) Progress on the development and implementation of the system.
- 7 (4) Address any identified issues in developing or implementing the child
8 welfare component to NC FAST and solutions to address those issues.
- 9 (5) The level of county participation and involvement in each phase of the
10 project.
- 11 (6) Any budget and expenditure reports, including overall project budget and
12 expenditures, and current fiscal year budget and expenditures.

13 14 **SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES**

15 16 **STATE-COUNTY SPECIAL ASSISTANCE RATES**

17 **SECTION 12D.1.(a)** For each fiscal year of the 2017-2019 fiscal biennium, the
18 maximum monthly rate for residents in adult care home facilities shall be one thousand one
19 hundred eighty-two dollars (\$1,182) per month per resident.

20 **SECTION 12D.1.(b)** For each fiscal year of the 2017-2019 fiscal biennium, the
21 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one
22 thousand five hundred fifteen dollars (\$1,515) per month per resident.

23 24 **ALIGNMENT OF STATE AGING PLAN DEADLINE**

25 **SECTION 12D.2.** G.S. 143B-181.1A(a) reads as rewritten:

26 "(a) The Division of Aging, Department of Health and Human Services shall submit a
27 regularly updated plan to the General Assembly by ~~March 1~~ July 1 of every other
28 odd-numbered year, ~~beginning March 1, 1995.~~ year. This plan shall include:

- 29 (1) A detailed analysis of the needs of older adults in North Carolina, based on
30 existing available data, including demographic, geographic, health, social,
31 ~~economical,~~ economic, and other pertinent indicators;
- 32 (2) A clear statement of the goals of the State's long-term public policy on
33 aging;
- 34 (3) An analysis of services currently provided and an analysis of additional
35 services needed; and
- 36 (4) Specific implementation recommendations on expansion and funding of
37 current and additional services and services levels."

38 39 **SUBPART XII-E. DIVISION OF PUBLIC HEALTH**

40 41 **FUNDS FOR SCHOOL NURSES**

42 **SECTION 12E.1.(a)** Funds appropriated in this act for the School Nurse Funding
43 Initiative shall be used to supplement and not supplant other State, local, or federal funds
44 appropriated or allocated for this purpose. Communities shall maintain their current level of
45 effort and funding for school nurses. These funds shall not be used to fund nurses for State
46 agencies. These funds shall be distributed to local health departments according to a formula
47 that includes all of the following:

- 48 (1) School nurse-to-student ratio.
- 49 (2) Percentage of students eligible for free or reduced-price meals.
- 50 (3) Percentage of children in poverty.
- 51 (4) Per capita income.

- 1 (5) Eligibility as a low-wealth county.
- 2 (6) Mortality rates for children between one and 19 years of age.
- 3 (7) Percentage of students with chronic illnesses.
- 4 (8) Percentage of county population consisting of minority persons.

5 **SECTION 12E.1.(b)** The Division of Public Health shall ensure that school nurses
6 funded with State funds (i) do not assist in any instructional or administrative duties associated
7 with a school's curriculum and (ii) perform all of the following with respect to school health
8 programs:

- 9 (1) Serve as the coordinator of the health services program and provide nursing
10 care.
- 11 (2) Provide health education to students, staff, and parents.
- 12 (3) Identify health and safety concerns in the school environment and promote a
13 nurturing school environment.
- 14 (4) Support healthy food services programs.
- 15 (5) Promote healthy physical education, sports policies, and practices.
- 16 (6) Provide health counseling, assess mental health needs, provide interventions,
17 and refer students to appropriate school staff or community agencies.
- 18 (7) Promote community involvement in assuring a healthy school and serve as
19 school liaison to a health advisory committee.
- 20 (8) Provide health education and counseling and promote healthy activities and
21 a healthy environment for school staff.
- 22 (9) Be available to assist the county health department during a public health
23 emergency.

24 25 **USE OF AIDS DRUG ASSISTANCE PROGRAM (ADAP) FUNDS TO PURCHASE** 26 **HEALTH INSURANCE**

27 **SECTION 12E.2.** The Department of Health and Human Services, Division of
28 Public Health, shall create within the North Carolina AIDS Drug Assistance Program (ADAP)
29 a health insurance premium assistance program that utilizes federal funds from Part B of the
30 Ryan White HIV/AIDS Program and ADAP funds to provide eligible beneficiaries with
31 premium and cost-sharing assistance for the purchase or maintenance of private health
32 insurance coverage, including premiums, co-payments, and deductibles. In creating this
33 program, the Department shall ensure full compliance with federal Health Resources and
34 Services Administration (HRSA) guidance, including the methodology used to do all of the
35 following:

- 36 (1) Assess and compare the cost of providing prescription drugs to eligible
37 beneficiaries through the health insurance premium assistance program
38 created pursuant to this section versus the existing ADAP program.
- 39 (2) Ensure that insurance premium assistance program funds are used solely to
40 pay for premium and cost-sharing assistance for the purchase or maintenance
41 of private health insurance coverage that provides, at a minimum,
42 prescription coverage equivalent to the formulary available under Part B of
43 the Ryan White HIV/AIDS Program.
- 44 (3) Limit the total annual amount of funds expended for the health insurance
45 premium assistance program authorized by this section to no more than the
46 total annual cost of maintaining the same individuals on the existing ADAP
47 Program.

48 49 **AIDS DRUG ASSISTANCE PROGRAM (ADAP)**

50 **SECTION 12E.3.** The Department of Health and Human Services shall work with
51 the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the

1 treatment of individuals in the custody of DPS who have been diagnosed with Human
2 Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner
3 that allows these funds to be accounted for as State-matching funds in the Department of
4 Health and Human Services drawdown of federal Ryan White funds earmarked for the AIDS
5 Drug Assistance Program (ADAP).

6 7 **FUNDING FOR THE OFFICE OF MINORITY HEALTH**

8 **SECTION 12E.4.** Funds appropriated in this act to the Department of Health and
9 Human Services, Division of Public Health, Office of Minority Health for the 2017-2019 fiscal
10 biennium shall be used to establish and administer, in consultation with the Chronic Disease
11 and Injury Prevention Section, an evidence-based Diabetes Prevention Program (DPP) modeled
12 after the program recommended by the National Institute of Diabetes and Digestive and Kidney
13 Diseases (NIDDK), targeting minority populations.

14 15 **USE OF MODIFIED ADJUSTED GROSS INCOME (MAGI) FOR AIDS DRUG** 16 **ASSISTANCE PROGRAM (ADAP) ELIGIBILITY DETERMINATION**

17 **SECTION 12E.5.** Effective January 1, 2018, the Department shall implement the
18 use of the Modified Adjusted Gross Income (MAGI) formula in the calculation of income for
19 the purpose of eligibility determination for the AIDS Drug Assistance Program (ADAP), to
20 ensure consistency with the method of eligibility determination used by other benefit programs.

21 22 **IMPLEMENT THE FEDERAL ELEVATED BLOOD LEAD LEVEL STANDARD IN** 23 **NC**

24 **SECTION 12E.6.(a)** It is the intent of the State to protect young children from
25 being exposed to high levels of lead where substantial harm to their normal neurological
26 development may occur and to ensure important intervention services, including required
27 remediation of lead hazards, will be provided to children whose health is threatened by lead
28 exposure.

29 **SECTION 12E.6.(b)** G.S. 130A-131.7(3) reads as rewritten:

30 "(3) "Confirmed lead poisoning" means a blood lead concentration of ~~20~~10
31 micrograms per deciliter or greater determined by the lower of two
32 consecutive blood tests within a ~~six-month~~12-month period."

33 **SECTION 12E.6.(c)** G.S. 130A-131.7(5) reads as rewritten:

34 "(5) "Elevated blood lead level" means a blood lead concentration of ~~10~~five
35 micrograms per deciliter or greater determined by the lower of two
36 consecutive blood tests within a ~~six-month~~12-month period."

37 **SECTION 12E.6.(d)** G.S. 130A-131.9C(a) reads as rewritten:

38 "(a) Upon determination that a child less than six years of age has a confirmed lead
39 poisoning of ~~20~~10 micrograms per deciliter or greater and that child resides in a residential
40 housing unit containing lead poisoning hazards, the Department shall require remediation of the
41 lead poisoning hazards. The Department shall also require remediation of the lead poisoning
42 hazards identified at the supplemental addresses of a child less than six years of age with a
43 confirmed lead poisoning of ~~20~~10 micrograms per deciliter or greater."

44 **SECTION 12E.6.(e)** G.S. 130A-131.9G reads as rewritten:

45 **"§ 130A-131.9G. Resident responsibilities.**

46 In any residential housing unit occupied by a child less than six years of age who has an
47 elevated blood lead level of ~~10~~five micrograms per deciliter or greater, the Department shall
48 advise, in writing, the owner or managing agent and the child's parents or legal guardian of the
49 importance of carrying out routine cleaning activities in the units they occupy, own, or manage.
50 The cleaning activities shall include all of the following:

51"

1
2 **SUBPART XII.F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTH**
3 **CARE FACILITIES**

4
5 **OPIOID ADVISORY GROUP AND FUNDING FOR THE OPIOID CRISIS**

6 **SECTION 12F.1.(a)** It is the intent of the State to develop and utilize
7 comprehensive strategies and coordinated, multisystem approaches to address the crisis of
8 prescription opioid and heroin overdose deaths associated with opioid use disorders and the
9 absence of adequate publicly funded prevention strategies and accessible and effective opioid
10 use disorder intervention and treatment services across the State. It is further the intent of the
11 State to promote public health and prevention strategies to control disease transmission, to
12 address pregnancy outcomes from opioid use, to support prevention and treatment programs
13 among pregnant and parenting women, and to maintain adequate public health capacity to
14 monitor and disseminate data on the health effects associated with the opioid epidemic. This
15 crisis is detrimental to communities across the State in terms of the related economic, health,
16 law enforcement, employment, and social costs to the State's residents related to untreated
17 opioid use disorders.

18 **SECTION 12F.1.(b)** The Department of Health and Human Services shall
19 establish an Opioid Advisory Group to advise the Secretary of the Department of Health and
20 Human Services on strategies to address the opioid crisis consistent with subsection (a) of this
21 section, and including recommendations in the Statewide Strategic Plan to combat the problem
22 of prescription drug abuse from the Prescription Drug Abuse Advisory Committee (PDAAC)
23 created pursuant to S.L. 2015-241. The Secretary of the Department of Health and Human
24 Services shall determine the number, structure, and leadership composition of the advisory
25 group. Recommendations from the advisory group shall be submitted to the Secretary of the
26 Department of Health and Human Services no later than March 1, 2018. The Secretary shall
27 have the authority to evaluate recommendations of the group and shall have the discretion to
28 determine the recommended use of funds to be presented in the final plan.

29 **SECTION 12F.1.(c)** Funds are appropriated in this act to the Department of Health
30 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance
31 Abuse Services, on a recurring basis to expand the implementation of medication-assisted
32 treatment using methadone, buprenorphine, buprenorphine combination products, or
33 naltrexone, and to include the utilization of naloxone for the prevention of opioid overdoses
34 and intensive individual and group therapy programs to increase availability and accessibility to
35 treat opioid-related drug abuse and overdoses. Program and practitioner sites may include
36 licensed Opioid Treatment Programs (OTPs), DATA 2000 Physician Waiver Office Based
37 Opioid Treatment (OBOT) buprenorphine practices, Federally Qualified Health Centers
38 (FQHCs), and other promising sites in underserved areas of the State. Of the funds appropriated
39 for the purpose set forth in this subsection, five hundred thousand dollars (\$500,000) is
40 recommended for TROSA, Inc., for the provision of residential treatment and other support
41 services, including vocational training, education, and placement.

42
43 **LME/MCO USE OF FUNDS TO PURCHASE INPATIENT ALCOHOL AND**
44 **SUBSTANCE ABUSE TREATMENT SERVICES**

45 **SECTION 12F.2.(a)** It is the intent of the General Assembly to terminate all direct
46 State appropriations for State-operated alcohol and drug abuse treatment centers (ADATCs)
47 beginning with the 2017-2018 fiscal year and instead appropriate funds to the Department of
48 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
49 Substance Abuse Services, for community services in order to allow local management
50 entities/managed care organizations (LME/MCOs) to assume responsibility for managing the
51 full array of publicly funded substance abuse services, including inpatient services delivered

1 through the ADATCs. To this end, and notwithstanding any other provision of law on the
2 effective date of this section, all direct State appropriations for ADATCs are terminated and the
3 ADATCs shall be one hundred percent (100%) receipt-supported.

4 **SECTION 12F.2.(b)** From funds appropriated in this act to the Department of
5 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
6 Substance Abuse Services, to be allocated to LME/MCOs for the purchase of inpatient alcohol
7 and substance abuse treatment services, the LME/MCOs shall use their respective fund
8 allocations for individuals within their respective catchment areas as follows:

- 9 (1) During the 2017-2018 fiscal year, a minimum of eighty-six percent (86%) of
10 the allocation shall be used exclusively to purchase inpatient alcohol and
11 substance abuse treatment services from the ADATCs in order for the
12 ADATCs to increase services available to individuals in need of inpatient
13 opioid treatment. The LME/MCOs shall use the remaining fourteen percent
14 (14%) of their respective allocations to purchase inpatient alcohol and
15 substance abuse treatment services from any qualified provider.
- 16 (2) In addition, the Department shall have the flexibility to proportion the
17 amount of available allocation from the LME/MCOs equally among the
18 ADATCs.
- 19 (3) In subsequent fiscal years, the percentage of the allocation that shall be used
20 exclusively to purchase inpatient alcohol and substance abuse treatment
21 services from the ADATCs shall decrease by ten percentage (10%) points
22 each fiscal year after the 2017-2018 fiscal year.

23 24 **USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS**

25 **SECTION 12F.3.(a)** It is the intent of the State to further reform the mental health,
26 developmental disabilities, and substance use services system to expand and improve access
27 and availability of treatment and prevention services in these program areas to provide
28 appropriate and safe services for clients. Therefore, the Department of Health and Human
29 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
30 Services (DMHDDSAS), shall be the lead agency responsible for doing all of the following:

- 31 (1) The Department shall establish a working group of consumers, family
32 members, providers, and other stakeholders to develop a plan for utilizing up
33 to eighteen million dollars (\$18,000,000) of unexpended funds in the
34 Dorothea Dix Trust Fund on a nonrecurring basis over the 2017-2019 fiscal
35 biennium. The Secretary of the Department of Health and Human Services
36 shall determine the number, structure, and leadership composition of the
37 workgroup. Recommendations from the workgroup shall be submitted to the
38 Secretary of the Department of Health and Human Services by December
39 31, 2017.
- 40 (2) The Secretary shall have the authority to evaluate recommendations of the
41 group and shall have the discretion to determine the recommended use of
42 funds to be presented in the final plan.

43 **SECTION 12F.3.(b)** The Department shall submit the plan required by subsection
44 (a) of this section to the Governor and Chairs of the House and Senate Appropriation
45 Committees no later than March 1, 2018. The plan shall address one or more of the following
46 areas:

- 47 (1) Provide start-up funds and operating support for programs and services that
48 provide more appropriate and cost-effective community treatment
49 alternatives for individuals currently residing in the State's mental health,
50 developmental disabilities, and substance use services institutions.

- 1 (2) Facilitate reform of the mental health, developmental disabilities, and
2 substance use services system and expand and enhance treatment and
3 prevention services in these program areas to remove waiting lists and
4 provide appropriate and safe services for clients.
- 5 (3) Provide bridge funding to maintain appropriate client services during
6 transitional periods from one service delivery system or service to
7 community-based mental health, developmental, or substance abuse
8 services.
- 9 (4) Proposals to address emerging or specific mental health, developmental
10 disability, or substance use issues within the community using
11 evidence-based practices or that produce defined results or measurable
12 outcomes.

13 **SECTION 12F.3.(c)** Establishment of Competitive Grants Process to Address
14 Community Mental Health and Substance Use Needs. – It is the intent of the State that the
15 Department implement a competitive grants process for mental health and substance use
16 providers to invest in evidence-based programs to achieve the goals described in subdivisions
17 (1) through (4) of subsection (b) of this section. To that end, the Division shall develop a plan
18 to establish a competitive grants process that, at a minimum, includes each of the following
19 components:

- 20 (1) A request for application (RFA) process to allow providers to apply for and
21 receive State funds on a competitive basis.
- 22 (2) A requirement that the Division prioritize grant awards to those providers
23 that are able to leverage non-State funds in addition to the grant award.
- 24 (3) A process that awards grants to providers dedicated to providing services
25 that support the goals described in subdivision (1) through (4) of subsection
26 (b) of this section.
- 27 (4) Ensures that funds received by the Division to implement the plan
28 supplement and do not supplant existing funds for mental health,
29 developmental disabilities, and substance use treatment programs and
30 initiatives.

31 **SECTION 12F.3.(d)** Funds for Competitive Grants Process. – Up to five million
32 five hundred thousand dollars (\$5,500,000) in fiscal year 2017-2018 and five million five
33 hundred thousand dollars (\$5,500,000) in fiscal year 2018-2019 of the unobligated funds in the
34 Dorothea Dix Property Fund shall be appropriated to the Department of Health and Human
35 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
36 Services, in nonrecurring funds to establish the competitive grants process described in
37 subsection (c) of this section. The Division shall not use more than five percent (5%) of these
38 funds for administrative purposes.

39 **SECTION 12F.3.(e)** No later than January 15, 2018, as applicable, the Secretary
40 shall announce the recipients of the competitive grant awards and allocate funds to the grant
41 recipients for the respective grant period pursuant to the amounts designated under subsection
42 (d) of this section. After awards have been granted, the Secretary shall submit a report to the
43 Joint Legislative Oversight Committee on Health and Human Services on the grant awards that
44 includes at least all of the following:

- 45 (1) The identity and a brief description of each grantee and each program or
46 initiative offered by the grantee.
- 47 (2) The amount of funding awarded to each grantee.
- 48 (3) The number of persons served by each grantee, broken down by program or
49 initiative.

50 **SECTION 12F.3.(f)** No later than October 1, 2018, each provider or organization
51 receiving funding pursuant to this subsection shall submit to the Division of Mental Health,

1 Developmental Disabilities, and Substance Abuse Services, a written report of all activities
2 funded by State appropriations. The report shall include the following information about the
3 fiscal year preceding the year in which the report is due:

- 4 (1) The entity's mission, purpose, and governance structure.
- 5 (2) A description of the types of programs, services, and activities funded by
6 State appropriations.
- 7 (3) Statistical and demographical information on the number of persons served
8 by these programs, services, and activities, including the counties in which
9 services are provided.
- 10 (4) Outcome measures that demonstrate the impact and effectiveness of the
11 programs, services, and activities.
- 12 (5) A detailed program budget and list of expenditures, including all positions
13 funded, matching expenditures, and funding sources.

14 **USE OF FUNDS FOR INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

15 **SECTION 12F.4.** Use of Funds. – Of the funds appropriated in this act to the
16 Department of Health and Human Services, Division of Mental Health, Developmental
17 Disabilities, and Substance Abuse Services, for crisis services, the sum of forty million six
18 hundred twenty-one thousand six hundred forty-four dollars (\$40,621,644) for the 2017-2018
19 fiscal year and the sum of forty million six hundred twenty-one thousand six hundred forty-four
20 dollars (\$40,621,644) for the 2018-2019 fiscal year shall be used to purchase additional new or
21 existing local inpatient psychiatric beds or bed days not currently funded by or through
22 LME/MCOs. The Department shall continue to implement a two-tiered system of payment for
23 purchasing these local inpatient psychiatric beds or bed days based on acuity level with an
24 enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher
25 acuity levels, as defined by the Department. The enhanced rate of payment for inpatient
26 psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the
27 lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at
28 the discretion of the Secretary of Health and Human Services, existing funds allocated to
29 LME/MCOs for community-based mental health, developmental disabilities, and substance
30 abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.
31 Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed
32 days shall not be used to supplant other funds appropriated or otherwise available to the
33 Department for the purchase of inpatient psychiatric services through contracts with local
34 hospitals.

35
36 The Department may use up to ten percent (10%) of the funds allocated in this
37 subsection for the 2017-2019 fiscal biennium for the State's three-way contracts to pay for
38 facility-based crisis services and nonhospital detoxification services for individuals in need of
39 these services, regardless if the individuals are medically indigent, as defined in subsection (b)
40 of this section.

41 **SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

42 **SECTION 12F.5.(a)** For the purpose of mitigating cash flow problems that many
43 LME/MCOs experience at the beginning of each fiscal year relative to single-stream funding,
44 the Department of Health and Human Services, Division of Mental Health, Developmental
45 Disabilities, and Substance Abuse Services (DMH/DD/SAS), shall distribute not less than
46 one-twelfth of each LME/MCO's continuation allocation at the beginning of the fiscal year and
47 subtract the amount of that distribution from the LME/MCO's total reimbursements for the
48 fiscal year.

49
50 **SECTION 12F.5.(b)** The DMH/DD/SAS is directed to reduce its allocation for
51 single-stream funding by forty-seven million sixty thousand nine hundred forty-one dollars

1 (\$47,060,941) in 2017-2018 fiscal year and by sixty-nine million three hundred fifty-five
2 thousand eight hundred ninety-two dollars (\$69,355,892) in recurring funds for the 2018-2019
3 fiscal year. The DMH/DD/SAS is directed to allocate this reduction among the LME/MCOs
4 based on the individual LME/MCO's percentage of the total cash on hand of all of the
5 LME/MCOs in the State. Cash on hand means the sum of the "Total Cash and Investments"
6 plus the "Short-Term Investments" reported on Schedule "A" of the financial reporting package
7 submitted by the LME/MCOs to the Division of Medical Assistance (DMA) on June 30, 2017.
8 The individual LME/MCO's percentage of the total cash on hand equals the individual
9 LME/MCO's cash on hand divided by the aggregate amount of cash on hand of all of the
10 LME/MCOs in the State.

11 **SECTION 12F.5.(c)** The Department shall modify the monthly reporting package
12 submitted by the LME/MCOs to the Department to include revenues and expenditures for the
13 State funding sources for single stream, intellectual and developmental disability, and
14 substance abuse services on Schedule D2. Additionally, the Department shall modify
15 appropriate schedules in the LME/MCO monthly reporting package to include unduplicated
16 recipients and encounters in the same level of detail included in each Schedule D for each
17 source of funding for the reporting for the current and previous year's month and year-to-date
18 periods. The Department shall submit these reports biannually to the Joint Legislative
19 Oversight Committee on Health and Human Services on May 1 and October 1 beginning in
20 October 2017.

21 **SECTION 12F.5.(d)** The Department of Health and Human Services shall develop
22 a maintenance of effort (MOE) spending requirement for all mental health and substance abuse
23 services which must be maintained using non-federal, State appropriations on an annual basis
24 in order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure
25 the MOE spending requirement is met using State appropriations.
26

27 **TRAUMATIC BRAIN INJURY FUNDING**

28 **SECTION 12F.6.** Of the funds appropriated in this act to the Department of Health
29 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance
30 Abuse Services, for each fiscal year of the 2017-2019 fiscal biennium, the sum of two million
31 three hundred seventy-three thousand eighty-six dollars (\$2,373,086) shall be used exclusively
32 to support traumatic brain injury (TBI) services as follows:

- 33 (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars
34 (\$359,218) shall be used to fund contracts with the Brain Injury Association
35 of North Carolina, Carolinas Rehabilitation, or other appropriate service
36 providers.
- 37 (2) The sum of seven hundred ninety-six thousand nine hundred thirty-four
38 dollars (\$796,934) shall be used to support residential programs across the
39 State that are specifically designed to serve individuals with TBI.
- 40 (3) The sum of one million two hundred sixteen thousand nine hundred
41 thirty-four dollars (\$1,216,934) shall be used to support requests submitted
42 by individual consumers for assistance with residential support services,
43 home modifications, transportation, and other requests deemed necessary by
44 the consumer's local management entity and primary care physician.
45

46 **PRESCRIPTION DRUG ABUSE ADVISORY COMMITTEE**

47 **SECTION 12F.7.** There is hereby created the Prescription Drug Abuse Advisory
48 Committee, to be housed in and staffed by the Department of Health and Human Services
49 (DHHS). The Committee shall develop and, through its members, implement a statewide
50 strategic plan to combat the problem of prescription drug abuse. The Committee shall include

1 representatives from the following, as well as any other persons designated by the Secretary of
2 Health and Human Services:

- 3 (1) The Division of Medical Assistance, DHHS.
- 4 (2) The Division of Mental Health, Developmental Disabilities, and Substance
5 Abuse Services, DHHS.
- 6 (3) The Division of Public Health, DHHS.
- 7 (4) The Division of Adult Correction and Juvenile Justice, DPS.
- 8 (5) The Rural Health Section of the Division of Public Health, DHHS.
- 9 (6) The State Bureau of Investigation.
- 10 (7) The Attorney General's Office.
- 11 (8) The following health care regulatory boards with oversight of prescribers
12 and dispensers of prescription drugs:
 - 13 a. North Carolina Board of Dental Examiners.
 - 14 b. North Carolina Board of Nursing.
 - 15 c. North Carolina Board of Podiatry Examiners.
 - 16 d. North Carolina Medical Board.
 - 17 e. North Carolina Board of Pharmacy.
- 18 (9) The UNC Injury Prevention Research Center.
- 19 (10) The substance abuse treatment community.
- 20 (11) Governor's Institute on Substance Abuse, Inc.
- 21 (12) The Department of Insurance's drug take-back program.

22 After developing the strategic plan, the Committee shall be the State's steering
23 committee to monitor achievement of strategic objectives and receive regular reports on
24 progress made toward reducing prescription drug abuse in North Carolina.
25

26 **SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION**

27 **MORATORIUM ON SPECIAL CARE UNIT LICENSES**

28 **SECTION 12G.1.(a)** Beginning July 31, 2017, and ending June 30, 2018, the
29 Department of Health and Human Services, Division of Health Service Regulation, shall not
30 issue any licenses for special care units as defined in G.S. 131D-4.6 and G.S. 131E-114. This
31 prohibition shall not restrict the Department from doing any of the following:
32

- 33 (1) Issuing a license to a facility that is acquiring an existing special care unit.
- 34 (2) Issuing a license for a special care unit in any area of the State upon a
35 determination by the Secretary of the Department of Health and Human
36 Services that increased access to this type of care is necessary in that area
37 during the moratorium imposed by this section.
- 38 (3) Issuing a license to a facility that was in possession of a certificate of need as
39 of July 31, 2017, that included authorization to operate special care unit
40 beds.

41 **SECTION 12G.1.(b)** The Department shall submit a report to the Joint Legislative
42 Oversight Committee on Health and Human Services by March 1, 2018, containing at least the
43 following information:

- 44 (1) The number of licensed special care units in the State.
- 45 (2) The capacity of the currently licensed special care units to serve people in
46 need of their services.
- 47 (3) The anticipated growth in the number of people who will need the services
48 of a licensed special care unit.
- 49 (4) The number of applications received from special care units seeking
50 licensure as permitted by this section and the number of those applications
51 that were not approved.

SECTION 12G.1.(c) This section is effective when this act becomes law.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE

MEDICAID ANNUAL REPORT

SECTION 12H.1. The Department of Health and Human Services, Division of Medical Assistance, shall continue the publication of the Medicaid Annual Report and accompanying tables. The Division shall publish the report and tables on its Web site by December 31 following each State fiscal year.

MEDICAID ELIGIBILITY

SECTION 12H.2.(a) Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

Family Size	Categorically Needy Income Level	Medically Needy Income Level
1	\$ 5,208	\$ 2,904
2	6,828	3,804
3	8,004	4,404
4	8,928	4,800
5	9,888	5,196
6	10,812	5,604
7	11,700	6,000
8	12,432	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 12H.2.(b) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

- (1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.
- (2) Pregnant women with incomes equal to or less than one hundred ninety-six percent (196%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.
- (3) Infants under the age of one with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.
- (4) Children aged one through five with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.
- (5) Children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.

- 1 (6) Workers with disabilities described in G.S. 108A-66A with unearned income
2 equal to or less than one hundred fifty percent (150%) of the federal poverty
3 guidelines.

4 The Department of Health and Human Services, Division of Medical Assistance, shall also
5 provide family planning services to men and women of childbearing age with family incomes
6 equal to or less than one hundred ninety-five percent (195%) of the federal poverty guidelines
7 and without regard to resources.

8 **SECTION 12H.2.(c)** The Department of Health and Human Services, Division of
9 Medical Assistance, shall provide Medicaid coverage to adoptive children with special or
10 rehabilitative needs, regardless of the adoptive family's income.

11 **SECTION 12H.2.(d)** The Department of Health and Human Services, Division of
12 Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents,"
13 ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §
14 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

15 **SECTION 12H.2.(e)** The Department of Health and Human Services, Division of
16 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast
17 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

18 **LME/MCO OUT-OF-NETWORK AGREEMENTS**

19 **SECTION 12H.3.(a)** The Department of Health and Human Services (Department)
20 shall ensure that local management entities/managed care organizations (LME/MCOs) utilize
21 an out-of-network agreement that contains standardized elements developed in consultation
22 with LME/MCOs. The out-of-network agreement shall be a streamlined agreement between a
23 single provider of behavioral health or intellectual/developmental disability (IDD) services and
24 an LME/MCO to ensure access to care in accordance with 42 C.F.R. § 438.206(b)(4), reduce
25 administrative burden on the provider, and comply with all requirements of State and federal
26 laws and regulations. LME/MCOs shall continue to use the out-of-network agreement in lieu of
27 a comprehensive provider contract when all of the following conditions are met:

- 28
- 29 (1) The services requested are medically necessary and cannot be provided by
30 an in-network provider.
 - 31 (2) The behavioral health or IDD provider's site of service delivery is located
32 outside of the geographical catchment area of the LME/MCO, and the
33 LME/MCO is not accepting applications, or the provider does not wish to
34 apply for membership in the LME/MCO closed network.
 - 35 (3) The behavioral health or IDD provider is not excluded from participation in
36 the Medicaid program, the NC Health Choice program, or other State or
37 federal health care program.
 - 38 (4) The behavioral health or IDD provider is serving no more than two enrollees
39 of the LME/MCO, unless the agreement is for inpatient hospitalization, in
40 which case the LME/MCO may, but shall not be required to, enter into more
41 than five such out-of-network agreements with a single hospital or health
42 system in any 12-month period.

43 **SECTION 12H.3.(b)** Medicaid providers providing services pursuant to an
44 out-of-network agreement shall be considered a network provider for purposes of Chapter
45 108D of the General Statutes only as it relates to enrollee grievances and appeals.

46 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

47 **SECTION 12H.4.** The Department of Health and Human Services, Division of
48 Medical Assistance, shall charge an application fee of one hundred dollars (\$100.00), and the
49 amount federally required, to each provider enrolling in the Medicaid Program for the first
50 time. The fee shall be charged to all providers at recredentialing every five years.
51

ADMINISTRATIVE HEARINGS FUNDING

SECTION 12H.5. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, for administrative contracts and interagency transfers, the Department of Health and Human Services (Department) shall transfer the sum of one million dollars (\$1,000,000) for the 2017-2018 fiscal year and the sum of one million dollars (\$1,000,000) for the 2018-2019 fiscal year to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. The OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.6.(a) Receivables reserved at the end of the 2017-2018 and 2018-2019 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 12H.6.(b) For the 2017-2018 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred sixty-four million seven hundred thousand dollars (\$164,700,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2018-2019 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred forty-nine million six hundred thousand dollars (\$149,600,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals 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 SPECIAL FUND TRANSFER

SECTION 12H.7. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars (\$43,000,000) for the 2017-2018 fiscal year and the sum of forty-three million dollars (\$43,000,000) for the 2018-2019 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the requirement in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

MISCELLANEOUS MEDICAID PROVISIONS

SECTION 12H.8.(a) Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans,

1 single-source procurement, or other contracting processes in order to improve cost
2 containment.

3 **SECTION 12H.8.(b)** Cost Containment Programs. – The Department of Health
4 and Human Services, Division of Medical Assistance, may undertake cost containment
5 programs, including contracting for services, preadmissions to hospitals, and prior approval for
6 certain outpatient surgeries before they may be performed in an inpatient setting.

7 **SECTION 12H.8.(c)** Medicaid Identification Cards. – The Department shall issue
8 Medicaid identification cards to recipients on an annual basis with updates as needed.

9 10 **MOBILE DENTAL PROVIDER ENROLLMENT**

11 **SECTION 12H.9.(a)** For mobile dental providers seeking enrollment as a
12 Medicaid provider, and upon reenrollment of current Medicaid mobile dental providers, the
13 Department of Health and Human Services, Division of Medicaid Assistance, shall require as a
14 condition of enrollment or reenrollment that the mobile dental provider show proof of a
15 contractual affiliation with a dental practice that is not mobile, and the Department shall require
16 the mobile dental provider to use the National Provider Identifier (NPI) of the nonmobile dental
17 practice for purposes of filing claims.

18 **SECTION 12H.9.(b)** This section is effective when this act becomes law.

19 20 **GRADUATE MEDICAL EDUCATION PAYMENTS**

21 **SECTION 12H.10.(a)** It is the intent of the Governor, as evidenced in the
22 Governor's recommended budget, that the sum of thirty million dollars (\$30,000,000) in the
23 2017-2018 fiscal year and thirty million dollars (\$30,000,000) in the 2018-2019 fiscal year are
24 provided State matching funds to support reimbursement to teaching hospitals for the costs
25 associated with training North Carolina Medicaid residents.

26 **SECTION 12H.10.(b)** The funds referenced in subsection (a) of this section are
27 provided notwithstanding S.L. 2015-241, as amended by S.L. 2015-264 and S.L. 2016-121.

28 29 **MEDICAID CONTINGENCY RESERVE**

30 **SECTION 12H.11.(a)** Funds in the Medicaid Contingency Reserve shall be used
31 only for budget shortfalls in the Medicaid Program that occur during the 2017-2019 biennium.
32 These funds shall be available for expenditure only upon an appropriation by act of the General
33 Assembly.

34 **SECTION 12H.11.(b)** It is the intent of the General Assembly to appropriate funds
35 from the Medicaid Contingency Reserve only if:

- 36 (1) The State Budget Director, after the State Controller has verified that
37 receipts are being used appropriately, has found that additional funds are
38 needed to cover a shortfall in the Medicaid budget for the State fiscal year.
- 39 (2) The State Budget Director has reported immediately to the Fiscal Research
40 Division on the amount of the shortfall found in accordance with subdivision
41 (1) of this subsection. This report shall include an analysis of the causes of
42 the shortfall, such as (i) unanticipated enrollment and mix of enrollment, (ii)
43 unanticipated growth or utilization within particular service areas, (iii) errors
44 in the data or analysis used to project the Medicaid budget, (iv) the failure of
45 the program to achieve budgeted savings, (v) other factors and market trends
46 that have impacted the price of or spending for services, (vi) variations in
47 receipts from prior years or from assumptions used to prepare the Medicaid
48 budget for the current fiscal year, or (vii) other factors. The report shall also
49 include data in an electronic format that is adequate for the Fiscal Research
50 Division to confirm the amount of the shortfall and its causes.

1 **SECTION 12H.11.(c)** Nothing in this section shall be construed to limit the
2 authority of the Governor to carry out his duties under the Constitution.

3
4 **MEDICAID ELIGIBILITY DETERMINATION TIMELINESS**

5 **SECTION 12H.12.** The Department of Health and Human Services, Division of
6 Medical Assistance (DHHS), shall submit a report annually for the 2017-2018 and 2018-2019
7 fiscal year to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice,
8 the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal
9 Research Division containing the following information:

- 10 (1) The annual statewide percentage of Medicaid applications processed in a
11 timely manner for the fiscal year.
- 12 (2) The statewide average number of days to process Medicaid applications for
13 each month in the fiscal year.
- 14 (3) The annual percentage of Medicaid applications processed in a timely
15 manner by each county department of social services for the fiscal year.
- 16 (4) The average number of days to process Medicaid applications for each
17 month for each county department of social services.
- 18 (5) The number of months during the fiscal year that each county department of
19 social services met the timely processing standards in Part 10 of Article 2 of
20 Chapter 108A of the General Statutes.
- 21 (6) The number of months during the fiscal year that each county department of
22 social services failed to meet the timely processing standards in Part 10 of
23 Article 2 of Chapter 108A of the General Statutes.
- 24 (7) A description of all corrective action activities conducted by DHHS and
25 county departments of social services in accordance with G.S. 108A-70.36.
- 26 (8) A description of how DHHS plans to assist county departments of social
27 services in meeting timely processing standards for Medicaid applications,
28 for every county in which the performance metrics for processing Medicaid
29 applications in a timely manner do not show significant improvement
30 compared to the previous fiscal year.

31 The report for the 2017-2018 fiscal year shall be submitted by November 1, 2017,
32 and the report for the 2018-2019 fiscal year shall be submitted by November 1, 2018.

33
34 **EXPAND INNOVATIONS WAIVER SLOT AVAILABILITY**

35 **SECTION 12H.13.(a)** In order to achieve cost savings, improve health outcomes,
36 and allow individuals who meet the requirements for an Intermediate Care Facility for
37 Individuals with Intellectual Disabilities (ICF-IID) level of care to receive services in the least
38 restrictive setting possible, the Department of Health and Human Services, Division of Medical
39 Assistance, shall expand the Innovations Waiver by an additional 1,000 slots, effective January
40 1, 2018.

41 **SECTION 12H.13.(b)** In addition to the Innovations Waiver slots created pursuant
42 to subsection (a) of this section, the Department of Health and Human Services, Division of
43 Medical Assistance, shall create an additional 1,000 Innovations Waiver slots to serve
44 lower-acuity individuals that could benefit from Innovations Waiver services, but do not need
45 the full range or intensity of services offered under the current Innovations waiver, effective
46 January 1, 2018.

47
48 **NOTICE OF PROGRAM REIMBURSEMENT AS BASIS FOR RECOUPMENT OF**
49 **OVERPAYMENTS**

50 **SECTION 12H.14.(a)** G.S. 108C-2 is amended by adding a new subdivision to
51 read:

"(12) Notice of Program Reimbursement. – The written notice reflecting the Department's final determination of the total amount of reimbursement, if any, due to either the provider or the Department following receipt of a provider's annual Medicaid or Health Choice cost report, or amended Medicaid or Health Choice cost report where permitted or required."

SECTION 12H.14.(b) Chapter 108C of the General Statutes is amended by adding a new section to read:

"§ 108C-15. Recoupment.

Notwithstanding any other provisions of law, upon issuance of the Notice of Program Reimbursement, the Department shall take immediate action to recoup the amount of reimbursement owed by the provider to the Department. Recoupment shall be made notwithstanding any request by the provider for a reconsideration review by the Division or a contested case hearing under Chapter 150B of the General Statutes."

PREPAYMENT CLAIMS REVIEW

SECTION 12H.15. G.S. 108C-7 reads as rewritten:

"§ 108C-7. Prepayment claims review.

(a) In order to ensure that claims presented by a provider for payment by the Department meet the requirements of federal and State laws and regulations and medical necessity criteria, a provider may be required to undergo prepayment claims review by the Department. Grounds for being placed on prepayment claims review shall include, but shall not be limited to, receipt by the Department of credible allegations of fraud, identification of aberrant billing practices as a result of ~~investigations or investigations~~, data analysis performed by the ~~Department~~ Department, the failure of the provider to timely respond to a request for records made by the Department or one of its contractors, or other grounds as defined by the Department in rule.

(b) Providers shall not be entitled to payment prior to claims review by the Department. The Department shall notify the provider in writing of the decision and the process for submitting claims for prepayment claims review ~~no less than 20 calendar days prior to instituting prepayment claims review.~~ by the placing of the notice in an official depository of the United States Postal Service wrapped in a wrapper addressed to the provider at the latest address given by the provider to the Department. The prepayment claims review shall be instituted no less than 20 calendar days from the date of the written notification. The notice shall contain the following:

...

(4) A specific list of all supporting documentation that the provider will need to submit ~~contemporaneously with the~~ to the prepayment review vendor for all claims that will be ~~are~~ subject to the prepayment claims review.

...

(d) The Department shall process all clean claims submitted for prepayment review within 20 calendar days of ~~submission by the provider~~ receipt of the supporting documentation for each claim by the prepayment review vendor. If the provider failed to provide any of the specifically requested supporting documentation necessary to process a claim pursuant to this section, the Department shall send to the provider written notification of the lacking or deficient documentation within 15 calendar days ~~of receipt of such claim~~ the due date of requested supporting documentation. The Department shall have an additional 20 days to process a claim upon receipt of the documentation.

(e) The provider shall remain subject to the prepayment claims review process until the provider achieves three consecutive months with a minimum seventy percent (70%) clean claims rate (claim accuracy rate) provided that the number of claims submitted per month is no

1 less than fifty percent (50%) of the provider's average monthly submission of Medicaid claims
2 for the three-month period before being placed on prepayment review. A provider shall not
3 withhold claims to avoid the claims review process. If the provider does not meet this standard
4 the seventy percent (70%) clean claims rate (claim accuracy rate) for three consecutive months
5 within six months of being placed on prepayment claims review, the Department may
6 implement sanctions, including termination of the applicable Medicaid Administrative
7 Participation Agreement, or continuation of prepayment review for an additional six-month
8 period. The Department shall give adequate advance notice of any modification, suspension, or
9 termination of the Medicaid Administrative Participation Agreement. In no instance shall
10 prepayment claims review continue longer than 12 months. Prepayment claims review shall not
11 continue longer than 24 months continuously, unless the Department has initiated the
12 termination or other sanction of the provider, which the provider has appealed. In that instance,
13 the provider shall remain on prepayment review until a final disposition of the Department's
14 termination or other sanction of said provider.

15 (f) Failure of a provider to meet the requirement of at least seventy percent (70%) clean
16 claims rate (claim accuracy rate) may result in a termination action and termination actions
17 taken will be reflective of this status and shall result in the provider being listed on the
18 Exclusions Listing from future participation. Should a provider fail prepayment claims review
19 and subsequently request a voluntary termination, the termination will be reflective of this
20 failure to pass prepayment claims review and will exclude the provider from future
21 participation in the program.

22 (g) In the event of a provider being taken off prepayment review for any reason,
23 including, but not limited to, attaining a seventy percent (70%) clean claims rate for three
24 consecutive months, the expiration of the 24-month time limit, or the termination of said
25 provider, any claims for services performed or incurred during the period of prepayment review
26 may still be subject to review prior to payment no matter when said claims are submitted.

27 (h) The decision to place or maintain a provider on prepayment claims review does not
28 constitute a contested case under Chapter 150B of the General Statutes. A provider may not
29 appeal or otherwise contest a decision of the Department to place or maintain a provider on
30 prepayment review.

31 (i) Should the provider elect to appeal the Department's decision to impose sanctions as
32 a result of the prepayment review to the Office of Administrative Hearings, the provider shall
33 have 45 days from the date that the appeal is filed to submit any documentation or records
34 which address or challenge the findings of the prepayment review. Documentation which was
35 not submitted at the time of the initial review shall not be considered for the purpose of
36 overturning a prior denial, as the clean claims rate is calculated at the time of the review of said
37 records. In order for a prior denial to be overturned, the provider must prove that the
38 documentation was provided at the time the claim was submitted, was available for review by
39 the prepayment review vendor, and demonstrates that the particular claim should have been
40 passed. The Department shall not review, and the Office of Administrative Hearings shall not
41 admit into evidence, any materials submitted after the 45-day deadline.

42 (j) Provider Participation Requirements for Prepayment Claims Review. –

43 (1) Should a provider choose to not submit any bills following placement on
44 Prepayment Claims Review, this will result in a claims accuracy rating of
45 zero percent (0%) for each month where no billing occurs.

46 (2) Documentation submitted to the Department as part of Prepayment Claims
47 Review is required to be complete and legible and clearly identifiable to the
48 applicable provider in order to be considered during the review process.
49 Before presenting a claim for payment, a provider has an affirmative duty to
50 supervise the provision of, be responsible for goods and services provided,
51 supervise and be responsible for preparation and submission of the claim,

and to present a true and accurate claim and supporting documentation for goods and services that have actually been furnished to the beneficiary by the provider prior to submitting the claim.

(3) Providers are required to demonstrate competency compliance with clinical policy, rules, and guidelines while on Prepayment Claims Review through written documentation. Providers may receive education on clinical policy, rules, and guidelines by contacting the Department. It is not the responsibility of the Prepayment Review vendor to provide policy education to providers on Prepayment Review or advise providers how to obtain payment for services rendered."

EXEMPT SERVICES PROVIDED BY LEAS AND CDSAS

SECTION 12H.16. Section 4 of S.L. 2015-245, as amended by Section 2(b) of S.L. 2016-121, reads as rewritten:

"**SECTION 4.** Structure of Delivery System. – The transformed Medicaid and NC Health Choice programs described in Section 1 of this act shall be organized according to the following principles and parameters:

(4) Services covered by PHPs. – Capitated PHP contracts shall cover all Medicaid and NC Health Choice services, including physical health services, prescription drugs, long-term services and supports, and behavioral health services for NC Health Choice recipients, except as otherwise provided in this subdivision. The capitated contracts required by this subdivision shall not cover:

- d. ~~Audiology, speech therapy, occupational therapy, physical therapy, nursing, and psychological services prescribed in Services documented on an Individualized Education Program (IEP) and performed by schools or individuals contracted with provided or billed by Local Education Agencies.~~
- e. ~~Services provided directly and billed by a Children's Developmental Services Agency (CDSA) or by a provider under contract with a CDSA if the service is authorized through the CDSA and is included that are documented on the child's Individualized Family Service Plan.~~
- f. Services for Medicaid program applicants during the period of time prior to eligibility determination.

...."

ADDITIONAL FUNDING FOR MEDICAID FRAUD, WASTE, AND ABUSE REDUCTION THROUGH COST CONTAINMENT

SECTION 12H.17.(a) The Department of Health and Human Services may use up to two million five hundred thousand dollars (\$2,500,000) in the 2017-2018 fiscal year and up to two million five hundred thousand dollars (\$2,500,000) in the 2018-2019 fiscal year in Medicaid funds budgeted for program services to support the cost of program integrity activities when cost-effectiveness and documentable savings are demonstrated. The funds shall be used to support program integrity activities that contain the costs of the Medicaid Program through post payment recoveries and activities that prevent payments of fraudulent, wasteful, or abusive claiming. Program Integrity will reinvest funding to implement technology solutions and increase investigative and compliance monitoring staffing and throughput. Investments will also include funding to support enhanced case management and reporting capabilities to assist

1 in reporting and targeting the most cost-effective approaches in addressing fraud, waste, and
2 abuse. Funds may also be used to add up to 24.00 time-limited full-time employees to expand
3 prepayment and post-payment solutions within existing Medicaid payment systems and through
4 other prepayment reviews completed by contractors. Expenditures for these activities will be
5 targeted to exceed a minimum return on investment of no less than 2:1 ratio when considering
6 the increased recoupsments and reductions in improper payments versus overall costs for the
7 activities as defined in the section.

8 **SECTION 12H.17.(b)** The Department shall report annually on the expenditures
9 under this section. The report shall include the methods used to achieve savings and the amount
10 saved by these methods. No later than October 1 of each year, the Department of Health and
11 Human Services, Division of Medical Assistance, shall report to the Joint House
12 Appropriations Subcommittee on Health and Human Services, the Senate Appropriations
13 Committee on Health and Human Services, and the Fiscal Research Division on the activities
14 of the previous State fiscal year.

15 16 **FOOD SERVICE WITHIN THE CAPITOL COMPLEX**

17 **SECTION 12H.18.(a)** Article 3 of Chapter 111 of the General Statutes is amended
18 by adding a new section to read:

19 **"§ 111-47.4. Food service within the Capitol complex.**

20 Notwithstanding any other provision of this Article, the Department of Health and Human
21 Services may operate or contract for the operation of food or vending services at State property
22 or State facilities allocated to the Department of Administration. The net proceeds of revenue
23 generated by food and vending services at the State property or State facilities by the agency or
24 a vendor with whom the agency has contracted shall be credited to the Division of Services for
25 the Blind of the Department of Health and Human Services for the purposes specified in
26 G.S. 111-43. Nothing in this section shall be construed to remove an exemption granted under
27 State law for State property or State buildings, as defined in G.S. 111-42(c)."

28 **SECTION 12H.18.(b)** G.S. 66-58(c)(4) reads as rewritten:

29 "(4) The operation of ~~lunch counters by the Department of Health and Human~~
30 ~~Services as blind enterprises of the type operated on January 1, 1951, in~~
31 ~~State buildings in the City of Raleigh.~~ food and vending services pursuant to
32 Article 3 of Chapter 111 of the General Statutes."

33 **SECTION 12H.18.(c)** G.S. 146-29.1 is amended by adding a new subsection to
34 read:

35 "(i) This section shall not apply to leases entered into by the Department of Health and
36 Human Services entered into for food and vending services pursuant to Article 3 of Chapter
37 111 of the General Statutes."

38 39 **SUBPART XII-I. DIVISION OF HEALTH BENEFITS**

40 41 **DIVISION OF HEALTH BENEFITS FEDERAL FUNDS**

42 **SECTION 12I.** It is anticipated that the Division of Health Benefits will be eligible
43 to draw down federal matching funds on any Medicaid transformation project expenditures. To
44 the extent that federal funds are received as federal match on the Division's expenditures, those
45 funds are hereby appropriated to the Division for Medicaid transformation project activities.

46 47 **SUBPART XII-J. DHHS BLOCK GRANTS**

48 49 **DHHS BLOCK GRANTS**

1 **SECTION 12J.1.(a)** Except as otherwise provided, appropriations from federal
 2 block grant funds are made for each year of the fiscal biennium ending June 30, 2019,
 3 according to the following schedule:

4			
5	TEMPORARY ASSISTANCE FOR NEEDY	FY 2017-2018	FY 2018-2019
6	FAMILIES (TANF) FUNDS		
7			
8	Local Program Expenditures		
9			
10	Division of Social Services		
11			
12	01. Work First Family Assistance	\$49,479,444	\$49,479,444
13			
14	02. Work First County Block Grants	80,093,566	80,093,566
15			
16	03. Work First Electing Counties	2,378,213	2,378,213
17			
18	04. Adoption Services – Special Children		
19	Adoption Fund	2,026,877	2,026,877
20			
21	05. Child Protective Services – Child Welfare		
22	Workers for Local DSS	9,412,391	9,412,391
23			
24	06. Child Welfare Program Improvement Plan		
25	Initiatives	775,176	775,176
26			
27	07. Child Welfare Collaborative	400,000	400,000
28			
29	08. Child Welfare Initiatives	1,400,000	1,400,000
30			
31	DHHS Service Expenditures		
32			
33	Division of Child Development and Early Education		
34			
35	09. Subsidized Child Care Program	53,605,680	58,112,735
36			
37	10. Pre-K Services	6,000,000	12,200,000
38			
39	Division of Public Health		
40			
41	11. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
42			
43	DHHS Administration		
44			
45	12. Division of Social Services	2,482,260	2,482,260
46			
47	13. DSS- Child Welfare Business Processing		
48	Re-engineering	392,420	294,697
49			
50	14. Office of the Secretary	34,042	34,042
51			

1	15. Eligibility Systems – Operations and		
2	Maintenance	2,908,598	2,765,192
3			
4	16. NC FAST Development	48,495	875,264
5			
6	Transfers to Other Block Grants		
7			
8	Division of Child Development and Early Education		
9			
10	17. Transfer to the Child Care and		
11	Development Fund	71,773,001	71,773,001
12			
13	Division of Social Services		
14			
15	18. Transfer to Social Services Block		
16	Grant for Child Protective Services –		
17	Training	1,300,000	1,300,000
18			
19	19. Transfer to Social Services Block		
20	Grant for Child Protective Services	5,040,000	5,040,000
21			
22	20. Transfer to Social Services Block		
23	Grant for County Departments of		
24	Social Services for Children's Services	7,500,000	7,500,000
25			
26	21. Transfer to Social Services Block		
27	Grant – Foster Care Services	1,385,152	1,385,152
28			
29	TOTAL TEMPORARY ASSISTANCE FOR		
30	NEEDY FAMILIES (TANF) FUNDS	\$301,385,315	\$312,678,010
31			
32	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
33	EMERGENCY CONTINGENCY FUNDS		
34			
35	Local Program Expenditures		
36			
37	Division of Child Development and Early Education		
38			
39	01. Subsidized Child Care	28,600,000	28,600,000
40			
41	TOTAL TEMPORARY ASSISTANCE FOR		
42	NEEDY FAMILIES (TANF) EMERGENCY		
43	CONTINGENCY FUNDS	\$28,600,000	\$28,600,000
44			
45	SOCIAL SERVICES BLOCK GRANT		
46			
47	Local Program Expenditures		
48			
49	Divisions of Social Services and Aging and Adult Services		
50			
51	01. County Departments of Social Services		

1	(Transfer from TANF \$7,500,000)	\$30,215,583	\$30,247,717
2			
3	02. EBCI Tribal Public Health and Human Services	244,740	244,740
4			
5	03. Child Protective Services		
6	(Transfer from TANF 5,040,000)	5,040,000	5,040,000
7			
8	04. State In-Home Services Fund	1,943,950	1,943,950
9			
10	05. Adult Protective Services	1,245,363	1,245,363
11			
12	06. Adult Protective Services and	4,600,000	4,600,000
13			
14	07. State Adult Day Care Fund (DAAS)	1,994,084	1,994,084
15			
16	08. Child Protective Services/CPS		
17	Investigative Services – Child Medical		
18	Evaluation Program	563,868	563,868
19			
20	09. Special Children Adoption Incentive Fund	462,600	462,600
21			
22	10. Child Protective Services – Child		
23	Welfare Training for Counties		
24	(Transfer from TANF 1,300,000)	1,300,000	1,300,000
25			
26	11. Child Protective Services-Child Welfare Training		
27	for Counties/Mobile Training	737,067	737,067
28			
29	12. Home and Community Care Block		
30	Grant (HCCBG)	1,696,888	1,696,888
31			
32	13. Child Advocacy Centers	375,000	375,000
33			
34	14. DAAS Guardianship	3,220,342	3,220,342
35			
36	15. DSS Guardianship	815,362	815,362
37			
38	16. Foster Care Services		
39	(Transfer from TANF 1,385,152)	1,385,152	1,385,152
40			
41	Division of Central Management and Support		
42			
43	17. DHHS Competitive Block Grants		
44	for Nonprofits	3,852,500	3,852,500
45			
46	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
47			
48	18. Mental Health Services – Adult and		
49	Child/Developmental Disabilities Program/		
50	Substance Abuse Services – Adult	4,030,730	4,030,730
51			

1	DHHS Program Expenditures		
2			
3	Division of Services for the Blind		
4			
5	19. Independent Living Program	3,361,323	3,361,323
6			
7	Division of Health Service Regulation		
8			
9	20. Adult Care Licensure Program	381,087	381,087
10			
11	21. Mental Health Licensure and		
12	Certification Program	190,284	190,284
13			
14	DHHS Administration		
15			
16	22. Division of Aging and Adult Services	577,745	577,745
17			
18	23. Division of Social Services	634,680	634,680
19			
20	24. DSS-Child Welfare Business Process		
21	Re-engineering	129,040	96,906
22			
23	25. Office of the Secretary/Controller's Office	127,731	127,731
24			
25	26. LI/Fringe Reserve	236,278	236,278
26			
27	27. Division of Child Development and		
28	Early Education	13,878	13,878
29			
30	28. Division of Mental Health, Developmental		
31	Disabilities, and Substance Abuse Services	27,446	27,446
32			
33	29. Division of Health Service Regulation	118,946	118,946
34			
35	TOTAL SOCIAL SERVICES BLOCK GRANT	\$69,521,667	\$69,521,667
36	LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
37			
38	Local Program Expenditures		
39			
40	Division of Social Services		
41			
42	01. Low-Income Energy Assistance		
43	Program (LIEAP)	\$36,402,610	\$35,419,272
44			
45	02. Crisis Intervention Program (CIP)	36,402,610	35,419,272
46			
47	Local Administration		
48			
49	Division of Social Services		
50			
51	03. County DSS Administration	5,978,512	5,817,014

1			
2	DHHS Service Expenditure		
3			
4	Division of Central Management and Support		
5			
6	04. NC FAST O&M	2,135,701	2,539,033
7			
8	05. NC FAST Development	139,991	2,468,390
9			
10	DHHS Administration		
11			
12	06. Division of Social Services	10,000	10,000
13			
14	07. Office of the Secretary/DIRM	252,603	128,954
15			
16	08. Office of the Secretary/Controller's Office	18,378	18,378
17			
18	Transfers to Other State Agencies		
19			
20	Department of Environmental Quality (DEQ)		
21			
22	09. Weatherization Program	10,716,043	10,426,573
23			
24	10. Heating Air Repair and Replacement Program (HARRP)	5,701,752	5,547,732
25			
26			
27			
28	11. Local Residential Energy Efficiency Service Providers – Weatherization	439,982	428,097
29			
30			
31	12. Local Residential Energy Efficiency Service Providers – HARRP	234,105	227,781
32			
33			
34	13. DEQ – Weatherization Administration	439,982	428,097
35			
36	14. DEQ – HARRP Administration	234,105	227,781
37			
38	Department of Administration		
39			
40	15. N.C. Commission on Indian Affairs	87,736	87,736
41			
42	TOTAL LOW-INCOME ENERGY		
43	ASSISTANCE BLOCK GRANT	\$99,194,110	\$99,194,110
44			
45	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
46			
47	Local Program Expenditures		
48			
49	Division of Child Development and Early Education		
50			
51	01. Child Care Services		

1	(Smart Start \$7,000,000)	\$152,323,849	\$152,416,794
2			
3	02. Transfer from TANF Block Grant		
4	for Child Care Subsidies	71,773,001	71,773,001
5			
6	03. Quality and Availability Initiatives		
7	(TEACH Program \$3,800,000)	45,761,678	45,761,678
8			
9	DHHS Administration		
10			
11	Division of Child Development and Early Education		
12			
13	04. DCDEE Administrative Expenses		
14	Division of Social Services	9,042,159	9,042,159
15			
16	05. Local Subsidized Child Care		
17	Services Support	16,436,361	16,436,361
18			
19	06. Direct Deposit for Child Care Payments		
20	Division of Central Administration	505,100	505,100
21			
22	07. NC FAST Development	24,237	427,865
23			
24	08. Eligibility Systems O&M (Including NC FAST)	2,758,389	2,468,390
25			
26	09. DHHS Central Administration – DIRM		
27	Technical Services	645,162	645,162
28			
29	10. Central Regional Maintenance	287,854	287,854
30			
31	11. DHHS Central Administration Indirect Cost	7,346	7,346
32			
33	Division of Public Health		
34			
35	12. Child Care Health Consultation Contracts	62,205	62,205
36			
37	TOTAL CHILD CARE AND DEVELOPMENT		
38	FUND BLOCK GRANT	\$299,627,341	\$299,833,915
39			
40	MENTAL HEALTH SERVICES BLOCK GRANT		
41			
42	Local Program Expenditures		
43			
44	01. Mental Health Services – Child	\$3,619,833	\$3,619,833
45			
46	02. Mental Health Services – Adult/ Child	10,967,792	10,967,792
47			
48	03. Crisis Solutions Initiative – Critical		
49	Time Intervention	750,000	750,000
50			
51	04. Mental Health Services – First		

1	Psychotic Symptom Treatment	1,430,851	1,430,851
2			
3	DHHS Administration		
4			
5	Division of Mental Health/DD/SAS		
6			
7	05. Administration	200,000	200,000
8			
9	TOTAL MENTAL HEALTH SERVICES		
10	BLOCK GRANT	\$16,968,476	\$16,968,476
11			
12	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
13			
14	Local Program Expenditures		
15			
16	01. Substance Abuse – HIV and IV Drugs	\$3,919,723	\$3,919,723
17			
18	02. Substance Abuse Prevention	8,998,382	8,998,382
19			
20	03. Substance Abuse Services – Treatment for		
21	Children and Adults	29,322,717	29,221,286
22			
23	04. Crisis Solutions Initiative – Walk-in		
24	Crisis Center	420,000	420,000
25			
26	05. Crisis Solutions Initiative – Collegiate		
27	Wellness/Addiction Recovery	1,085,000	1,085,000
28			
29	06. Crisis Solutions Initiative – Community		
30	Paramedic Mobile Crisis Management	60,000	60,000
31			
32	07. Crisis Solutions Initiative – Innovative		
33	Technologies	41,000	41,000
34			
35	08. Crisis Solutions Initiative – Veterans' Crisis	250,000	250,000
36			
37	DHHS Administration		
38			
39	Division of Mental Health/DD/SAS		
40			
41	09. DMHDDSAS Administration	454,000	454,000
42			
43	10. Controlled Substances Reporting System	326,224	427,655
44			
45	Division of Public Health		
46			
47	11. DPH HIV Testing for Individuals in Substance		
48	Abuse Treatment	965,949	965,949
49			
50	TOTAL SUBSTANCE ABUSE PREVENTION		
51	AND TREATMENT BLOCK GRANT	\$45,842,995	\$45,842,995

1			
2	MATERNAL AND CHILD HEALTH BLOCK GRANT		
3			
4	Local Program Expenditures		
5			
6	Division of Public Health		
7			
8	01. Women's and Children's Health Services		
9	(Safe Sleep Campaign \$45,000; Prevent Blindness \$560,837;		
10	Community-Based Sickle Cell Centers \$100,000; March of Dimes \$350,000;		
11	Teen Pregnancy Initiatives \$650,000; 17P Project \$52,000;		
12	Nurse-Family Partnership \$509,018)	14,070,680	14,070,680
13			
14	02. Oral Health	48,227	48,227
15			
16	03. Evidence-Based Programs in Counties		
17	With Highest Infant Mortality Rates	1,575,000	1,575,000
18			
19	DHHS Program Expenditures		
20			
21	Division of Public Health		
22			
23	04. Children's Health Services	1,427,323	1,427,323
24			
25	05. Women's Health – Maternal Health	169,864	169,864
26			
27	06. State Center for Health Statistics	158,583	158,583
28			
29	07. Health Promotion – Injury and		
30	Violence Prevention	87,271	87,271
31			
32	DHHS Administration		
33			
34	Division of Public Health		
35			
36	08. Division of Public Health Administration	552,571	552,571
37			
38	TOTAL MATERNAL AND CHILD		
39	HEALTH BLOCK GRANT	\$18,089,519	\$18,089,519
40			
41	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
42			
43	Local Program Expenditures		
44			
45	01. Physical Activity and Prevention	\$3,545,093	\$3,545,093
46			
47	02. Injury and Violence Prevention		
48	(Services to Rape Victims – Set-Aside)	180,778	180,778
49			
50	DHHS Program Expenditures		
51			

1	Division of Public Health		
2			
3	03. HIV/STD Prevention and		
4	Community Planning	145,819	145,819
5			
6	04. Oral Health Preventive Services	451,809	451,809
7			
8	05. Laboratory Services – Testing,		
9	Training, and Consultation	21,012	21,012
10			
11	06. Injury and Violence Prevention		
12	(Services to Rape Victims – Set-Aside)	192,315	192,315
13			
14	07. State Laboratory Services – Testing,		
15	Training, and Consultation	199,634	199,634
16			
17	08. Performance Improvement and		
18	Accountability	1,104,455	1,104,455
19			
20	09. State Center for Health Statistics	107,291	107,291
21			
22	DHHS Administration		
23			
24	Division of Public Health		
25			
26	10. Division of Public Health	172,820	172,820
27			
28	TOTAL PREVENTIVE HEALTH		
29	SERVICES BLOCK GRANT	\$6,121,026	\$6,121,026
30			
31	COMMUNITY SERVICES BLOCK GRANT		
32			
33	Local Program Expenditures		
34			
35	Office of Economic Opportunity		
36			
37	01. Community Action Agencies	\$24,187,142	\$24,187,142
38			
39	02. Limited Purpose Agencies	1,343,730	1,343,730
40			
41	DHHS Administration		
42			
43	03. Office of Economic Opportunity	1,343,730	1,343,730
44			
45	TOTAL COMMUNITY SERVICES		
46	BLOCK GRANT	\$26,874,602	\$26,874,602
47			

GENERAL PROVISIONS

49 **SECTION 12J.1.(b)** Information to Be Included in Block Grant Plans. – The
50 Department of Health and Human Services shall submit a separate plan for each Block Grant
51 received and administered by the Department, and each plan shall include the following:

- 1 (1) A delineation of the proposed allocations by program or activity, including
2 State and federal match requirements.
- 3 (2) A delineation of the proposed State and local administrative expenditures.
- 4 (3) An identification of all new positions to be established through the Block
5 Grant, including permanent, temporary, and time-limited positions.
- 6 (4) A comparison of the proposed allocations by program or activity with two
7 prior years' program and activity budgets and two prior years' actual program
8 or activity expenditures.
- 9 (5) A projection of current year expenditures by program or activity.
- 10 (6) A projection of federal Block Grant funds available, including unspent
11 federal funds from the current and prior fiscal years.

12 **SECTION 12J.1.(c)** Changes in Federal Fund Availability. – If the Congress of the
13 United States increases the federal fund availability for any of the Block Grants or contingency
14 funds and other grants related to existing Block Grants administered by the Department of
15 Health and Human Services from the amounts appropriated in this section, the Department
16 shall allocate the increase proportionally across the program and activity appropriations
17 identified for that Block Grant in this section. In allocating an increase in federal fund
18 availability, the Office of State Budget and Management shall not approve funding for new
19 programs or activities not appropriated in this section.

20 If the Congress of the United States decreases the federal fund availability for any of
21 the Block Grants or contingency funds and other grants related to existing Block Grants
22 administered by the Department of Health and Human Services from the amounts appropriated
23 in this section, the Department shall develop a plan to adjust the Block Grants based on reduced
24 federal funding.

25 Notwithstanding the provisions of this subsection, for fiscal years 2017-2018 and
26 2018-2019, increases in the federal fund availability for the Temporary Assistance to Needy
27 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy
28 program to pay for child care in four- or five-star-rated facilities for four-year-old children and
29 shall not be used to supplant State funds.

30 Prior to allocating the change in federal fund availability, the proposed allocation
31 must be approved by the Office of State Budget and Management. If the Department adjusts the
32 allocation of any Block Grant due to changes in federal fund availability, then a report shall be
33 made to the Joint Legislative Oversight Committee on Health and Human Services and the
34 Fiscal Research Division.

35 **SECTION 12J.1.(d)** Except as otherwise provided, appropriations from federal
36 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2019,
37 according to the schedule enacted for State fiscal years 2017-2018 and 2018-2019 or until a
38 new schedule is enacted by the General Assembly.

39 **SECTION 12J.1.(e)** All changes to the budgeted allocations to the Block Grants or
40 contingency funds and other grants related to existing Block Grants administered by the
41 Department of Health and Human Services that are not specifically addressed in this section
42 shall be approved by the Office of State Budget and Management, and the Office of State
43 Budget and Management shall consult with the Joint Legislative Oversight Committee on
44 Health and Human Services for review prior to implementing the changes. The report shall
45 include an itemized listing of affected programs, including associated changes in budgeted
46 allocations. All changes to the budgeted allocations to the Block Grants shall be reported
47 immediately to the Joint Legislative Oversight Committee on Health and Human Services and
48 the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by
49 legislative salary increases and benefit adjustments.

50 **SECTION 12J.1.(f)** Except as otherwise provided, the Department of Health and
51 Human Services shall have flexibility to transfer funding between the Temporary Assistance

1 for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block
2 Grant so long as the total allocation for the line items within those block grants remains the
3 same.
4

5 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

6 **SECTION 12J.1.(g)** The sum of eighty million ninety-three thousand five hundred
7 sixty-six dollars (\$80,093,566) for the 2017-2018 fiscal year and the sum of eighty million
8 ninety-three thousand five hundred sixty-six dollars (\$80,093,566) for the 2018-2019 fiscal
9 year appropriated in this section in TANF funds to the Department of Health and Human
10 Services, Division of Social Services, shall be used for Work First County Block Grants. The
11 Division shall certify these funds in the appropriate State-level services based on prior year
12 actual expenditures. The Division has the authority to realign the authorized budget for these
13 funds among the State-level services based on current year actual expenditures. The Division
14 shall also have the authority to realign appropriated funds from Work First Family Assistance
15 for electing counties to the Work First County Block Grant for electing counties based on
16 current year expenditures so long as the electing counties meet Maintenance of Effort
17 requirements.

18 **SECTION 12J.1.(h)** The sum of nine million four hundred twelve thousand three
19 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of
20 Health and Human Services, Division of Social Services, in TANF funds for each fiscal year of
21 the 2017-2019 fiscal biennium for child welfare improvements shall be allocated to the county
22 departments of social services for hiring or contracting staff to investigate and provide services
23 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
24 license, and support prospective foster and adoptive families; and to provide interstate and
25 post-adoption services for eligible families.

26 Counties shall maintain their level of expenditures in local funds for Child
27 Protective Services workers. Of the Block Grant funds appropriated for Child Protective
28 Services workers, the total expenditures from State and local funds for fiscal years 2017-2018
29 and 2018-2019 shall not be less than the total expended from State and local funds for the
30 2015-2016 fiscal year.

31 **SECTION 12J.1.(i)** The sum of two million twenty-six thousand eight hundred
32 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the
33 Department of Health and Human Services, Special Children Adoption Fund, for each year of
34 the 2017-2019 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division
35 of Social Services, in consultation with the North Carolina Association of County Directors of
36 Social Services and representatives of licensed private adoption agencies, shall develop
37 guidelines for the awarding of funds to licensed public and private adoption agencies upon the
38 adoption of children described in G.S. 108A-50 and in foster care. Payments received from the
39 Special Children Adoption Fund by participating agencies shall be used exclusively to enhance
40 the adoption services program. No local match shall be required as a condition for receipt of
41 these funds.

42 **SECTION 12J.1.(j)** The sum of one million four hundred thousand dollars
43 (\$1,400,000) appropriated in this section in TANF funds to the Department of Health and
44 Human Services, Division of Social Services, for each fiscal year of the 2017-2019 fiscal
45 biennium shall be used for child welfare initiatives to (i) enhance the skills of social workers to
46 improve the outcomes for families and children involved in child welfare and (ii) enhance the
47 provision of services to families in their homes in the least restrictive setting.

48 **SECTION 12J.1.(k)** The sum of seven hundred seventy-five thousand one hundred
49 seventy-six dollars (\$775,176) for each fiscal year of the 2017-2019 fiscal biennium
50 appropriated in this section to the Department of Health and Human Services, Division of
51 Social Services, in TANF funds for Child Welfare Program Improvement Plan Initiatives shall

1 be used to enhance the skills of social workers in order to improve the outcomes for families
2 and children involved in child welfare services and to enhance the provision of services to
3 families in their home in order to strengthen serving families in the least restrictive setting,
4 supporting safety while keeping families together.
5

6 **SOCIAL SERVICES BLOCK GRANT**

7 **SECTION 12J.1.(j)** The sum of thirty million two hundred fifteen thousand five
8 hundred eighty-three dollars (\$30,215,583) for the 2017-2018 fiscal year and the sum of thirty
9 million two hundred forty-seven thousand seven hundred seventeen dollars (\$30,247,717) for
10 the 2018-2019 fiscal year appropriated in this section in the Social Services Block Grant to the
11 Department of Health and Human Services, Division of Social Services, shall be used for
12 county block grants. The Division shall certify these funds in the appropriate State-level
13 services based on prior year actual expenditures. The Division has the authority to realign the
14 authorized budget for these funds, as well as State Social Services Block Grant funds, among
15 the State-level services based on current year actual expenditures.

16 **SECTION 12J.1.(m)** The sum of one million three hundred thousand dollars
17 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department
18 of Health and Human Services, Division of Social Services, for each fiscal year of the
19 2017-2019 fiscal biennium shall be used to support various child welfare training projects as
20 follows:

- 21 (1) Provide a regional training center in southeastern North Carolina.
- 22 (2) Provide training for residential child caring facilities.
- 23 (3) Provide for various other child welfare training initiatives.

24 **SECTION 12J.1.(n)** The Department of Health and Human Services is authorized,
25 subject to the approval of the Office of State Budget and Management, to transfer Social
26 Services Block Grant funding allocated for departmental administration between divisions that
27 have received administrative allocations from the Social Services Block Grant.

28 **SECTION 12J.1.(o)** Social Services Block Grant funds appropriated for the
29 Special Children Adoption Incentive Fund will require a fifty-percent (50%) local match.

30 **SECTION 12J.1.(p)** The sum of five million forty thousand dollars (\$5,040,000)
31 appropriated in this section in the Social Services Block Grant for each fiscal year of the
32 2017-2019 fiscal biennium shall be allocated to the Department of Health and Human Services,
33 Division of Social Services. The Division shall allocate these funds to local departments of
34 social services to replace the loss of Child Protective Services State funds that are currently
35 used by county governments to pay for Child Protective Services staff at the local level. These
36 funds shall be used to maintain the number of Child Protective Services workers throughout the
37 State. These Social Services Block Grant funds shall be used to pay for salaries and related
38 expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of
39 twenty-five percent (25%).

40 **SECTION 12J.1.(q)** The sum of three million eight hundred fifty-two thousand
41 five hundred dollars (\$3,852,500) appropriated in this section in the Social Services Block
42 Grant to the Department of Health and Human Services, Division of Central Management and
43 Support, shall be used for DHHS competitive block grants pursuant to Section 12A.8 of this act
44 for each fiscal year of the 2017-2019 fiscal biennium. These funds are exempt from the
45 provisions of 10A NCAC 71R .0201(3).

46 **SECTION 12J.1.(r)** The sum of three hundred seventy-five thousand dollars
47 (\$375,000) appropriated in this section in the Social Services Block Grant for each year of the
48 2017-2019 fiscal biennium to the Department of Health and Human Services, Division of
49 Social Services, shall be used to continue support for the Child Advocacy Centers, and the
50 funds are exempt from the provisions of 10A NCAC 71R .0201(3).

1 **SECTION 12J.1.(s)** The sum of three million two hundred twenty thousand three
2 hundred forty-two dollars (\$3,220,342) for the 2017-2018 fiscal year and the sum of three
3 million two hundred twenty thousand three hundred forty-two dollars (\$3,220,342) for the
4 2018-2019 fiscal year appropriated in this section in the Social Services Block Grant to the
5 Department of Health and Human Services, Division of Aging and Adult Services, and the sum
6 of eight hundred fifteen thousand three hundred sixty-two dollars (\$815,362) for the 2017-2018
7 fiscal year and the sum of eight hundred fifteen thousand three hundred sixty-two dollars
8 (\$815,362) for the 2018-2019 fiscal year appropriated in this section in the Social Services
9 Block Grant to the Department of Health and Human Services, Division of Social Services,
10 shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The
11 Department may expend funds appropriated in this section to support (i) existing corporate
12 guardianship contracts during the 2017-2018 and 2018-2019 fiscal years and (ii) guardianship
13 contracts transferred to the State from local management entities or managed care organizations
14 during the 2017-2018 and 2018-2019 fiscal years.

15 **SECTION 12J.1.(t)** The sum of seven hundred thirty-seven thousand sixty-seven
16 dollars (\$737,067) appropriated in this section in the Social Services Block Grant for each year
17 of the 2017-2019 fiscal biennium shall be allocated to the Department of Health and Human
18 Services, Division of Social Services. These funds shall be used to assist with training needs for
19 county child welfare training staff and shall not be used to supplant any other source of funding
20 for staff. County departments of social services are exempt from 10A NCAC 71R .0201(3)
21 requiring a local match of twenty-five percent (25%).

22 **SECTION 12J.1.(u)** The sum of four million six hundred thousand dollars
23 (\$4,600,000) for each fiscal year of the 2017-2019 fiscal biennium is appropriated in this
24 section of Social Services Block Grant funds to the Department of Health and Human Services.
25 Of the four million six hundred thousand dollars (\$4,600,000), the sum of eight hundred
26 fifty-four thousand forty-three dollars (\$854,043) shall be appropriated to the Division of
27 Aging and Adult Services and the sum of three million seven hundred forty-five thousand nine
28 hundred fifty-seven dollars (\$3,745,957) shall be appropriated to the Division of Social
29 Services. The Divisions of Aging and Adults Services and Social Services may expend funds
30 appropriated in this section as follows: (i) for county departments of social services to employ
31 additional staff needed to reduce workloads in Adult Protective Services and Guardianship, (ii)
32 to increase the capacity of guardianship corporations contracts to help meet the growing need
33 for publicly funded guardians, and (iii) to employ one additional full-time, permanent position
34 in the Division of Aging and Adult Services to implement the expansion of Adult Protective
35 Services and Guardianship. The appropriated funds described in (i) and (ii) of this subsection
36 shall be used for Adult Protective Services pursuant to Article 6 of Chapter 108A of the
37 General Statutes and for Guardianship Services pursuant to Chapter 35A of the General
38 Statutes.

39 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

40 **SECTION 12J.1.(v)** Additional emergency contingency funds received may be
41 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
42 consultation with the Joint Legislative Oversight Committee on Health and Human Services.
43 Additional funds received shall be reported to the Joint Legislative Oversight Committee on
44 Health and Human Services and the Fiscal Research Division upon notification of the award.
45 The Department of Health and Human Services shall not allocate funds for any activities,
46 including increasing administration, other than assistance payments, without prior consultation
47 with the Joint Legislative Oversight Committee on Health and Human Services.

48 **SECTION 12J.1.(w)** The sum of thirty-six million four hundred two thousand six
49 hundred ten dollars (\$36,402,610) for the 2017-2018 fiscal year and the sum of thirty-five
50 million four hundred nineteen thousand two hundred seventy-two dollars (\$35,419,272) for the
51

1 2018-2019 fiscal year appropriated in this section in the Low-Income Energy Assistance Block
2 Grant to the Department of Health and Human Services, Division of Social Services, shall be
3 used for Energy Assistance Payments for the households of (i) elderly persons age 60 and
4 above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii)
5 disabled persons eligible for services funded through the Division of Aging and Adult Services.

6 County departments of social services shall submit to the Division of Social
7 Services an outreach plan for targeting households with 60-year-old household members no
8 later than August 1 of each year. The outreach plan shall comply with the following:

- 9 (1) Ensure that eligible households are made aware of the available assistance,
10 with particular attention paid to the elderly population age 60 and above and
11 disabled persons receiving services through the Division of Aging and Adult
12 Services.
- 13 (2) Include efforts by the county department of social services to contact other
14 State and local governmental entities and community-based organizations to
15 (i) offer the opportunity to provide outreach and (ii) receive applications for
16 energy assistance.
- 17 (3) Be approved by the local board of social services or human services board
18 prior to submission.

19 20 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

21 **SECTION 12J.1.(x)** Payment for subsidized child care services provided with
22 federal TANF funds shall comply with all regulations and policies issued by the Division of
23 Child Development and Early Education for the subsidized child care program.

24 **SECTION 12J.1.(y)** If funds appropriated through the Child Care and
25 Development Fund Block Grant for any program cannot be obligated or spent in that program
26 within the obligation or liquidation periods allowed by the federal grants, the Department may
27 move funds to child care subsidies, unless otherwise prohibited by federal requirements of the
28 grant, in order to use the federal funds fully.

29 30 **MENTAL HEALTH SERVICES BLOCK GRANT**

31 **SECTION 12J.1.(z)** The sum of one million four hundred thirty thousand eight
32 hundred fifty-one dollars (\$1,430,851) appropriated in this section in the Mental Health Block
33 Grant to the Department of Health and Human Services, Division of Mental Health,
34 Developmental Disabilities, and Substance Abuse Services, for the 2017-2019 fiscal biennium
35 is allocated for Mental Health Services – First Psychotic Symptom Treatment.

36 37 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

38 **SECTION 12J.1.(aa)** The sum of two hundred fifty thousand dollars (\$250,000)
39 appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to
40 the Department of Health and Human Services, Division of Mental Health, Developmental
41 Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal
42 biennium shall be allocated to the Department of Military and Veterans Affairs to establish a
43 call-in center to assist veterans in locating service benefits and crisis services. The call-in center
44 shall be staffed by certified veteran peers within the Department of Military and Veterans
45 Affairs and trained by the Division of Mental Health, Developmental Disabilities, and
46 Substance Abuse Services.

47 48 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

49 **SECTION 12J.1.(bb)** If federal funds are received under the Maternal and Child
50 Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193
51 (42 U.S.C. § 710), for the 2017-2018 fiscal year or the 2018-2019 fiscal year, then those funds

1 shall be transferred to the State Board of Education to be administered by the Department of
2 Public Instruction. The Department of Public Instruction shall use the funds to establish an
3 abstinence until marriage education program and shall delegate to one or more persons the
4 responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department
5 of Public Instruction shall carefully and strictly follow federal guidelines in implementing and
6 administering the abstinence education grant funds.

7 **SECTION 12J.1.(cc)** The Department of Health and Human Services shall ensure
8 that there will be follow-up testing in the Newborn Screening Program.

9 **SECTION 12J.1.(dd)** The sum of one million five hundred seventy-five thousand
10 dollars (\$1,575,000) appropriated in this section in the Maternal and Child Health Block Grant
11 to the Department of Health and Human Services, Division of Public Health, for each fiscal
12 year of the 2017-2019 fiscal biennium shall be used for evidence-based programs in counties
13 with the highest infant mortality rates. The Division shall report on (i) the counties selected to
14 receive the allocation, (ii) the specific evidenced-based services provided, (iii) the number of
15 women served, and (iv) any impact on the counties' infant mortality rate. The Division shall
16 report its findings to the House of Representatives Appropriations Committee on Health and
17 Human Services, the Senate Appropriations Committee on Health and Human Services, and the
18 Fiscal Research Division no later than December 31, 2018.

19
20 **PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**
21 **(RESERVED)**

22
23 **PART XIV. DEPARTMENT OF ENVIRONMENTAL QUALITY**

24
25 **NONREVERSION OF PUBLIC WATER SYSTEM OPERATING PERMIT FEES**

26 **SECTION 14.1.** G.S. 130A-328(e) reads as rewritten:

27 "(e) All fees collected under this section shall be applied to ~~the costs of administering~~
28 ~~and enforcing this Article~~ as follows:

29 (1) The Community Water System Permit Fees Fund is established as a special
30 fund within the Department. Fees collected under subsection (b) of this
31 section shall be credited to the Fund and applied to the costs of
32 administering this Article.

33 (2) The Public Water System Plan Review Fee Fund is established as a special
34 fund within the Department. Fees collected under subsection (c) of this
35 section shall be credited to the Fund and applied to the costs of
36 administering this Article."

37
38 **NONREVERSION OF WATER TREATMENT FACILITY OPERATOR FEES**

39 **SECTION 14.2.** G.S. 90A-27 reads as rewritten:

40 "**§ 90A-27. Application fee.**

41 (a) The Board may establish a schedule of fees for the issuance or renewal of a
42 certificate to cover the costs of administering the certification programs. The fee for issuing or
43 renewing a certificate may not exceed fifty dollars (\$50.00). The Board may impose a penalty
44 not to exceed thirty dollars (\$30.00) for the late renewal of a certificate.

45 (b) The Water Treatment Facility Operator Fund is established as a special fund within
46 the Department. Fees collected under this section shall be credited to the Fund and applied to
47 the costs of administering this Article."

48
49 **CLARIFY COASTAL RECREATIONAL FISHING LICENSE STATUTE**

50 **SECTION 14.3.** Article 14C of Subchapter IV of Chapter 113 of the General
51 Statutes is amended by adding a new section to read:

"§ 113-176. Assent to Federal Acts.

The State hereby assents to the provisions of the Dingell-Johnson Sport Fish Restoration Act of 1950, 16 U.S.C. § 777 et seq., as amended. The State shall use revenues collected from fishing licenses in accordance with the provisions of G.S. 113-175.1(c) and G.S. 113-175.5(c) so funds shall not be diverted and shall be used solely for the administration of the State's fish programs which includes only the functions required to manage the agency and the fish-related resources for which the agency has authority under State law."

MARINE PATROL/SHELLFISH SANITATION EQUIPMENT SALES

SECTION 14.4. The Division of Marine Fisheries of the Department of Environmental Quality shall sell the following equipment and vessels as expeditiously as possible in order to modernize the fleet:

- (1) 1991 Lull telehandler.
- (2) 1984 LRT-100 crane.
- (3) 1999 Hudson Brothers low-boy Trailer.
- (4) 1992 25' Parker boat with trailer.
- (5) 1970's era 135' M/V West Bay vessel.

Proceeds from these sales shall be credited to a special fund within Marine Fisheries to be used for future equipment acquisitions to support the Shellfish Rehabilitation and Habitat Enhancement Programs.

I & M AIR POLLUTION CONTROL ACCOUNT

SECTION 14.5. G.S. 143-215.3A(b1) reads as rewritten:

"(b1) The I & M Air Pollution Control Account is established as a nonreverting account within the Department. Fees transferred to the Division of Air Quality of the Department pursuant to G.S. 20-183.7(c) shall be credited to the I & M Air Pollution Control Account and shall be applied to ~~the costs of developing and implementing an air pollution control program for mobile sources administering the air quality program.~~"

COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS REGULATORY FEE

SECTION 14.6. G.S. 62-302.1(b) reads as rewritten:

"(b) Rate. – The combustion residuals surface impoundment fee shall be ~~twenty-two thousandths of one percent (0.022%)~~ three hundredths of one percent (0.03%) of the North Carolina jurisdictional revenues of each public utility with a coal combustion residuals surface impoundment. For the purposes of this section, the term "North Carolina jurisdictional revenues" has the same meaning as in G.S. 62-302."

PART XV. DEPARTMENT OF COMMERCE**COMMUNITY INNOVATION FUND**

SECTION 15.1.(a) Fund. – The North Carolina Community Innovation Fund (CIF) is established as a special revenue fund in the Department of Commerce (Department). The Office of Science, Technology & Innovation in the Department shall be responsible for administering the program.

SECTION 15.1.(b) Purposes. – Moneys in the CIF shall be allocated pursuant to this subsection. The Department shall make grants from the CIF to "micropolitan" communities and majority-minority communities within metro areas that have seen systemic under-investment across North Carolina to stimulate small business growth, foster vibrant local innovation ecosystems, and help small- to medium-sized communities across the State transition to a knowledge-based economy. Moneys in the CIF shall be used for projects that will target, but not be limited to, the following outcomes:

- 1 (1) Strengthening internal networks among local entrepreneurs and the broader
2 business community, as well as the connection between the local
3 micropolitan innovation ecosystem and proximate metro innovation
4 ecosystems.
- 5 (2) Attracting more capital investment into the local innovation ecosystem.
- 6 (3) Growing the number of locally owned small businesses in the community.
- 7 (4) Increasing employment opportunities within the knowledge-based economy.
- 8 (5) Fostering more enterprises led and owned by women and entrepreneurs of
9 color.
- 10 (6) Contributing to increased business activity and density in under-developed
11 commercial corridors.
- 12 (7) Increasing media visibility for these efforts locally, statewide and,
13 ultimately, nationally.

14 **SECTION 15.1.(c)** Definitions. – For purposes of this section, the following
15 definitions apply:

- 16 (1) Innovation ecosystem – A collection of people, organizations, cultures,
17 policies, and programs that creates innovative ideas and discoveries and
18 translates those ideas into innovative products, services, and business models
19 to improve economic well-being and quality of life.
- 20 (2) Micropolitan community. – One or more adjacent counties or county
21 equivalents that have at least one urban core area with a population of at
22 least 10,000 but less than 50,000, plus adjacent territory that has a high
23 degree of social and economic integration with the core, as measured by
24 commuting ties.

25 **SECTION 15.1.(d)** Matching Funds. – The Department may require a participating
26 community to provide matching funds for a grant from the CIF.

27 **SECTION 15.1.(e)** Administrative Expenses. – Of the funds appropriated to the
28 CIF, the Department may use up to sixty thousand dollars (\$60,000), if necessary, to cover the
29 Department's expenses in administering the CIF.

30 **SECTION 15.1.(f)** CIF Advisory Committee. – The Department may establish an
31 advisory committee to assist in the development of the specific selection criteria and the
32 grant-making process of the CIF.

33 **SECTION 15.1.(g)** Agreements Required. – Funds may be disbursed from the CIF
34 only in accordance with agreements entered into between the Department and an eligible
35 grantee. Eligible grantees are nonprofit organizations and local governments.

36 **SECTION 15.1.(h)** Program Guidelines. – The Department shall develop
37 guidelines related to the administration of this program. At least 20 days before the effective
38 date of any guidelines or nontechnical amendments to the guidelines, the Department shall
39 publish the proposed guidelines on the Department's Web site and provide notice to persons
40 who have requested notice of proposed guidelines. In addition, the Department must accept oral
41 and written comments on the proposed guidelines during the 15 business days beginning on the
42 first day that the Department has completed these notifications. Guidelines adopted under this
43 section shall not be subject to the requirements of Article 2A of Chapter 150B of the General
44 Statutes. The Department shall publish the proposed guidelines on the Department's Web site
45 and provide notice to persons who have requested notice and to other stakeholder individuals
46 and organizations.

47 **NC INVENTS PROGRAM**

48 **SECTION 15.2.(a)** Program. – The NC Invents Program Fund is established as a
49 special revenue fund in the Department of Commerce (Department). The Office of Science,
50

1 Technology & Innovation in the Department shall be responsible for administering the
2 program.

3 **SECTION 15.2.(b)** Purposes. – Moneys for the NC Invents Program shall be
4 allocated pursuant to this subsection. In order for North Carolina to reap more economic
5 impacts from its universities through creating more companies, licensing income, and
6 employment from intellectual property resulting from university research, the NC Invents
7 Program provides funds for expert commercialization consultants to help universities
8 commercialize research.

9 **SECTION 15.2.(c)** Challenges Addressed. – Technology validation is one of the
10 top challenges investors and industry face in funding and acquiring university technologies.
11 Most of these technologies are too new to be attractive to investors or companies, as they
12 generally need additional proof-of-concept and testing, or the products that could develop or
13 benefit from the technologies may need further definition. Furthermore, the realities of
14 assessing and developing a strategy for introducing and expanding the technologies in the
15 marketplace are best accomplished by people directly familiar with the relevant industries and
16 with strong experience and expertise in technology commercialization.

17 **SECTION 15.2.(d)** Details. – The NC Invents Program allows all public and
18 private North Carolina universities to participate in a technology commercialization process
19 that uses the State's experts to provide the universities with technology commercialization
20 services, including, but not limited to, selecting university technologies based on commercial
21 potential, creating a development plan of activities to make the technologies attractive to
22 investors or companies, and guiding implementation of the activities to assure efficient
23 deployment of funds and commercial-quality results.

24 (1) NC Invents Program shall be funded with a one-time State appropriation of
25 ten million dollars (\$10,000,000), with invested income from the established
26 fund available for the program. Up to five percent (5%) of the invested
27 capital shall be released annually for program activities and administration.

28 (2) The Office of Science, Technology & Innovation, through a competitive
29 award process, shall select one or more nonprofit organizations to provide
30 the technology commercialization services.

31 (3) The selected nonprofit organizations must demonstrate expertise in life
32 science technologies such as medical, biological, and agricultural
33 technologies, or nonlife sciences technologies, such as information
34 technology, materials technology, and cyber security, as well as the ability to
35 work with universities throughout the State.

36 (4) Universities shall originate the technology candidates, and the nonprofits
37 shall select technologies and guide them through the commercialization
38 process, with oversight from the NC Department of Commerce.

39 (5) Development plans shall be stage-gated, with smaller levels of funding
40 provided initially. If technologies fail at any stage of a plan, no additional
41 funding shall be allocated, thus minimizing the funding outlay by the State
42 and participating university.

43 (6) Universities shall match each respective project investment 1:1.

44 **SECTION 15.2.(e)** Funding Cap. – The Department of Commerce may set a cap
45 on funding allocations to the selected nonprofit organizations.

46 **SECTION 15.2.(f)** Program Guidelines. – The Department of Commerce shall
47 develop guidelines related to the administration of this program. At least 20 days before the
48 effective date of any guidelines or nontechnical amendments to the guidelines, the Department
49 of Commerce shall publish the proposed guidelines on the Department's Web site and provide
50 notice to persons who have requested notice of proposed guidelines. In addition, the
51 Department must accept oral and written comments on the proposed guidelines during the 15

1 business days beginning on the first day that the Department has completed these notifications.
2 Guidelines adopted under this section shall not be subject to the requirements of Article 2A of
3 Chapter 150B of the General Statutes.
4

5 **INNOVATION FELLOWSHIP PROGRAM**

6 **SECTION 15.3.(a)** Program. – The Innovation Fellowship Program (IF Program)
7 Fund is established as a special revenue fund in the Department of Commerce (Department),
8 and the Office of Science, Technology & Innovation in the Department shall be responsible for
9 administering the program.

10 **SECTION 15.3.(b)** Purposes. – Moneys for the IF Program shall be allocated
11 pursuant to this subsection. In order to build the technology management workforce necessary
12 for the creation and growth of technology companies in fast-growing, high-paying industries,
13 and to encourage employment within the State of university science and business graduates to
14 benefit the State from its investment in higher education, all public and private North Carolina
15 universities shall be eligible to participate in a statewide, competitive fellowship program
16 enabling recent graduates or postdocs who are startup company founders or early stage hires to
17 transition to a full-time role in a startup.

18 **SECTION 15.3.(c)** Challenges Addressed. – University spinout companies lack the
19 resources to attract strong executive talent. For university-owned innovations, the best
20 candidate may be a graduate student or postdoc who worked on the technology and who wants
21 to work in industry. For a product or service developed by an undergraduate, the startup is most
22 likely to succeed with the innovator directly involved. In either case, the undergraduate,
23 graduate, or postdoc typically does not have the financial resources to devote full-time effort to
24 the startup. As a result, startups are either abandoned when the student leaves the university, or
25 the innovator gets a separate job and pursues the startup on the side. The result is fewer,
26 slower-growing startups and fewer entrepreneurs. Often, the most entrepreneurial graduates are
27 drawn out-of-state, to regions where startup capital is more abundant. The IF Program builds on
28 the successful "Innovation Fellowship" program at University of North Carolina at Chapel Hill
29 that addresses these challenges.

30 **SECTION 15.3.(d)** Details. – Graduating and recently graduated students and
31 postdoctoral scholars from any participating North Carolina university shall be eligible to apply
32 for a one-year fellowship. Eligible applicants shall be a founder or a key early hire of an
33 existing startup to which they shall commit full-time effort upon award.

- 34 (1) The IF Program shall provide a stipend of at least twenty-five thousand
35 dollars (\$25,000) for a bachelor's level or fifty thousand dollars (\$50,000)
36 for a graduate level to the respective universities sponsoring the fellows. For
37 each stipend, half shall be provided through State appropriations to the IF
38 Program, the other shall be provided by the sponsoring university.
- 39 (2) Solicitations and awards shall be made once per year, timed off the academic
40 calendar.
- 41 (3) Each cohort of fellows shall receive mentorship and startup training through
42 existing mentorship programs, such as Groundwork Labs, Blackstone
43 Entrepreneur's Network, or the Venture Mentoring Service of the Council
44 for Entrepreneurial Development.
- 45 (4) Awardees shall be required to remain in North Carolina for at least one year
46 after completion of the fellowship.
- 47 (5) An independent committee, composed of members from the community of
48 North Carolina universities and selected by the Office of Science,
49 Technology & Innovation, shall draft policies for long-term program
50 governance.

1 **SECTION 15.3.(e)** Program Guidelines. – The Department of Commerce shall
2 develop guidelines related to the administration of this program. At least 20 days before the
3 effective date of any guidelines or nontechnical amendments to the guidelines, the Department
4 of Commerce shall publish the proposed guidelines on the Department's Web site and provide
5 notice to persons who have requested notice of proposed guidelines. In addition, the
6 Department must accept oral and written comments on the proposed guidelines during the 15
7 business days beginning on the first day that the Department has completed these notifications.
8 Guidelines adopted under this section shall not be subject to the requirements of Article 2A of
9 Chapter 150B of the General Statutes.

10 11 **NC READY SITES**

12 **SECTION 15.4.(a)** Program. – The NC Ready Sites Program Fund is established
13 as a special revenue fund in the Department of Commerce (Department), and the Department
14 shall be responsible for administering the Fund.

15 **SECTION 15.4.(b)** Purposes. – Moneys in the NC Ready Sites Program shall
16 assist local government units to fund construction or improvement of public infrastructure that
17 serves publicly owned or publicly controlled industrial sites that have the potential to attract
18 employers that can create jobs and have a significant positive effect on the local, regional, and
19 State economy.

20 **SECTION 15.4.(c)** Program Guidelines. – The Department of Commerce shall
21 develop guidelines related to the administration of this program. At least 20 days before the
22 effective date of any guidelines or nontechnical amendments to the guidelines, the Department
23 of Commerce shall publish the proposed guidelines on the Department's Web site and provide
24 notice to persons who have requested notice of proposed guidelines. In addition, the
25 Department must accept oral and written comments on the proposed guidelines during the 15
26 business days beginning on the first day that the Department has completed these notifications.
27 Guidelines adopted under this section shall not be subject to the requirements of Article 2A of
28 Chapter 150B of the General Statutes. Those guidelines shall include, at a minimum, the
29 following provisions:

- 30 (1) The applicant must be a local unit of government
- 31 (2) The site to be served by the public infrastructure must be publicly-owned or
32 publicly-controlled
- 33 (3) The site must have a minimum size of 50 contiguous acres
- 34 (4) There must be evidence of appropriate local financial support for site
35 development, which, include, but is not limited to, site acquisition,
36 development costs, and/or infrastructure improvements
- 37 (5) There must be evidence of recent private sector interest in developing an
38 industrial project on the site
- 39 (6) There must be evidence of a well-researched strategy to identify and market
40 the site to appropriate private sector businesses
- 41 (7) Improvements that would be funded must result in a site that is ready for
42 development; and, funds are to be used to eliminate or reduce the
43 infrastructure gap and time needed to make the site development ready
- 44 (8) Funds will only be utilized to construct public infrastructure including new
45 or existing water, sewer, gas, telecommunications, high-speed broadband,
46 electrical utility distribution lines or equipment, or transportation
47 infrastructure

48 49 **EXTEND SUNSET DATE FOR JDIG PROGRAM**

50 **SECTION 15.5.** G.S. 143B-437.62 reads as rewritten:
51 **"§ 143B-437.62. Expiration.**

1 The authority of the Committee to award new grants expires January 1, ~~2019~~2029."

2
3 **ENHANCE STATEWIDE BROADBAND ACCESS**

4 **SECTION 15.6.(a)** Funds appropriated in this act for the enhancement of
5 Statewide Broadband shall be allocated in the following manner:

6 (1) Fourteen million five hundred thousand dollars (\$14,500,000) to establish
7 Broadband Deployment Grants for last-mile or middle-mile infrastructure
8 projects. Grants are to be technology-neutral. Projects must deploy
9 technology with scalable speeds up to 100Mbps download for wireline and
10 25Mbps download for fixed wireless. Applicants must have completed a
11 community broadband plan. Eligible applicants include:

12 a. 1st Priority: A city, village, town, or county that has established a
13 partnership or arrangement with a qualified organization or qualified
14 Internet Service Provider (currently providing Internet service at the
15 time of enactment).

16 b. 2nd Priority: A telephone (TMC) or electrical membership
17 cooperative (EMC), Internet Service Provider (ISP), or
18 Microelectronics Center of North Carolina (MCNC).

19 (2) Four million dollars (\$4,000,000) for Network Design and Planning Grants
20 to allow the State to determine the specific location of existing broadband
21 infrastructure through asset inventories and studies that determine the
22 location of current fiber infrastructure, provider points of presence,
23 middle-mile assets, and build-out needs. Eligible applicants include:

24 a. Counties, local units of government, region councils of government,
25 regional consortiums, or partnerships.

26 b. MCNC or electrical membership cooperatives (EMCs).

27 (3) One million dollars (\$1,000,000) for the establishment of Community
28 Planning Grants to identify existing infrastructure and gaps in coverage to
29 assist the local government in fostering new broadband deployments, to
30 produce plans that define local broadband needs and goals, and to encourage
31 adoption of identified best practices by participating municipalities and
32 organizations. Tiered match requirement, depending on level of distress
33 using Department of Commerce's Economic Tiers. Match can be from public
34 or private dollars. Eligible applicants include:

35 a. North Carolina city, village, town, or county.

36 b. A 501(c)(3) non-profit organization, including a cooperative.

37 (4) Five hundred thousand dollars (\$500,000) to support the planning
38 administration and management of broadband grant and loan programs.

39 **SECTION 15.6.(b)** G.S. 153A-349.60(a) reads as rewritten:

40 "(a) A county may provide grants to unaffiliated qualified private providers of high-speed
41 Internet access service, as that term is defined in G.S. 160A-340(4), for the purpose of
42 expanding service in ~~unserved areas for economic development in~~ the county. The grants shall
43 be awarded on a technology neutral basis, shall be open to qualified applicants, and may
44 require matching funds by the private provider. A county shall seek and consider request for
45 proposals from qualified private providers within the county prior to awarding a broadband
46 grant and shall use reasonable means to ensure that potential applicants are made aware of the
47 grant, including, at a minimum, compliance with the notice procedures set forth in
48 G.S. 160A-340.6(c). The county shall use only unrestricted general fund revenue for the grants.
49 For the purposes of this section, a qualified private provider is a private provider of high-speed
50 Internet access service in the State prior to the issuance of the grant proposal."
51

NER BLOCK GRANTS/2018 AND 2019 PROGRAM YEARS

SECTION 15.7.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2018, and June 30, 2019, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	\$ 1,037,500
02. Economic Development	\$13,737,500
03. Infrastructure	\$18,725,000
04. Scattered Site Housing	\$10,000,000

TOTAL COMMUNITY DEVELOPMENT**BLOCK GRANT –**

2018 Program Year **\$ 43,500,000**

2019 Program Year **\$ 43,500,000**

SECTION 15.7.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 15.7.(c) Increases in Federal Fund Availability. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 15.7.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million thirty-seven thousand five hundred dollars (\$1,037,500) may be used for State Administration, up to thirteen million seven hundred thirty-seven thousand five hundred dollars (\$13,737,500) may be used for Economic Development, up to eighteen million seven hundred twenty-five thousand dollars (\$18,725,000) may be used for Infrastructure, and up to ten million dollars (\$10,000,000) may be used for Scattered Site Housing. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 15.7.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

- (1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.
- (2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, the Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not

1 hear the issue within 30 days of receipt of the report, the Department may
2 take the action without consulting the Commission.
3

4 PART XVI. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

5 MODIFY ZOO AND AQUARIUM FUNDS

6 **SECTION 16.1.(a)** G.S. 143B-135.188 reads as rewritten:

7 "**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

8 ...
9

10 (b) Fund. – The North Carolina Aquariums Fund is hereby created as a special fund.
11 The North Carolina Aquariums Fund shall be used for the following purposes with respect to
12 the aquariums and the pier operated by the Division of North Carolina Aquariums:

- 13 (1) Repair, renovation, expansion, maintenance, and educational exhibit
14 construction. Funds used for repair, renovation, and expansion projects may
15 be transferred to a capital projects fund to account for use of the funds for
16 each project.
17

18 ...

19 (c) Disposition of Receipts. – All receipts derived from the collection of admissions
20 charges and other fees and the lease or rental of property or facilities shall be credited to the
21 aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may
22 transfer from the North Carolina aquariums' General Fund operating budget to the North
23 Carolina Aquariums Fund an amount not to exceed the sum of the following:

24 ...

- 25 (3) Any ~~private donations, donations, gifts, grants, and devises~~ received by the
26 North Carolina aquariums.
27

28"

29 **SECTION 16.1.(b)** G.S. 143B-135.209 reads as rewritten:

30 "**§ 143B-135.209. North Carolina Zoo Fund.**

31 (a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North
32 Carolina Zoo Fund shall be used for the following types of projects at the North Carolina
33 Zoological Park and to match private funds raised for these types of projects:

- 34 (1) Repair, renovation, expansion, maintenance, and educational exhibit
35 construction. Funds used for repair, renovation, and expansion projects may
36 be transferred to a capital projects fund to account for use of the funds for
37 each project.

38 ...

39 (b) Disposition of Receipts. – All receipts derived from the collection of admissions
40 charges and other ~~fees and fees,~~ the lease or rental of property or facilities, and the disposition
41 of structures or products of the land shall be credited to the North Carolina Zoological Park's
42 General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from
43 the North Carolina Zoological Park's General Fund operating budget to the North Carolina Zoo
44 Fund an amount not to exceed the sum of one million five hundred thousand dollars
45 (\$1,500,000) and any ~~private donations, donations, gifts, grants, and devises~~ received by the
46 North Carolina Zoological Park.
47

48"

49 **SECTION 16.1.(c)** G.S. 143B-135.213 is amended by adding a new subsection to
50 read:

51 "(c) Notwithstanding Article 3A of Chapter 143 of the General Statutes and
G.S. 143-49(4), the Council may dispose of any exhibit, exhibit component, or object from the
collections of the North Carolina Zoological Park by sale, lease, or trade. A sale, lease, or trade
under this subsection shall be conducted in accordance with generally accepted practices for

1 zoos and aquariums that are accredited by the American Association of Zoos and Aquariums.
2 After deducting the expenses attributable to the sale or lease, the net proceeds of any sale or
3 lease shall be credited to the North Carolina Zoo Fund."
4

5 **CLARIFYING CHANGES TO DEPARTMENT OF NATURAL AND CULTURAL**
6 **RESOURCES FUNDS**

7 **SECTION 16.2.(a)** G.S. 121-5(e) reads as rewritten:

8 "(e) Archives and Records Management Fund. The Archives and Records Management
9 Fund is established as a special revenue fund. The Fund consists of the fees credited to it under
10 Chapter 161 of the General Statutes. ~~Statutes, donations, gifts, grants, and devises.~~ Revenue in
11 the Fund may be used only to offset the Department's costs in providing essential records
12 management and archival services for public records pursuant to Chapter 121 and Chapter 132
13 of the General Statutes."

14 **SECTION 16.2.(b)** G.S. 121-7.6(a) reads as rewritten:

15 "(a) Fund Established. – The North Carolina Transportation Museum Fund is created as
16 a special interestbearing, nonreverting enterprise fund in the Department of Natural and
17 Cultural Resources. The Fund shall be used to pay all costs associated with the ~~operation~~
18 operation, interpretation, development, expansion, preservation, and maintenance of the North
19 Carolina Transportation Museum."

20 **SECTION 16.2.(c)** G.S. 121-7.7(a) reads as rewritten:

21 "(a) Fund. – The State Historic Sites and Museums Fund is created as a special,
22 interest-bearing revenue fund in the Division of State Historic Sites and the Division of State
23 History Museums. The Fund consists of all receipts derived from the lease or rental of property
24 or facilities, disposition of structures ~~or products of the land, private donations~~ donations, gifts,
25 grants, devises, and admissions and fees collected at the State Historic Sites, State History
26 Museums, and Maritime Museums. The revenues in the Fund may be used only for the
27 operation, interpretation, maintenance, preservation, development, and expansion of the
28 individual State Historic Site, State History Museum, and Maritime Museum where the receipts
29 are generated. The respective Division and the staff from each State Historic Site, State History
30 Museum, and Maritime Museum will determine how the funds will be used at that Historic
31 Site, State History Museum, and Maritime Museum."

32 **SECTION 16.2.(d)** G.S. 143B-53.3(a) reads as rewritten:

33 "(a) Fund. – The Queen Anne's Revenge Project Special Fund is created as a special,
34 interest-bearing revenue fund within the Department of Natural and Cultural Resources, Office
35 of Archives and History. The Fund shall consist of all receipts derived from ~~private~~ private
36 grant funds, gifts, grants, devises, and earned revenue. The monies in the Fund may be used
37 only for contracted services, personal services and operations, conference and meeting
38 expenses, travel, staff salaries, operations for laboratory needs, museum exhibits, and other
39 administrative costs related to the Queen Anne's Revenge Project. The staff of the Office of
40 Archives and History and the Department of Natural and Cultural Resources shall determine
41 how the funds will be used for the purposes of the Queen Anne's Revenge Project, and those
42 funds are hereby appropriated for those purposes."

43 **SECTION 16.2.(e)** G.S. 143B-79(7) reads as rewritten:

44 "(7) The Committee may dispose of property held in the Executive Mansion after
45 consultation with a review committee comprised of one person from the
46 Executive Mansion Fine Arts Committee, appointed by its chairman; one
47 person from the Department of Administration appointed by the Secretary of
48 Administration; and two qualified professionals from the Department of
49 Natural and Cultural Resources, Division of Archives and History, appointed
50 by the Secretary of Natural and Cultural Resources. Upon request of the
51 Executive Mansion Fine Arts Committee, the review committee will view

1 proposed items for disposition and make a recommendation to the North
 2 Carolina Historical Commission who will make a final decision. The
 3 Historical Commission must consider whether the disposition is in the best
 4 interest of the State of North Carolina. If any property is sold, the net
 5 proceeds of each sale and any interest earned thereon shall be deposited in
 6 the State Treasury to the credit of the Executive Mansion, Special Fund, and
 7 shall be used only for the purchase, conservation, restoration or repair of
 8 other property for use in the Executive Mansion."

9 **SECTION 16.2.(f)** G.S. 143B-87.2(a) reads as rewritten:

10 "(a) Fund. – The A+ Schools Special Fund is created as a special interest-bearing
 11 revenue fund in the Department of Natural and Cultural Resources, North Carolina Arts
 12 Council. The Fund shall consist of all receipts derived from ~~private~~ donations, ~~grant funds,~~
 13 gifts, grants, devises, and earned revenue. The revenue in the Fund may be used only for
 14 contracted services, conference and meeting expenses, travel, staff salaries, and other
 15 administrative costs related to the A+ Schools program. The staff of the North Carolina Arts
 16 Council and the Department shall determine how the funds will be used for the purposes of the
 17 A+ Schools program."

18 **SECTION 16.2.(g)** G.S. 143B-131.8A(c) reads as rewritten:

19 "(c) The Department of Natural and Cultural Resources shall credit to the Historic
 20 Roanoke Island Fund all rental proceeds and other receipts received by the Department from
 21 the rental properties or vacant lands located near the Outer Banks Island Farm."

22 **SECTION 16.2.(h)** G.S. 143B-135.56(a) reads as rewritten:

23 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State
 24 Treasurer's Office. The Trust Fund shall be a special revenue fund consisting of ~~gifts and grants~~
 25 donations, gifts, grants, and devises to the Trust Fund and other monies appropriated to the
 26 Trust Fund by the General Assembly."

27 **PARKS AND RECREATION TRUST FUND ELIGIBILITY**

28 **SECTION 16.3.** G.S. 143B-135.56(b)(1) reads as rewritten:

29 "(1) Sixty-five percent (65%) for the State Parks System or ~~a State recreational~~
 30 ~~forest~~ DuPont State Recreational Forest for capital projects, repairs and
 31 renovations of park facilities, and land acquisition."
 32
 33

34 **ESTABLISH STATE PARKS FUND AS A SPECIAL REVENUE FUND**

35 **SECTION 16.4.** Part 31 of Article 2 of Chapter 143B of the General Statutes is
 36 amended by adding a new section to read:

37 **"§ 143B-135.17. The State Parks Fund.**

38 (a) Fund. – The State Parks Fund is created as a special revenue fund. The State Parks
 39 Fund shall be used for any of the following types of projects in the State Parks System:

- 40 (1) Repair, renovation, maintenance, and educational exhibit construction.
 41 Funds used for repair, renovation, and expansion projects may be transferred
 42 to a capital projects fund to account for use of the funds for each project.
- 43 (2) Preservation, development, and expansion of an individual park, State
 44 recreational area, State natural area, State lake, State river, or State trail.
- 45 (3) The acquisition, maintenance, or replacement of vehicles and other
 46 transportation equipment as required to maintain adequate service to the
 47 public.
- 48 (4) Matching of private funds that are raised for these purposes.

49 (b) Disposition of Fees. – All receipts derived from the lease or rental of property or
 50 facilities, disposition of structures or products of the land, private donations, camping activities,
 51 and service fees collected shall be credited to the Division of Parks and Recreation's General

1 Fund operating budget. At the end of each fiscal year, the Secretary may transfer from the
2 Division of Parks and Recreation's General Fund operating budget to the State Parks Fund an
3 amount not to exceed the sum of one million dollars five hundred thousand dollars
4 (\$1,500,000) and any donations, gifts, grants, and devises received by the Division of Parks and
5 Recreation.

6 (c) Approval. – The Secretary may approve the use of the State Parks Fund for repair
7 and renovation projects at the Division of Parks and Recreation that comply with the following:

8 (1) The total project cost is less than five hundred thousand dollars (\$500,000).

9 (2) The project meets the requirements of G.S. 143C-4-3(b).

10 (d) Report. – The Department shall submit to the House and Senate appropriations
11 committees with jurisdiction over natural and economic resources and the Fiscal Research
12 Division by September 30 of each year a report on the State Parks Fund that shall include the
13 source and amounts of all funds credited to the Fund and the purpose and amount of all
14 expenditures from the Fund during the prior fiscal year."

15 16 **CLARIFY VENDING FACILITIES EXEMPTION**

17 **SECTION 16.5.(a)** Article 3 of Chapter 111 of the General Statutes is amended by
18 adding a new section to read:

19 **"§ 111-47.4. Food service at North Carolina Zoological Park.**

20 Notwithstanding any other provision of this Article, the North Carolina Zoological Park
21 may operate or contract for the operation of food or vending services at the North Carolina
22 Zoological Park. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food
23 and vending services operated by the North Carolina Zoological Park or a vendor with whom
24 the North Carolina Zoological Park has contracted shall be credited to the North Carolina Zoo
25 Fund."

26 **SECTION 16.5.(b)** This section shall not apply to any existing contract for food or
27 vending services at the North Carolina Zoological Park entered into prior to July 1, 2017.

28 29 **PROMOTE ACCESS TO AND EXCHANGE OF LIBRARY MATERIALS**

30 **SECTION 16.6.** G.S. 125-2(10) reads as rewritten:

31 "(10) To plan and coordinate cooperative programs between the various types of
32 libraries within the State of North Carolina, and to coordinate State
33 development with regional and national cooperative library programs; ~~and~~
34 to assist nonprofit corporations in organization and operation for the purposes
35 of cooperative ~~programs~~ programs; and to enter into contracts and
36 agreements for the purpose of coordinating programs, including, but not
37 limited to, promoting the access and exchange of library materials under this
38 subdivision."

39 40 **CLARIFY AND EXTEND HISTORIC PRESERVATION TAX CREDIT**

41 **SECTION 16.7.(a)** G.S. 105-129.106(b) reads as rewritten:

42 "(b) Limitations. – The amount of credit allowed under this section with respect to
43 rehabilitation expenses for a non-income-producing certified historic structure may not exceed
44 twenty-two thousand five hundred dollars (\$22,500) per discrete property parcel. In the event
45 that the taxpayer is the transferee of a State-certified historic structure for which rehabilitation
46 expenses were made, the taxpayer as transferee is allowed a credit under this section only if the
47 transfer takes place before the structure is placed in service. In this event, no other taxpayer
48 may claim such credit. A taxpayer ~~is allowed to~~ may claim a credit per discrete property parcel
49 under this section no more than once in any five-year period, carryovers notwithstanding."

50 **SECTION 16.7.(b)** G.S. 105-129.110 reads as rewritten:

51 **"§ 105-129.110. Sunset.**

1 This Article expires for qualified rehabilitation expenditures and rehabilitation expenses
2 incurred on or after January 1, ~~2020~~2030."

4 **NATURAL HERITAGE PROGRAM ADMINISTRATION AND FUND CORRECTION**

5 **SECTION 16.8.(a)** Part 42 of Article 2 of Chapter 143B of the General Statutes is
6 amended by adding a new section to read:

7 "**§ 143B-135.372. Administration of the Conservation Tax Credit Program.**

8 All authority, power, and responsibility related to Conservation Tax Credits, the
9 Conservation Tax Credit Program, and properties for which tax credits were granted, for tax
10 years beginning before January 1, 2014, previously given to the Department of Environmental
11 Quality or its predecessors under G.S.§105-130.34 and G.S. 105-151.12, prior to the adoption
12 of S.L. 2013-316, and G.S. 113A-231, prior to the adoption of S.L. 2014-3, are given to the
13 Department of Natural and Cultural Resources which may exercise the same through the
14 Natural Heritage Program."

15 **SECTION 16.8.(b)** G.S. 143B-135.272(b) reads as rewritten:

16 "(b) Fees collected under this section are receipts of the Department of Natural and
17 Cultural Resources and shall be deposited in ~~the Clean Water Management Trust Fund~~ a special
18 fund for the purpose of supporting the operations of the Natural Heritage Program."

20 **NATURAL HERITAGE PROGRAM REDUCE OR WAIVE FEES FLEXIBILITY**

21 **SECTION 16.9.** G.S. 143B-135.272 reads as rewritten:

22 "**§ 143B-135.272. Access to information; fees.**

23 (a) The Secretary may establish fees to defray the costs associated with any of the
24 following:

- 25 (1) Responding to inquiries requiring customized environmental review services
26 or the costs associated with developing, improving, or maintaining
27 technology that supports an online interface for external users to access
28 Natural Heritage Program data. ~~The Secretary may reduce or waive the fee~~
29 ~~established under this subsection if the Secretary determines that a waiver or~~
30 ~~reduction of the fee is in the public interest.~~

31 ...

32 ...

33 (c) The Secretary may reduce or waive fees established under this section if the
34 Secretary determines that a reduction or waiver of the fees is in the public interest or serves the
35 mission, policy, and purposes declared in the Nature Preserves Act, G.S. 143B-135.252."

37 **PART XVII. DEPARTMENT OF PUBLIC SAFETY**

39 **GRANT REPORTING AND MATCHING FUNDS**

40 **SECTION 17.1.** Notwithstanding the provisions of G.S. 143C-6-9, the Department
41 of Public Safety may use up to one million two hundred thousand dollars (\$1,200,000) during
42 the 2017-2018 fiscal year and up to one million two hundred thousand dollars (\$1,200,000)
43 during the 2018-2019 fiscal year from funds available to the Department to provide the State
44 match needed in order to receive grant funds. Prior to using funds for this purpose, the
45 Department shall report to the chairs of the House of Representatives and Senate
46 Appropriations Committees on Justice and Public Safety on the grants to be matched using
47 these funds.

49 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW** 50 **ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

1 **SECTION 17.2.(a)** Seized and forfeited assets transferred to the Department of
2 Justice or to the Department of Public Safety during the 2017-2019 fiscal biennium pursuant to
3 applicable federal law shall be credited to the budget of the department and shall result in an
4 increase of law enforcement resources for the department. The Department of Public Safety and
5 the Department of Justice shall make the following reports to the chairs of the House of
6 Representatives and Senate Appropriations Committees on Justice and Public Safety:

7 (1) A report upon receipt of any assets.

8 (2) A report that shall be made prior to use of the assets on their intended use
9 and the departmental priorities on which the assets may be expended.

10 (3) A report on receipts, expenditures, encumbrances, and availability of these
11 assets for the previous fiscal year, which shall be made no later than
12 September 1 of each year.

13 **SECTION 17.2.(b)** The General Assembly finds that the use of seized and
14 forfeited assets transferred pursuant to federal law for new personnel positions, new projects,
15 acquisition of real property, repair of buildings where the repair includes structural change, and
16 construction of, or additions to buildings, may result in additional expenses for the State in
17 future fiscal periods. Therefore, the Department of Justice and Department of Public Safety are
18 prohibited from using these assets for such purposes without the prior approval of the General
19 Assembly.

20 **SECTION 17.2.(c)** Nothing in this section prohibits North Carolina law
21 enforcement agencies from receiving funds from the United States Department of Justice, the
22 United States Department of the Treasury, and the United States Department of Health and
23 Human Services.

24
25 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL**
26 **COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES**
27 **AWAITING TRANSFER TO STATE PRISON SYSTEM**

28 **SECTION 17.3.** Notwithstanding G.S. 143C-6-9, the Department of Public Safety
29 may use funds available to the Department for the 2017-2019 fiscal biennium to pay the sum of
30 forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing convicted
31 inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as
32 provided in G.S. 148-29. The Department shall report annually by February 1 of each year to
33 the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the
34 chairs of the House of Representatives and Senate Appropriations Committees on Justice and
35 Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

36
37 **CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

38 **SECTION 17.4.** The Department of Public Safety may continue to contract with
39 The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison
40 beds for minimum security female inmates during the 2017-2019 fiscal biennium. The Center
41 for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the
42 House of Representatives and Senate Appropriations Committees on Justice and Public Safety
43 on the annual cost per inmate and the average daily inmate population compared to bed
44 capacity using the same methodology as that used by the Department of Public Safety.

45
46 **USE OF CLOSED FACILITIES**

47 **SECTION 17.5.(a)** In conjunction with the closing of prison facilities, youth
48 detention centers, and youth development centers, the Department of Public Safety shall
49 consult with the county or municipality in which the facility is located, with the elected State
50 and local officials, and with State and federal agencies about the possibility of converting that
51 facility to other use. The Department is authorized to consult with any private for-profit or

1 nonprofit firm about the possibility of converting the facility to other use. In developing a
2 proposal for future use of each facility, the Department shall give priority to converting the
3 facility to other criminal justice use. Consistent with existing law and the future needs of the
4 Department of Public Safety, the State may provide for the transfer or the lease of any of these
5 facilities to counties, municipalities, State agencies, federal agencies, nonprofit organizations,
6 or private firms wishing to convert them to other use. G.S. 146-29.1(f) through (g) shall not
7 apply to a transfer made pursuant to this section. The Department of Public Safety may also
8 consider converting some of the facilities recommended for closing from one security custody
9 level to another, where that conversion would be cost-effective. A prison unit under lease to a
10 county pursuant to the provisions of this section for use as a jail is exempt for the period of the
11 lease from any of the minimum standards adopted by the Secretary of Health and Human
12 Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the
13 unit to greater standards than those required of a unit of the State prison system.

14 **SECTION 17.5.(b)** In addition to the provisions of subsection (a) of this section,
15 the Department of Public Safety may use available funds to reopen and convert closed facilities
16 for use as treatment and behavior modification facilities for offenders serving a period of
17 confinement in response to violation (CRV) pursuant to G.S. 15A-1344(d2). Prior to opening a
18 new CRV facility pursuant to this subsection, the Department of Public Safety shall consult
19 with the Joint Legislative Oversight Committee on Justice and Public Safety on the location of
20 the facility, the proposed staffing, estimated operational costs, opening dates, and estimated
21 number of offenders to be served.

22 23 **INMATE CONSTRUCTION PROGRAM**

24 **SECTION 17.6.** Notwithstanding G.S. 66-58 or any other provision of law, during
25 the 2017-2019 fiscal biennium, the State Construction Office may, wherever feasible, utilize
26 inmates in the custody of the Division of Adult Correction of the Department of Public Safety
27 through the Inmate Construction Program for repair and renovation projects on State-owned
28 facilities, with priority given to Department of Public Safety construction projects.

29 30 **PRISON BEHAVIORAL HEALTH POSITIONS**

31 **SECTION 17.7.** Notwithstanding any other provision of law, the Section of
32 Prisons of the Division of Adult Correction may post, advertise, accept applications for, and
33 interview for positions established or authorized by this act related to behavioral health
34 treatment prior to the effective date of the establishment of those positions.

35 36 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

37 **SECTION 17.8.** Funds appropriated in this act to the Department of Public Safety
38 for each fiscal year of the 2017-2019 fiscal biennium may be used as matching funds for the
39 Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile
40 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State
41 Budget and Management and the Governor's Crime Commission shall consult with the
42 Department of Public Safety regarding the criteria for awarding federal funds. The Office of
43 State Budget and Management, the Governor's Crime Commission, and the Department of
44 Public Safety shall report to the chairs of the House of Representatives and Senate
45 Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight
46 Committee on Justice and Public Safety prior to allocation of the federal funds. The report shall
47 identify the amount of funds to be received for the 2017-2018 fiscal year, the amount of funds
48 anticipated for the 2018-2019 fiscal year, and the allocation of funds by program and purpose.

49 50 **GRANTS FOR LAW ENFORCEMENT AGENCIES TO COMBAT OPIOID ABUSE**

- 1 (8) Criteria for evaluating bids for ~~urban~~a search and rescue team and specialty
2 rescue team missions.
- 3 (9) Delineation of the roles of the contract response team, local public safety
4 personnel, the Division of Emergency Management's area coordinator, and
5 other State agency personnel participating in ~~an urban~~a search and rescue
6 team or specialty rescue team mission.
- 7 (10) Procedures for the Division of Emergency Management to audit the contract
8 response teams to ensure compliance with State and federal guidelines.

9 ...
10 (c) In developing the ~~Urban~~North Carolina Search and Rescue Program and adopting
11 the rules required by this section, the Secretary shall consult with the ~~Urban~~North Carolina
12 Search and Rescue Team Advisory Committee established pursuant to G.S. 166A-69.

13 **"§ 166A-67. Contracts; equipment loans.**

14 (a) The Secretary may contract with any unit or units of local government for the
15 provision of a contract response team to implement the ~~Urban~~North Carolina Search and
16 Rescue Program. Contracts are to be let consistent with the bidding and contract standards and
17 procedures adopted pursuant to G.S. 166A-66(a)(7) and G.S. 166A-66(a)(8). In entering into
18 contracts with units of local government, the Secretary may agree to provide any of the
19 following:

- 20 (1) A loan of equipment.
- 21 (2) Reimbursement of personnel costs, including the cost of callback personnel,
22 when a contract response team is authorized by the Department to respond to
23 ~~urban~~ search and rescue team and specialty rescue team missions.

24 ...
25 ...
26 (d) Contract response teams that have the use of a State vehicle may use the vehicle for
27 local purposes. Where a State vehicle is used for purposes other than authorized contract
28 response to ~~an urban~~a search and rescue team and specialty rescue team mission, the contract
29 response team shall be liable for repairs or replacements directly attributable to that use.

30 **"§ 166A-68. Immunity of contract response team personnel.**

31 Members of a contract response team shall be protected from liability under the provisions
32 of G.S. 166A-19.60(a) while on ~~an urban~~a search and rescue team or specialty rescue team
33 mission pursuant to authorization from the Division of Emergency Management.

34 **"§ 166A-69. UrbanNorth Carolina Search and Rescue Team Advisory Committee.**

35 (a) The ~~Urban~~North Carolina Search and Rescue Team Advisory Committee is created.
36 The Secretary shall appoint the members of the Committee and shall designate the Director or
37 Deputy Director of the North Carolina Division of Emergency Management as the chair. In
38 making appointments, the Secretary shall take into consideration the expertise of the appointees
39 in the management of ~~urban~~ search and rescue or specialty response team missions. The
40 Secretary shall appoint one representative from each of the following:

- 41 (1) The Division of North Carolina Emergency Management, who shall be the
42 Director or Deputy Director of the North Carolina Division of Emergency
43 Management and who shall serve as the chair.
- 44 (2) Each state ~~USAR~~ regional contract response team's Chief or Deputy Chief.

45 ...
46 (d) The Contract Response Team Advisory Committee shall advise the Secretary on the
47 establishment of the ~~Urban~~North Carolina Search and Rescue Program. The Committee shall
48 also evaluate and advise the Secretary of the need for additional contract response teams to
49 serve the State."

50
51 **RECOVERY COSTS OF HAZARDOUS MATERIALS EMERGENCY RESPONSE**

1 **SECTION 17.11.** G.S. 166A-27(a) reads as rewritten:

2 "(a) A person who causes the release of a hazardous material requiring the activation of
3 a regional response team shall be liable for all reasonable costs incurred by the regional
4 response team in responding to and mitigating the incident, including, but not limited to,
5 twenty-five percent (25%) of the cost of personnel, equipment, and supplies utilized in
6 response to the incident. The Secretary shall invoice the person liable for the hazardous
7 materials release, and, in the event of nonpayment, may institute an action to recover those
8 costs in the superior court of the county in which the release occurred."
9

10 **REDIRECT VIPER TOWER CONSTRUCTION APPROPRIATIONS**

11 **SECTION 17.12.** The seven million dollars (\$7,000,000) appropriated to the
12 Department of Public Safety/State Highway Patrol for Voice Interoperability Plan for
13 Emergency Responders (VIPER) tower construction shall not be used for that purpose in fiscal
14 year 2017-2018 to allow time for completion of a study of long-term sustainability options. The
15 study shall be managed by the Office of State Budget and Management. The Department of
16 Public Safety may realign funds appropriated for VIPER tower construction for system
17 maintenance and operations.
18

19 **CREATE HAZARDOUS MATERIALS FACILITY FUND**

20 **SECTION 17.13.** G.S.166A-29.1 reads as rewritten:

21 "**§ 166A-29.1. Hazardous materials facility fee.**

22 ...

23 **(b1)** The Hazardous Materials Facility Fund is established as a special fund within the
24 Department. All fees collected under this section shall be credited to the fund and shall be used
25 to support the hazardous materials response programs established pursuant to subsection (f) of
26 this section.

27 ...

28 **(f)** Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall
29 be used for the following:

30 ...

31 **(3)** To provide grants to counties for hazardous materials emergency response
32 planning, training, equipment, and related exercises.

33 "

34 **EXPAND CRIME VICTIMS SERVICES**

35 **SECTION 17.14.** G.S. 15B-2 reads as rewritten:

36 "**§ 15B-2. Definitions**

37 As used in this Article, the following definitions apply, unless the context requires
38 otherwise:

39 **(1)** Allowable expense. – Reasonable charges incurred for reasonably needed
40 products, services, and accommodations, including those for medical care,
41 rehabilitation, medically-related property, and other remedial treatment and
42 care.

43 Allowable expense includes a total charge not in excess of five thousand
44 dollars (\$ 5,000) for expenses related to funeral, cremation, and burial,
45 including transportation of a body, but excluding expenses for flowers,
46 gravestone, and other items not directly related to the funeral service.

47 Allowable expense for medical care, counseling, rehabilitation,
48 medically-related property, and other remedial treatment and care of a victim
49 shall be limited to sixty-six and two-thirds percent (66 2/3%) of the amount
50 usually charged by the provider for the treatment or care. By accepting the
51 compensation paid as allowable expense pursuant to this subdivision, the

1 provider agrees that the compensation is payment in full for the treatment or
 2 care and shall not charge or otherwise hold a claimant financially
 3 responsible for the cost of services in addition to the amount of allowable
 4 expense.

5 Allowable expense also includes:

6 a. A charge not in excess of three thousand dollars (\$3,000) for
 7 counseling for immediate family members of children under the age
 8 of 18 who are victims of rape, sexual assault, or domestic violence.

9 b. A charge not in excess of three thousand dollars (\$3,000) for family
 10 and/or grief counseling for immediate family members of homicide
 11 victims.

12 (2) Claimant. – Any of the following persons who claims an award of
 13 compensation under this Article:

14 ...

15 f. An immediate family member applying for benefits for the purpose
 16 of obtaining family or grief counseling.

17 g. An immediate family member of an adolescent rape, sexual assault,
 18 or domestic violence victim for the purpose of obtaining counseling.
 19 The claimant however, may not be the offender or an accomplice of
 20 the offender who committed the criminally injurious conduct, except
 21 as provided in sub-subdivision e. of this subdivision.

22 The claimant, however, may not be the offender or an accomplice of the
 23 offender who committed the criminally injurious conduct, except as
 24 provided in sub-subdivision e. of this subdivision.

25"

26
 27 **NCEM CLARIFYING RIDGE LINE MAPS**

28 **SECTION 17.15.** G.S. 113A-212(b) reads as rewritten:

29 "(b) The Secretary of Environmental Quality shall identify the protected mountain ridge
 30 crests in each county by showing them on a map or drawing, describing them in a document, or
 31 any combination thereof. Such maps, drawings, or documents shall identify the protected
 32 mountain ridges as defined in G.S. 113A-206 and such other mountain ridges as any county
 33 may request, and shall specify those protected mountain ridges that serve as all or part of the
 34 boundary line between two counties. By November 1, 1983, the map, drawing, or document
 35 tentatively identifying the protected mountain ridge crests of each county shall be filed with the
 36 board of county commissioners and with the city governing body of each city that requests it.
 37 By January 1, 1984, the map, drawing, or document identifying the protected mountain ridge
 38 crests shall be permanently filed by the Secretary with the register of deeds in the county where
 39 the land lies, and made available for inspection at the ~~Secretary's~~ North Carolina Geodetic
 40 Survey's (NC Emergency Management/Risk Management) office in Raleigh. Copies of the
 41 maps, drawings, or documents certified by the register of deeds, shall be admitted in evidence
 42 in all courts and shall have the same force and effect as would the original."

43
 44 **CLARIFY NATIONAL GUARD TUITION ASSISTANCE FUNDS**

45 **SECTION 17.16.** Notwithstanding any other provision of law, the sum of five
 46 hundred thousand dollars (\$500,000) in recurring funds for National Guard tuition assistance
 47 shall be allocated to UNC System Budget Code 16012 rather than Budget Code 14550.

48
 49 **PART XVIII. DEPARTMENT OF JUSTICE [RESERVED]**

50
 51 **PART XIX. JUDICIAL DEPARTMENT**

OFFICE OF INDIGENT DEFENSE SERVICES POSITIONS

SECTION 19.1. The Judicial Department, Office of Indigent Defense Services, may use appropriated funds during the 2017-2018 fiscal year for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, considering changing caseloads, cost-effectiveness, implementation of new initiatives, response to statutory changes, and other needs. Funds may be used for the creation of new positions or offices within existing public defender programs, including satellite offices of the Office of Capital Defender, for the establishment of regional public defender programs, or for positions providing support to private assigned counsel. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used for the salaries, benefits, equipment, and related expenses for up to 10 attorney positions and six nonattorney positions during the fiscal year with the total annualized cost of these positions no more than one million seven hundred thousand dollars (\$1,700,000). Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion.

OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 19.2. Notwithstanding G.S. 143C-6-9, during the 2017-2019 fiscal biennium, the Judicial Department, Office of Indigent Defense Services, may use the sum of up to fifty thousand dollars (\$50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

PART XX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS [RESERVED]**PART XXI. OFFICE OF ADMINISTRATIVE HEARINGS [RESERVED]****PART XXII. TREASURER****NORTH CAROLINA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) PROGRAM**

SECTION 22.1. Notwithstanding any other provision of law, all funds appropriated to the Achieving a Better Life Experience Program Trust established under Article 6F of Chapter 147 of the General Statutes during the 2015-2019 fiscal biennia shall not revert at the end of the fiscal year.

PART XXIII. DEPARTMENT OF INSURANCE [RESERVED]**PART XXIV. STATE BOARD OF ELECTIONS [RESERVED]****PART XXV. GENERAL ASSEMBLY [RESERVED]****PART XXVI. OFFICE OF THE GOVERNOR [RESERVED]****PART XXVII. OFFICE OF STATE BUDGET AND MANAGEMENT**

1 **MUSEUM OF NATURAL SCIENCES MATCH FUNDS – OSBM SPECIAL**
2 **APPROPRIATIONS**

3 **SECTION 27.1.(a)** Of the funds appropriated in this act to the Office of State
4 Budget and Management, Special Appropriations, the sum of two million dollars (\$2,000,000)
5 in nonrecurring funds for the 2017-2018 fiscal year shall be allocated to the North Carolina
6 Museum of Natural Sciences in accordance with this section. It is the intent of the General
7 Assembly that the North Carolina Museum of Natural Sciences will raise at least six million
8 dollars (\$6,000,000) in non-State funds for the 2017-2018 fiscal year. The Museum of Natural
9 Sciences shall use the funds to develop a new, innovative education and visitor experience.

10 **SECTION 27.1.(b)** For the 2017-2018 fiscal year, the Museum of Natural Sciences
11 shall receive allocations from the Office of State Budget and Management as follows:

- 12 (1) Upon raising the initial sum of one million five hundred thousand dollars
13 (\$1,500,000) in non-State funding, the Museum of Natural Sciences shall
14 receive the sum of five hundred thousand dollars (\$500,000).
- 15 (2) Upon raising an additional sum of one million five hundred thousand dollars
16 (\$1,500,000) in non-State funding for a total amount of three million dollars
17 (\$3,000,000) in non-State funds, the Museum of Natural Sciences shall
18 receive the sum of five hundred thousand dollars (\$500,000).
- 19 (3) Upon raising an additional sum of one million five hundred thousand dollars
20 (\$1,500,000) in non-State funding for a total sum of four million five
21 hundred thousand dollars (\$4,500,000) in non-State funds, the Museum of
22 Natural Sciences shall receive the sum of five hundred thousand dollars
23 (\$500,000).
- 24 (4) Upon raising an additional sum of one million five hundred thousand dollars
25 (\$1,500,000) in non-State funding for a total sum of six million dollars
26 (\$6,000,000) in non-State funds, the Museum of Natural Sciences shall
27 receive the final sum of five hundred thousand dollars (\$500,000).

28
29 **SYMPHONY CHALLENGE GRANT**

30 **SECTION 27.2.(a)** Of the funds appropriated in this act to the Office of State
31 Budget and Management, Special Appropriations, the sum of two million dollars (\$2,000,000)
32 in recurring funds is allocated to the North Carolina Symphony. It is the intent of the General
33 Assembly that the North Carolina Symphony raise at least nine million dollars (\$9,000,000) in
34 non-State funds each fiscal year of the 2017-2019 fiscal biennium. The North Carolina
35 Symphony cannot use funds transferred from the organization's endowment to its operating
36 budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

37 **SECTION 27.2.(b)** For the 2017-2018 fiscal year, the North Carolina Symphony
38 shall receive allocations from the Office of State Budget and Management as follows:

- 39 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
40 funding, the North Carolina Symphony shall receive the sum of six hundred
41 thousand dollars (\$600,000).
- 42 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
43 non-State funding for a total amount of six million dollars (\$6,000,000) in
44 non-State funds, the North Carolina Symphony shall receive the sum of
45 seven hundred thousand dollars (\$700,000).
- 46 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in
47 non-State funding for a total amount of nine million dollars (\$9,000,000) in
48 non-State funds, the North Carolina Symphony shall receive the final sum of
49 seven hundred thousand dollars (\$700,000).

50 **SECTION 27.2.(c)** For the 2018-2019 fiscal year, the North Carolina Symphony
51 shall receive allocations from the Office of State Budget and Management as follows:

- 1 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
2 funding, the North Carolina Symphony shall receive the sum of six hundred
3 thousand dollars (\$600,000).
- 4 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
5 non-State funding for a total amount of six million dollars (\$6,000,000) in
6 non-State funds, the North Carolina Symphony shall receive the sum of
7 seven hundred thousand dollars (\$700,000).
- 8 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in
9 non-State funding for a total amount of nine million dollars (\$9,000,000) in
10 non-State funds, the North Carolina Symphony shall receive the final sum of
11 seven hundred thousand dollars (\$700,000).

12 **STUDIES TO ENHANCE PUBLIC SAFETY**

13 **SECTION 27.3.(a)** Of the funds appropriated in this act to the Office of State
14 Budget and Management, the sum of five hundred thousand dollars (\$500,000) for the
15 2017-2018 fiscal year shall be used to study sustainability options for the Voice Interoperability
16 Plan for Emergency Responders (VIPER) and the security of the downtown Raleigh State
17 Government complex.

18 **SECTION 27.3.(b)** The Office of State Budget and Management shall contract
19 with an outside entity to perform an independent assessment of VIPER and FirstNet wireless
20 data network. The assessment shall (i) examine the current state of VIPER and FirstNet
21 technology and develop a long-term plan for future equipment needs and upgrades, (ii) research
22 efficiencies and cost-sharing methods for ensuring sustainability of system operations and
23 maintenance, (iii) ensuring system functions are not duplicated, and (iv) determine the most
24 effective governance and operational financing structure to ensure equitable and reasonable
25 cost-sharing and optimal system adoption by public safety agency stakeholders.

26 **SECTION 27.3.(c)** The Office of State Budget and Management shall contract
27 with an outside entity to perform an independent assessment of current security measures for
28 the downtown Raleigh State Government complex and develop a comprehensive security plan
29 to ensure efficient use of State resources.

30 **SECTION 27.3.(d)** These studies shall be completed no later than March 1, 2018.
31 To facilitate timely completion of this study, the contract entered into pursuant to this section is
32 exempt from Articles 3 and 3C of Chapter 143 of the General Statutes.

33 **PART XXVIII. STATE AUDITOR [RESERVED]**

34 **PART XXIX. HOUSING FINANCE AGENCY [RESERVED]**

35 **PART XXX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]**

36 **PART XXXI. OFFICE OF LT. GOVERNOR [RESERVED]**

37 **PART XXXII. DEPARTMENT OF ADMINISTRATION [RESERVED]**

38 **PART XXXIII. DEPARTMENT OF REVENUE**

39 **CRIMINAL RECORDS CHECK FOR DEPARTMENT OF REVENUE EMPLOYEES**

40 **SECTION 33.1.** Subpart D of Part 4 of Article 13 of Chapter 143B of the General
41 Statutes is amended by adding a new section to read:

42 **"§ 143B-967. Criminal history record checks of current and prospective employees and**
43 **contractors of the North Carolina Department of Revenue.**

1 The Department of Public Safety shall provide to the North Carolina Department of
2 Revenue a criminal history record from the State and National Repositories of Criminal
3 Histories for current or prospective employees, temporaries, contractors, and contractor
4 employees or agents with the North Carolina Department of Revenue, or for any other
5 individual otherwise engaged by the Department of Revenue, who will have access to federal
6 tax information. Along with a request for criminal history records, the Department of Revenue
7 shall provide to the Department of Public Safety the fingerprints of the individual whose record
8 is being sought, a form signed by the individual consenting to the criminal history record check
9 and to use of the fingerprints and other identifying information required by the Repositories,
10 and any additional information required by the Department of Revenue. The fingerprints shall
11 be forwarded to the State Bureau of Investigation for a search of the State's criminal history
12 record file, and the State Bureau of Investigation shall forward a set of fingerprints to the
13 Federal Bureau of Investigation for a national criminal history record check. The Department of
14 Revenue shall keep all information obtained pursuant to this section confidential. The
15 Department of Public Safety may charge a fee to offset the cost incurred by the Department of
16 Public Safety to conduct a criminal history record check under this section, but the fee shall not
17 exceed the actual cost of locating, editing, researching, and retrieving the information."

18 **DEPARTMENT OF REVENUE E-SERVICES**

19 **SECTION 33.2.** The State Chief Information Officer (CIO) shall monitor the
20 progress of the project management and procurement process for the E-Services project with
21 the Department of Revenue and shall ensure the project is completed on or before June 1, 2018.
22

23 **FUEL TRACKING SYSTEM UPGRADE**

24 **SECTION 33.3.** The Department of Revenue is authorized to upgrade the Fuel
25 Tracking System (System). The System is utilized by taxpayers to file motor fuel tax returns or
26 claims for refund electronically. These taxpayers are able to file their returns and pay any
27 monies due at the time of filing. The Department of Transportation will reimburse the
28 Department of Revenue monthly for expenditures incurred for the upgrade of the System. The
29 total amount to be reimbursed by the Department of Transportation shall not exceed two
30 million two hundred fifty thousand dollars (\$2,250,000). The State Chief Information Officer
31 shall monitor the progress of the project management and procurement process for this project
32 with the Department of Revenue and shall ensure the project is completed on or before
33 December 31, 2018.
34

35 **PART XXXIV. OFFICE OF STATE CONTROLLER**

36 **CORE FINANCIAL SYSTEM**

37 **SECTION 34.** The Office of the State Controller (OSC), in coordination with the
38 Department of Information Technology (DIT) and the Office of State Budget Management
39 (OSBM), will initiate the design and implementation of the core financial components of a
40 statewide Enterprise Resource Planning (ERP) system. For the 2017-2018 fiscal year, up to
41 nine hundred fifty thousand dollars (\$950,000) can be used for up to eight staff members and
42 other related administrative purposes for planning, designing, and developing the replacement
43 of the State's financial system. For the 2018-2019 fiscal year, up to four million four hundred
44 thousand dollars (\$4,400,000) can be used for hiring up to 36 staff members and other related
45 administrative purposes for the ERP system.
46

47 **PART XXXV. DEPARTMENT OF TRANSPORTATION**

48 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

1 **SECTION 35.1.(a)** The General Assembly authorizes and certifies anticipated
2 revenues for the Highway Fund as follows:

3 For Fiscal Year 2019-2020	\$2,210 million
4 For Fiscal Year 2020-2021	\$2,307 million
5 For Fiscal Year 2021-2022	\$2,338 million
6 For Fiscal Year 2022-2023	\$2,371 million

7 **SECTION 35.1.(b)** The General Assembly authorizes and certifies anticipated
8 revenues for the Highway Trust Fund as follows:

9 For Fiscal Year 2019-2020	\$1,569 million
10 For Fiscal Year 2020-2021	\$1,602 million
11 For Fiscal Year 2021-2022	\$1,625 million
12 For Fiscal Year 2023-2023	\$1,655 million

13
14 **SMALL CONSTRUCTION AND CONTINGENCY FUNDS FOR LIMITED**
15 **RAILROAD PURPOSES**

16 **SECTION 35.2.(a)** Section 34.4(a) of S.L. 2013-360 reads as rewritten:

17 **"SECTION 34.4.(a)** Of the funds appropriated in this act to the Department of
18 Transportation:

19 ...

20 (2) Twelve million dollars (\$12,000,000) shall be allocated statewide in each
21 fiscal year for rural or small urban highway improvements and related
22 transportation enhancements to public roads and public facilities, industrial
23 access roads, railroad infrastructure, and spot safety projects, including
24 pedestrian walkways that enhance highway safety. Projects funded pursuant
25 to this subdivision shall be approved by the Secretary of Transportation.

26 None of these funds used for secondary road improvements during the 2013-2014
27 fiscal year are subject to the county allocation formulas in G.S. 136-44.5(b)."

28 **SECTION 35.2.(b)** This section is effective when this act becomes law.
29

30 **SALE OF THE PROPERTY BY THE NORTH CAROLINA DEPARTMENT OF**
31 **TRANSPORTATION AND PLAN FOR USE OF FUNDS**

32 **SECTION 35.3.** The Reserve from Proceeds of Sale of the Raney Building and
33 DMV New Bern Avenue Property is established within the Highway Fund as a non-reverting
34 reserve. Notwithstanding G.S. 146-30, the net proceeds from the sale of the Raney Building
35 and the DMV New Bern Avenue Property shall be deposited in the Highway Fund to be used to
36 offset future cost of the Department of Motor Vehicles headquarters.
37

38 **DISPOSITION OF FUNDS RECEIVED BY THE STATE OR A STATE AGENCY**
39 **FROM A SETTLEMENT OR OTHER FINAL ORDER OR JUDGMENT OF THE**
40 **COURT**

41 **SECTION 35.4.** G.S. 114-2.4A(c) is amended by adding a new subdivision to
42 read:

43 "(3) Funds received by the Department of Transportation to the extent those
44 funds represent the recovery of previously expended funds."
45

46 **DMV HEARING FEE**

47 **SECTION 35.5.(a)** Section 34.9(c) of S.L. 2014-100, as amended by Section
48 29.30A of S.L. 2015-241, reads as rewritten:

49 **"SECTION 34.9.(c)** From funds appropriated to the Department of Transportation,
50 Information Technology Section for the 2014-2015 fiscal year, the Department shall implement
51 modifications to supporting information technology systems necessary to timely implement the

1 hearing fee schedule required by subsection (a) of this section. The Department shall
 2 implement the hearing fee schedule required by subsection (a) of this section by no later than
 3 ~~January 1, 2016.~~ July 1, 2017."

4 **SECTION 35.5.(b)** The Division shall assess a fee for administrative hearings in
 5 accordance with the schedule of fees required by law. No hearing fee shall be assessed to
 6 indigent persons, provided each hearing request by an indigent is accompanied with an affidavit
 7 of indigency that complies with all statutory and administrative requirements applicable to the
 8 filing of civil actions by indigents in the Superior Court Division of the General Court of
 9 Justice.

10
 11 **INMATE ROAD SQUADS AND LITTER CREWS**

12 **SECTION 35.6.** Of the funds appropriated in this act to the Department of
 13 Transportation maintenance budget, the sum of nine million forty thousand dollars
 14 (\$9,040,000) per fiscal year shall be transferred by the Department of Transportation to the
 15 Department of Correction for the cost of operating medium custody inmate road squads, as
 16 authorized by G.S. 148-26.5, and minimum custody inmate litter crews. The Department of
 17 Public Safety shall invoice the Department of Transportation for reimbursement of actual costs
 18 associated with the road squads and litter crews. The Department of Transportation may use
 19 funds appropriated in this act to pay an additional amount exceeding the nine million forty
 20 thousand dollars (\$9,040,000), but those payments shall be subject to negotiations between the
 21 Department of Transportation and the Department of Public Safety.

22
 23 **FEEES FOR SPECIAL REGISTRATION PLATES AND DISTRIBUTION OF THE**
 24 **FEEES**

25 **SECTION 35.7.** G.S. 20-79.7(a) is amended by adding two new subdivisions to
 26 read:

27 "(6) Air Medal Recipient to a recipient of the Air Medal.

28 "(7) Distinguished Flying Cross to a recipient of the Distinguished Flying Cross."

29
 30 **PART XXXVI. SALARIES AND BENEFITS**

31
 32 **GOVERNOR AND COUNCIL OF STATE**

33 **SECTION 36.1.(a)** The salary of the Governor as provided by G.S. 147-11(a) shall
 34 remain unchanged for the 2017-2019 fiscal biennium.

35 **SECTION 36.1.(b)** Effective July 1, 2017, the annual salaries for members of the
 36 Council of State, payable monthly, are increased by two percent (2%), for the 2017-2019 fiscal
 37 biennium, as follows:

Council of State	Annual Salary
Lieutenant Governor	\$130,112
Attorney General	130,112
Secretary of State	130,112
State Treasurer	130,112
State Auditor	130,112
Superintendent of Public Instruction	130,112
Agriculture Commissioner	130,112
Insurance Commissioner	130,112
Labor Commissioner	130,112

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 49 **CERTAIN EXECUTIVE BRANCH OFFICIALS**

1 **SECTION 36.2.** The annual salaries, payable monthly, for the following executive
2 branch officials for the 2017-2019 fiscal biennium are increased by two percent (2%), as
3 follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	\$115,817
State Controller	161,671
Commissioner of Banks	130,112
Chair, Board of Review, Division of Employment Security	127,606
Members, Board of Review, Division of Employment Security	126,034
Chairman, Parole Commission	127,606
Members of the Parole Commission	117,907
Chairman, Utilities Commission	144,786
Members of the Utilities Commission	130,112
Executive Director, North Carolina Agricultural Finance Authority	112,760

17 **JUDICIAL BRANCH SALARIES**

18 **SECTION 36.3.(a)** Effective July 1, 2017, the annual salaries, payable monthly,
19 for specified judicial branch officials for the 2017-2019 fiscal biennium are increased by two
20 percent (2%), as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	\$153,088
Associate Justice, Supreme Court	149,115
Chief Judge, Court of Appeals	146,756
Judge, Court of Appeals	142,947
Judge, Senior Regular Resident Superior Court	139,091
Judge, Superior Court	135,236
Chief Judge, District Court	122,900
Judge, District Court	119,044
District Attorney	129,759
Assistant Administrative Officer of the Courts	125,938
Public Defender	129,759
Director of Indigent Defense Services	133,768

34 **SECTION 36.3.(b)** For the 2017-2019 fiscal biennium, the annual salaries of
35 permanent full-time employees of the Judicial Department whose salaries are not itemized in
36 this act are increased by two percent (2%) or eight hundred dollars (\$800.00), whichever is
37 greater.

38 **SECTION 36.3.(c)** The district attorney or public defender of a judicial district,
39 with the approval of the Administrative Officer of the Courts or the Commission on Indigent
40 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant
41 public defenders, respectively, in that district such that the average salaries of assistant district
42 attorneys or assistant public defenders in that district do not exceed seventy-seven thousand
43 five hundred ninety-four dollars (\$77,594) annually and the minimum salary of any assistant
44 district attorney or assistant public defender is at least forty-one thousand one hundred
45 seventy-three dollars (\$41,173) annually, effective July 1, 2017.

47 **CLERK OF SUPERIOR COURT**

48 **SECTION 36.4.** Effective July 1, 2017, G.S. 7A-101(a) reads as rewritten:
49 **"§ 7A-101. Compensation.**

(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	\$88,188 <u>\$89,952</u>
100,000 to 149,999	98,834 <u>100,811</u>
150,000 to 249,999	109,480 <u>111,670</u>
250,000 and above	120,131 <u>122,534</u>

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

ASSISTANT AND DEPUTY CLERKS OF COURT

SECTION 36.5.(a) Effective July 1, 2017, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$33,098 <u>\$33,898</u>
Maximum	58,963 <u>60,142</u>
Deputy Clerks	Annual Salary
Minimum	28,646 <u>29,446</u>
Maximum	46,092 <u>47,014.</u> "

SECTION 36.5.(b) For the 2017-2019 fiscal biennium, the annual salaries of step-eligible employees are increased by two percent (2%) or eight hundred dollars (\$800.00), whichever is greater, in addition to the step change. The annual salaries of employees not eligible for a step increase are increased by two percent (2%) or eight hundred dollars (\$800.00), whichever is greater.

MAGISTRATES

SECTION 36.6.(a) Effective July 1, 2017, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary	
	<u>Minimum</u>	<u>Maximum</u>
Entry Rate	\$36,862 <u>\$37,662</u>	\$37,662 <u>\$39,462</u>
Step 1	38,519 <u>39,319</u>	39,658 <u>40,458</u>
Step 2	41,448 <u>42,277</u>	42,673 <u>43,526</u>
Step 3	44,548 <u>45,439</u>	45,865 <u>46,782</u>

1	Step 4	48,263	49,690
2	Step 5	52,739	54,298
3	Step 6	57,754	59,461
4	...		

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who, on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum	Maximum
Less than 1 year of service		\$29,099
1 or more but less than 3 years of service	29,288	30,333
3 or more but less than 5 years of service	31,773	32,818

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

...."

SECTION 36.6.(b) Employees paid under this section, when first moving onto a step sytem, shall be paid at the minimum rate.

LEGISLATIVE BRANCH SALARIES

SECTION 36.7.(a) For the 2017-2019 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly.

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, 2017, are increased by two percent (2%) or eight hundred dollars (\$800.00), whichever is greater, effective July 1, 2017, for the 2017-2019 fiscal biennium.

SECTION 36.7.(c) Legislative employees paid pursuant to subsection (b) of this section shall receive the compensation bonus awarded by this act.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 36.8. Effective July 1, 2017, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred seven thousand nine hundred twenty eight dollars (\$107,928)~~, one hundred ten thousand eighty-seven dollars (\$110,087), 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, 2017, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred ten dollars (\$410.00)~~ four hundred twenty-six dollars (\$426.00) 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

1 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess
2 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks
3 shall serve during sessions only."
4

5 **COMMUNITY COLLEGES PERSONNEL**

6 **SECTION 36.10.(a)** The minimum salaries for nine-month, full-time curriculum
7 community college faculty for the 2017-2019 fiscal biennium are increased by two percent
8 (2%) or eight hundred dollars (\$800.00), whichever is greater, effective July 1, 2017, as
9 follows:

10 <u>Education Level</u>	<u>Minimum Salary</u>
11 Vocational Diploma/Certificate or Less	\$36,644
12 Associate Degree or Equivalent	37,156
13 Bachelor's Degree	39,379
14 Master's Degree or Education Specialist	41,362
15 Doctoral Degree	44,262

16 No full-time faculty member shall earn less than the minimum salary for his or her
17 education level.

18 The pro rata hourly rate of the minimum salary for each education level shall be
19 used to determine the minimum salary for part-time faculty members.

20 **SECTION 36.10.(b)** For the 2017-2019 fiscal biennium, the community college
21 boards of trustees may provide personnel a salary increase pursuant to the policies adopted by
22 the State Board of Community Colleges.

23 **SECTION 36.10.(c)** Funds for compensation increases may be used for any one or
24 more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment
25 bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies
26 adopted by the State Board of Community Colleges. By March 1, 2018, the State Board of
27 Community Colleges shall make a report on the use of these funds to the 2018 General
28 Assembly.
29

30 **UNIVERSITY OF NORTH CAROLINA SYSTEM**

31 **SECTION 36.11.** Effective for the 2017-2019 fiscal biennium, the annual salaries
32 of all full-time University of North Carolina SHRA and EHRA employees are increased by two
33 percent (2%) or eight hundred dollars (\$800.00), whichever is greater. These employees will
34 also receive a one-time, across-the-board bonus in the amount of five hundred dollars (\$500.00)
35 in the 2017-2018 fiscal year.
36

37 **STATE AGENCY TEACHERS**

38 **SECTION 36.12.** Employees of schools operated by the Department of Health and
39 Human Services, the Department of Public Safety, the State Board of Education, and
40 employees of the School of Science and Mathematics of the University of North Carolina who
41 are paid on the Teacher Salary Schedule shall be paid as authorized by Section 9.1 of this act.
42

43 **ALL STATE-SUPPORTED PERSONNEL**

44 **SECTION 36.13.(a)** For the 2017-2019 fiscal biennium:

- 45 (1) Unless otherwise specifically provided, the annual salaries of all employees
46 subject to or exempt from the North Carolina Human Resources Act are
47 increased by two percent (2%) or eight hundred dollars (\$800.00), whichever
48 is greater.
- 49 (2) All eligible State-supported personnel shall receive a one-time,
50 across-the-board bonus in the amount of five hundred dollars (\$500.00) in
51 the 2017-2018 fiscal year, as authorized by this part.

SECTION 36.13.(b) Salaries and Related Benefits for Positions That Are Funded.

(1) Partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

(2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this act. The Director of the Budget may increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

The Director of the Budget may increase expenditures of receipts from these sources in the certified budget by the amount necessary to provide the increases authorized by this part to receipt-supported personnel.

SECTION 36.13.(c) Except as otherwise provided, the annual salary increases and one-time bonuses 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, 2017.

SECTION 36.13.(d) Employees shall receive the statutory increases provided by G.S. 20-187.3, 7A-102, and 7A-171.1. Employees eligible for statutory increases under G.S. 20-187.3, 7A-102, and 7A-171.1 also receive the increases and bonus authorized by this section.

SECTION 36.13.(e) Payroll checks issued to employees after July 1, 2017, that represent payment of services provided prior to July 1, 2017, 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 36.13.(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 36.14. For the 2017-2019 fiscal biennium, except as otherwise provided by this part and Part 9 of this act, the annual salaries in effect on June 30, 2017, for the following persons are increased by two percent (2%) or eight hundred dollars (\$800.00), whichever is greater, and these persons will also receive a one-time, across-the-board bonus in the 2017-2018 fiscal year in the amount of five hundred dollars (\$500.00):

- (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.

COMPENSATION BONUS/ACROSS-THE-BOARD/AWARDED FOR FISCAL YEAR 2017-2018

SECTION 36.15.(a) Any person (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act, or as otherwise authorized in this act and (ii) who is employed in a State-funded position on September 1, 2017, shall be awarded a one-time, lump sum compensation bonus for the 2017-2018 fiscal year in the amount of five hundred dollars

1 (\$500.00) during the month of October 2017, except as provided by subsection (b) of this
2 section.

3 **SECTION 36.15.(b)** Teachers paid on the Salary Schedule in Section 9.1 of this
4 act are not eligible to receive the bonus awarded by subsection (a) of this section.

5 **SECTION 36.15.(c)** Notwithstanding G.S. 135-1(7a), the compensation bonus
6 awarded by this section is not compensation under Article 1 of Chapter 135 of the General
7 Statutes, the Teachers' and State Employees' Retirement System.

8 **SECTION 36.15.(d)** The compensation bonus awarded by this section is not part
9 of annual salary and shall be paid out separately. The compensation bonus shall be awarded to
10 eligible permanent employees without regard to an employee's placement within the salary
11 range, including employees at the top of the salary range. The compensation bonus shall be
12 adjusted pro rata for permanent part-time employees.

13 **SECTION 36.15.(e)** Recipients of disability benefits under Article 6 of Chapter
14 135 of the General Statutes who have not terminated their employment and who otherwise meet
15 the conditions of this section are eligible to receive the bonus, which shall be paid by the
16 employing agency. The Disability Income Plan will neither pay the bonus nor reimburse the
17 employer for payment.

18 **SECTION 36.15.(f)** For part-time employees, the bonus shall be pro rata based on
19 the number of hours worked.

20 21 **USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY** 22 **INCREASES/COMPENSATION BONUSES/EMPLOYEE BENEFITS**

23 **SECTION 36.16.(a)** The appropriations set forth in Section 2.1 of this act include
24 appropriations for legislatively mandated salary increases and compensation bonuses. The
25 Office of State Budget and Management shall ensure that those funds are used only for the
26 purposes of legislatively mandated salary increases, compensation bonuses, and employee
27 benefits. Any recurring funds remaining in the compensation and benefits reserves shall be
28 transferred to the Salary Adjustment Fund for the purposes described in this part. Any funds
29 remaining following the adjustment to these positions shall revert in accordance with
30 G.S. 143C-1-2(b), unless otherwise provided by law.

31 **SECTION 36.16.(b)** If the Director of the Budget determines that funds
32 appropriated to a State agency for legislatively mandated salary increases, compensation
33 bonuses, and employee benefits exceed the amount required by that agency for those purposes,
34 the Director may reallocate those funds to other State agencies that received insufficient funds
35 for legislatively mandated salary increases, compensation bonuses, and employee benefits.

36 37 **SALARY ADJUSTMENT FUND**

38 **SECTION 36.17.(a)** Funds appropriated or otherwise transferred to the General
39 Fund Salary Adjustment by this act or any other provision of law shall be used to fund agency
40 requests to provide competitive salary rates for affected job classifications or groups in
41 response to changes in labor market rates according to accepted human resource professional
42 practices and standards. Funds shall only be used for salary adjustments that are in compliance
43 with State Human Resources Commission policies.

44 **SECTION 36.17.(b)** The Director of the Budget may transfer to General Fund
45 budget codes from the General Fund Salary Adjustment Fund amounts required to support
46 salary adjustments authorized by this section.

47 **SECTION 36.17.(c)** The Judicial Department is eligible for the funding authorized
48 in subsection (a) of this section.

49 50 **EXTEND REORGANIZATION THROUGH REDUCTION AUTHORIZATION**

1 **SECTION 36.18.(a)** Section 8.3 of S.L. 2013-382, as amended by Section 55.3(g)
2 of S.L. 2014-115, reads as rewritten:

3 "**SECTION 8.3.** This Part is effective when it becomes law and expires ~~June 30, 2017~~. The
4 ~~Office of State Human Resources and the Office of State Budget and Management shall report~~
5 ~~to the Joint Legislative Commission on Governmental Operations annually on the RTR~~
6 ~~program June 30, 2019.~~"

7 **SECTION 36.18.(b)** Payments under the Reorganization Through Reduction
8 program shall be made from funds available within the reorganizing State agency.

9
10 **SALARY DETERMINATIONS FOR CERTAIN LICENSED HEALTH**
11 **PROFESSIONALS**

12 **SECTION 36.19.** State agencies, departments, and institutions shall have salary
13 administration flexibility for licensed physicians, dentists, nurses, physicians assistants,
14 pharmacists, and other allied health professionals and may exercise the flexibility within
15 existing resources. No salary determination made under this section may exceed the maximum
16 of the applicable salary range established by the Office of State Human Resources under
17 Chapter 126 of the General Statutes. On or before September 1, annually, the Office of State
18 Human Resources shall report to the Joint Legislative Commission on Governmental
19 Operations and to the Fiscal Research Division on the salary actions taken under this section.

20
21 **STATE WORKERS' COMPENSATION**

22 **SECTION 36.20.** For the 2017-2018 fiscal year, the sum of two million dollars
23 (\$2,000,000) from funds appropriated in this acts to the Workers' Compensation Reserve hall
24 be used for the closure of existing workers' compensation claims.

25
26 **SALARY-RELATED CONTRIBUTIONS**

27 **SECTION 36.21.(a)** Effective for the 2017-2019 fiscal biennium, required
28 employer salary-related contributions for employees whose salaries are paid from department,
29 office, institution, or agency receipts shall be paid from the same source as the source of the
30 employee's salary. If an employee's salary is paid in part from the General Fund or Highway
31 Fund and in part from department, office, institution, or agency receipts, required employer
32 salary-related contributions may be paid from the General Fund or Highway Fund only to the
33 extent of the proportionate part paid from the General Fund or Highway Fund in support of the
34 salary of the employee, and the remainder of the employer's requirements shall be paid from the
35 source that supplies the remainder of the employee's salary. The requirements of this section as
36 to source of payment are also applicable to payments on behalf of the employee for hospital
37 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'
38 compensation, severance pay, separation allowances, and applicable disability income benefits.

39 **SECTION 36.21.(b)** Effective July 1, 2017, the State's employer contribution rates
40 budgeted for retirement and related benefits as a percentage of covered salaries for the
41 2017-2018 fiscal year are:

- 42 (1) Seventeen and thirty-three hundredths percent (17.33%) – Teachers and
43 State Employees;
- 44 (2) Twenty-one and sixty-seven hundredths percent (21.67%) – State Law
45 Enforcement Officers;
- 46 (3) Thirteen and two hundredths percent (13.02%) – University Employees'
47 Optional Retirement Program;
- 48 (4) Thirteen and two hundredths percent (13.02%) – Community College
49 Optional Retirement Program;
- 50 (5) Thirty-six and twenty-seven hundredths percent (36.27%) – Consolidated
51 Judicial Retirement System; and

1 (6) Twenty-four and thirty-one hundredths percent (24.31%) – Legislative
2 Retirement System.

3 Each of the foregoing contribution rates includes six and four hundredths percent
4 (6.04%) for hospital and medical benefits. The rate for the Teachers and State Employees, State
5 Law Enforcement Officers, University Employees' Optional Retirement Program, and the
6 Community College Optional Retirement Program includes fourteen hundredths percent
7 (0.14%) for the Disability Income Plan. The rates for Teachers and State Employees and State
8 Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits
9 Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
10 Retirement Income.

11 **SECTION 36.21.(c)** Effective July 1, 2017, the maximum annual employer
12 contributions, payable monthly, by the State for each covered employee or retiree for the
13 2017-2018 fiscal year to the State Health Plan for Teachers and State Employees are (i)
14 Medicare-eligible employees and retirees – four thousand five hundred seventy-three dollars
15 (\$4,573) and (ii) non-Medicare-eligible employees and retirees – five thousand eight hundred
16 eighty dollars (\$5,880).

17 **SECTION 36.21.(d)** Effective July 1, 2018, the State's employer contribution rates
18 budgeted for retirement and related benefits as a percentage of covered salaries for the
19 2018-2019 fiscal year are:

- 20 (1) Seventeen and fifty hundredths percent (17.50%) – Teachers and State
21 Employees;
- 22 (2) Twenty-two and fifty hundredths percent (22.50%) – State Law Enforcement
23 Officers;
- 24 (3) Thirteen and twenty-five hundredths percent (13.25%) – University
25 Employees' Optional Retirement Program;
- 26 (4) Thirteen and twenty-five hundredths percent (13.25%) – Community
27 College Optional Retirement Program;
- 28 (5) Thirty-six and fifty hundredths percent (36.50%) – Consolidated Judicial
29 Retirement System; and
- 30 (6) Twenty-four and fifty-four hundredths percent (24.54%) – Legislative
31 Retirement System.

32 Each of the foregoing contribution rates includes six and twenty-seven hundredths
33 percent (6.27%) for hospital and medical benefits. The rate for the Teachers and State
34 Employees, State Law Enforcement Officers, University Employees' Optional Retirement
35 Program, and the Community College Optional Retirement Program includes fourteen
36 hundredths percent (0.14%) for the Disability Income Plan. The rates for Teachers and State
37 Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%)
38 for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent
39 (5%) for Supplemental Retirement Income.

40 **SECTION 36.21.(e)** Effective July 1, 2018, the maximum annual employer
41 contributions, payable monthly, by the State for each covered employee or retiree for the
42 2018-2019 fiscal year to the State Health Plan for Teachers and State Employees are (i)
43 Medicare-eligible employees and retirees – four thousand seven hundred fifty-six dollars
44 (\$4,756) and (ii) non-Medicare-eligible employees and retirees – six thousand one hundred
45 dollars (\$6,100).

46
47 **PROVIDE ONE-TIME COST-OF-LIVING SUPPLEMENT FOR RETIREES OF THE**
48 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
49 **CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**
50 **RETIREMENT SYSTEM**

51 **SECTION 36.22.(a)** G.S. 135-5 is amended by adding a new subsection to read:

1 "(vvv) On or before October 31, 2017, a one-time cost-of-living supplement payment shall
2 be made to or on account of beneficiaries who are living as of September 1, 2017, and whose
3 retirement commenced on or before September 1, 2017. The payment shall be one and
4 five-tenths percent (1.5%) of the beneficiary's annual retirement allowance payable as of
5 September 1, 2017, and shall not be prorated for date of retirement commencement. If the
6 beneficiary dies before the payment is made, then the payment shall be payable to the member's
7 legal representative. No beneficiary shall be deemed to have acquired a vested right to any
8 future supplemental payments."

9 **SECTION 36.22.(b)** G.S. 135-65 is amended by adding a new subsection to read:

10 "(gg) On or before October 31, 2017, a one-time cost-of-living supplement payment shall
11 be made to or on account of beneficiaries who are living as of September 1, 2017, and whose
12 retirement commenced on or before September 1, 2017. The payment shall be one and
13 five-tenths percent (1.5%) of the beneficiary's annual retirement allowance payable as of
14 September 1, 2017, and shall not be prorated for date of retirement commencement. If the
15 beneficiary dies before the payment is made, then the payment shall be payable to the member's
16 legal representative. No beneficiary shall be deemed to have acquired a vested right to any
17 future supplemental payments."

18 **SECTION 36.22.(c)** G.S. 120-4.22A is amended by adding a new subsection to
19 read:

20 "(aa) In accordance with subsection (a) of this section, on or before October 31, 2017, a
21 one-time cost-of-living supplement payment shall be made to or on account of beneficiaries
22 who are living as of September 1, 2017, and whose retirement commenced on or before
23 September 1, 2017. The payment shall be one and five-tenths percent (1.5%) of the
24 beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be
25 prorated for date of retirement commencement. If the beneficiary dies before the payment is
26 made, then the payment shall be payable to the member's legal representative. No beneficiary
27 shall be deemed to have acquired a vested right to any future supplemental payments."

28 **SECTION 36.22.(d)** Notwithstanding any other provision of law to the contrary, in
29 order to administer the one-time cost-of-living supplement for retirees provided for in this
30 section, the Retirement Systems Division of the Department of State Treasurer may increase
31 receipts from the retirement assets of the corresponding retirement system or pay costs
32 associated with the administration of the payment directly from the retirement assets.
33

34 **TWENTY-FIVE YEAR LAW ENFORCEMENT RETIREMENT**

35 **SECTION 36.23.(a)** G.S. 135-5(a)(4) reads as rewritten:

36 "(4) Any member who is a law-enforcement officer and who (i) attains age 50
37 and completes 15 or more years of creditable service in this ~~capacity~~ or who
38 capacity, (ii) attains age 55 and completes five or more years of creditable
39 service in this capacity, or (iii) has completed 25 years of creditable service
40 may retire upon electronic submission or written application to the Board of
41 Trustees setting forth at what time, as of the first day of a calendar month,
42 not less than one day nor more than 120 days subsequent to the execution
43 and filing thereof, ~~he~~ the member desires to be retired; Provided, also, any
44 member who has met the conditions herein required but does not retire, and
45 later becomes a teacher or an employee other than as a law-enforcement
46 officer shall continue to have the right to commence retirement."

47 **SECTION 36.23.(b)** G.S. 135-5(b19) reads as rewritten:

48 "(b19) Service Retirement Allowance of Members Retiring on or After July 1, 2002–2002,
49 but Before January 1, 2018. – Upon retirement from service in accordance with subsection (a)
50 or (a1) of this section, on or after July 1, 2002, but before January 1, 2018, a member shall
51 receive the following service retirement allowance:

1"

2 **SECTION 36.23.(c)** G.S. 135-5 is amended by adding a new subsection to read:

3 "(b21) Service Retirement Allowance of Members Retiring on or After January 1, 2018. –
4 Upon retirement from service on or after January 1, 2018, in accordance with subsection (a) or
5 (a1) of this section, a member shall receive the following service retirement allowance:

6 (1) A member who is a law enforcement officer or an eligible former law
7 enforcement officer shall receive a service retirement allowance computed
8 as follows:

9 a. If the member's service retirement date occurs on or after the
10 member's 55th birthday and completion of five years of creditable
11 service as a law enforcement officer, or after the completion of 25
12 years of creditable service, the allowance shall be equal to one and
13 eighty-two hundredths percent (1.82%) of the member's average final
14 compensation, multiplied by the number of years of the member's
15 creditable service.

16 b. If the member's service retirement date occurs on or after the
17 member's 50th birthday and before the member's 55th birthday with
18 15 or more years of creditable service as a law enforcement officer
19 and prior to the completion of 25 years of creditable service, the
20 retirement allowance shall be equal to the greater of the following
21 amounts:

22 1. The service retirement allowance payable under
23 G.S. 135-5(b21)(1)a. reduced by one-third of one percent (1/3
24 of 1%) thereof for each month by which the retirement date
25 precedes the first day of the month coincident with or next
26 following the month the member would have attained age 55.

27 2. The service retirement allowance as computed under
28 G.S. 135-5(b21)(1)a. reduced by five percent (5%) times the
29 difference between 25 years and the amount of creditable
30 service at retirement.

31 (2) A member who is not a law enforcement officer or an eligible former law
32 enforcement officer shall receive a service retirement allowance computed
33 as follows:

34 a. If the member's service retirement date occurs on or after the
35 member's 65th birthday upon the completion of five years of
36 membership service, or after the completion of 30 years of creditable
37 service, or on or after his 60th birthday upon the completion of 25
38 years of creditable service, the allowance shall be equal to one and
39 eighty-two hundredths percent (1.82%) of the member's average final
40 compensation, multiplied by the number of years of creditable
41 service.

42 b. If the member's service retirement date occurs after the member's
43 60th birthday and before the member's 65th birthday and prior to the
44 completion of 25 years or more of creditable service, the retirement
45 allowance shall be computed as in G.S. 135-5(b21)(2)a. but shall be
46 reduced by one-quarter of one percent (1/4 of 1%) thereof for each
47 month by which the retirement date precedes the first day of the
48 month coincident with or next following the member's 65th birthday.

49 c. If the member's early service retirement date occurs on or after the
50 member's 50th birthday and before the member's 60th birthday and
51 after completion of 20 years of creditable service but prior to the

1 completion of 30 years of creditable service, the early service
 2 retirement allowance shall be equal to the greater of the following
 3 amounts:

4 1. The service retirement allowance as computed under
 5 G.S. 135-5(b21)(2)a. but reduced by the sum of five-twelfths
 6 of one percent (5/12 of 1%) thereof for each month by which
 7 the member's retirement date precedes the first day of the
 8 month coincident with or next following the month the
 9 member would have attained his 60th birthday, plus
 10 one-quarter of one percent (1/4 of 1%) thereof for each month
 11 by which the member's 60th birthday precedes the first day of
 12 the month coincident with or next following the member's
 13 65th birthday.

14 2. The service retirement allowance as computed under
 15 G.S. 135-5(b21)(2)a. reduced by five percent (5%) times the
 16 difference between 30 years and the amount of creditable
 17 service at retirement.

18 3. If the member's creditable service commenced prior to July 1,
 19 1994, the service retirement allowance equal to the actuarial
 20 equivalent of the allowance payable at the age of 60 years as
 21 computed in G.S. 135-5(b21)(2)b.

22 d. Notwithstanding the foregoing provisions, any member whose
 23 creditable service commenced prior to July 1, 1963, shall not receive
 24 less than the benefit provided by subsection (b) of this section."

25 **SECTION 36.23.(d)** G.S. 135-5(m) reads as rewritten:

26 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the
 27 beneficiary designated to receive a return of accumulated contributions shall have the right to
 28 elect to receive in lieu thereof the reduced retirement allowance provided by Option 2 of
 29 subsection (g) above computed by assuming that the member had retired on the first day of the
 30 month following the date of ~~his~~ the member's death, provided that all four of the following
 31 conditions apply:

32 ...

33 a. The member had attained such age and/or creditable service to be
 34 eligible to commence retirement with an early or service retirement
 35 allowance, or

36 b. The member had obtained 20 years of creditable service in which
 37 case the retirement allowance shall be computed in accordance with
 38 ~~G.S. 135-5(b19)(1)b. or G.S. 135-5(b19)(2)c.,~~ G.S. 135-5(b21)(1)b.
 39 or G.S. 135-5(b21)(2)c., notwithstanding the requirement of
 40 obtaining age 50, or

41 b1. The member was a law enforcement officer who had obtained 15
 42 years of service as a law enforcement officer and was killed in the
 43 line of duty, in which case the retirement allowance shall be
 44 computed in accordance with ~~G.S. 135-5(b19)(1)b.,~~
 45 G.S. 135-5(b21)(1)b., notwithstanding the requirement of obtaining
 46 age 50.

47 c. Repealed by Session Laws 2010-72, s. 2(a), effective July 1, 2010.

48"

49 **SECTION 36.23.(e)** G.S. 128-27(a)(5) reads as rewritten:

50 "(5) Any member who is a law enforcement ~~officer,~~ officer and who (i) attains
 51 age 50 and completes 15 or more years of creditable service in this ~~capacity~~

1 ~~or who~~ capacity, (ii) attains age 55 and completes five or more years of
 2 creditable service in this capacity, or (iii) has completed 25 years of
 3 creditable service may retire upon electronic submission or written
 4 application to the Board of Trustees setting forth at what time, as of the first
 5 day of a calendar month, not less than one day nor more than 120 days
 6 subsequent to the execution and filing thereof, ~~he~~ the member desires to be
 7 retired; provided, also, any member who has met the conditions required by
 8 this subdivision but does not retire, and later becomes an employee other
 9 than as a law enforcement officer, continues to have the right to commence
 10 retirement."

11 **SECTION 36.23.(f)** G.S. 128-27(b21) reads as rewritten:

12 "(b21) Service Retirement Allowance of Member Retiring on or After July 1, ~~2003-2003,~~
 13 but Before January 1, 2018. – Upon retirement from service in accordance with subsection (a)
 14 or (a1) above, on or after July 1, 2003, but before January 1, 2018, a member shall receive the
 15 following service retirement allowance:

16 "...."

17 **SECTION 36.23.(g)** G.S. 128-27 is amended by adding a new subsection to read:

18 "(b22) Service Retirement Allowance of Member Retiring on or After January 1, 2018. –
 19 Upon retirement from service in accordance with subsection (a) or (a1) of this section, on or
 20 after January 1, 2018, a member shall receive the following service retirement allowance:

21 (1) A member who is a law enforcement officer or an eligible former law
 22 enforcement officer shall receive a service retirement allowance computed
 23 as follows:

24 a. If the member's service retirement date occurs on or after the
 25 member's 55th birthday and completion of five years of creditable
 26 service as a law enforcement officer, or after the completion of 25
 27 years of creditable service, the allowance shall be equal to one and
 28 eighty-five hundredths percent (1.85%) of the member's average final
 29 compensation, multiplied by the number of years of the member's
 30 creditable service.

31 b. If the member's service retirement date occurs on or after the
 32 member's 50th birthday and before the member's 55th birthday with
 33 15 or more years of creditable service as a law enforcement officer
 34 and prior to the completion of 25 years of creditable service, the
 35 retirement allowance shall be equal to the greater of the following
 36 amounts:

37 1. The service retirement allowance payable under
 38 G.S. 128-27(b22)(1)a. reduced by one-third of one percent
 39 (1/3 of 1%) thereof for each month by which the retirement
 40 date precedes the first day of the month coincident with or
 41 next following the month the member would have attained
 42 age 55.

43 2. The service retirement allowance as computed under
 44 G.S. 128-7(b22)(1)a. reduced by five percent (5%) times the
 45 difference between 25 years and the amount of creditable
 46 service at retirement.

47 (2) A member who is not a law enforcement officer or an eligible former law
 48 enforcement officer shall receive a service retirement allowance computed
 49 as follows:

50 a. If the member's service retirement date occurs on or after the
 51 member's 65th birthday upon the completion of five years of

1 creditable service, or after the completion of 30 years of creditable
 2 service, or on or after the member's 60th birthday upon the
 3 completion of 25 years of creditable service, the allowance shall be
 4 equal to one and eighty-five hundredths percent (1.85%) of the
 5 member's average final compensation, multiplied by the number of
 6 years of creditable service.

7 b. If the member's service retirement date occurs after the member's
 8 60th birthday and before the member's 65th birthday and prior to the
 9 completion of 25 years or more of creditable service, the retirement
 10 allowance shall be computed as in G.S. 128-27(b22)(2)a. but shall be
 11 reduced by one-quarter of one percent (1/4 of 1%) thereof for each
 12 month by which the retirement date precedes the first day of the
 13 month coincident with or next following the member's 65th birthday.

14 c. If the member's early service retirement date occurs on or after the
 15 member's 50th birthday and before the member's 60th birthday and
 16 after completion of 20 years of creditable service but prior to the
 17 completion of 30 years of creditable service, the early service
 18 retirement allowance shall be equal to the greater of the following
 19 amounts:

20 1. The service retirement allowance as computed under
 21 G.S. 128-27(b22)(2)a. but reduced by the sum of
 22 five-twelfths of one percent (5/12 of 1%) thereof for each
 23 month by which the retirement date precedes the first day of
 24 the month coincident with or next following the month the
 25 member would have attained the member's 60th birthday,
 26 plus one-quarter of one percent (1/4 of 1%) thereof for each
 27 month by which the member's 60th birthday precedes the first
 28 day of the month coincident with or next following the
 29 member's 65th birthday.

30 2. The service retirement allowance as computed under
 31 G.S. 128-27(b22)(2)a. reduced by five percent (5%) times the
 32 difference between 30 years and the amount of creditable
 33 service at retirement.

34 3. If the member's creditable service commenced prior to July 1,
 35 1995, the service retirement allowance equal to the actuarial
 36 equivalent of the allowance payable at the age of 60 years as
 37 computed in G.S. 128-27(b22)(2)b.

38 d. Notwithstanding the foregoing provisions, any member whose
 39 creditable service commenced prior to July 1, 1965, shall not receive
 40 less than the benefit provided by subsection (b) of this section."

41 **SECTION 36.23.(h)** G.S. 128-27(m) reads as rewritten:

42 "(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the
 43 beneficiary designated to receive a return of accumulated contributions shall have the right to
 44 elect to receive in lieu thereof the reduced retirement allowance provided by Option two of
 45 subsection (g) above computed by assuming that the member had retired on the first day of the
 46 month following the date of ~~his~~ the member's death, provided that all four of the following
 47 conditions apply:

48 ...

49 ...

50 b. The member had obtained 20 years of creditable service in which
 51 case the retirement allowance shall be computed in accordance with

G.S. 128-27(b21)(1)b. ~~or~~ G.S. 128-27(b21)(2)e.,
 G.S. 128-27(b22)(1)b. or G.S. 128-27(b22)(2)c., notwithstanding the
 requirement of obtaining age 50, or

- b1. The member was a law enforcement officer who had obtained 15 years of service as a law enforcement officer and was killed in the line of duty, or the member was a firefighter or a rescue squad worker who had obtained 15 years of service as a firefighter or a rescue squad worker and was killed in the line of duty, in which cases the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b21)(1)b.,~~ G.S. 128-72(b22)(1)b., notwithstanding the requirement of obtaining age 50.

...."

SECTION 36.23.(i) G.S. 143-166.41(a) reads as rewritten:

"(a) Notwithstanding any other provision of law, every sworn law-enforcement officer as defined by G.S. 135-1(11c) or G.S. 143-166.30(a)(4) employed by a State department, agency, or institution who qualifies under this section shall receive, beginning in the month in which ~~he~~ the officer retires on a basic service retirement under the provisions of G.S. 135-5(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to ~~him~~ the officer for each year of creditable service. The allowance shall be paid in equal installments on the payroll frequency used by the employer. To qualify for the allowance the officer ~~shall~~ shall meet all of the following criteria:

- (1) ~~Have~~ For officers retiring before January 1, 2018, the officer has either (i) completed 30 or more years of creditable service or, (ii) ~~have~~ attained 55 years of age and completed five or more years of creditable ~~service;~~ and service.
- (2) ~~Not have~~ For officers retiring on or after January 1, 2018, the officer has either (i) completed 25 or more years of creditable services or (ii) attained 55 years of age and completed five or more years of creditable service.
- (3) The officer has not attained 62 years of ~~age;~~ and age.
- ~~(3)~~(4) ~~Have~~ The officer has completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance."

SECTION 36.23.(j) G.S. 143-166.42(a) reads as rewritten:

"(a) On and after January 1, 1987, every sworn law enforcement officer as defined by G.S. 128-21(11d) or G.S. 143-166.50(a)(3) employed by a local government employer who qualifies under this section shall receive, beginning in the month in which the officer retires on a basic service retirement under the provisions of G.S. 128-27(a), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The allowance shall be paid in equal installments on the payroll frequency used by the employer. To qualify for the allowance, the officer ~~shall~~ shall meet all of the following criteria:

- (1) ~~Have~~ For officers retiring before January 1, 2018, the officer has either (i) completed 30 or more years of creditable service or (ii) ~~have~~ attained 55 years of age and completed five or more years of creditable ~~service;~~ and service.

- (2) ~~Not have~~ For officers retiring on or after January 1, 2018, the officer has either (i) completed 25 or more years of creditable services or (ii) attained 55 years of age and completed five or more years of creditable service.
- (3) The officer has not attained 62 years of age; and age.
- ~~(3)(4) Have~~ The officer has completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance."

SECTION 36.23.(k) This section becomes effective January 1, 2018.

PART XXXVII. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 37.1. The appropriations made by the 2017 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 37.2. There is appropriated from the General Fund for the 2017-2019 fiscal biennium the following amounts for capital improvements:

Capital Improvements General Fund	2017-18
Department of Administration	
Green Square and Nature Research	
Center Canopy and Glass Replacement	\$4,000,000
Capital Master Plan Update	\$1,500,000
Department of Agriculture and Consumer Services	
Eaddy Building Addition and Renovation	\$731,000
Department of Environmental Quality	
Water Resources Development Projects	\$9,105,000
Department of Natural and Cultural Resources	
State Historic Sites Maintenance and	
Workshop Facility	\$455,000
Department of Public Safety	
Supplement to Connect NC Morganton Project	\$2,000,000
North Carolina National Guard Joint Forces	
Headquarters Heli-Pads	\$1,000,000
North Carolina National Guard Regional	
Readiness Center Master Plan Update	\$150,000
Confinement in Response to Violation Unit	
for Females	\$2,200,000

1	University of North Carolina	
2	North Carolina Central University Connect	
3	NC Bond Supplement	\$2,000,000
4		
5	TOTAL CAPITAL IMPROVEMENTS GENERAL FUND	\$23,141,000

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 37.3.(a) The Department of Environmental Quality shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated nine million seven hundred eighty five thousand dollars (\$9,785,000) in Federal funds.

15	Name of Project	FY 2017-18
16	Morehead City Harbor Maintenance	\$-
17	Wilmington Harbor Maintenance	\$-
18	Princetonville Flood Damage	\$431,000
19	Carolina Beach Coastal Storm Damage Reduction	\$300,000
20	Kure Beach Coastal Storm Damage Reduction	\$300,000
21	Wrightsville Beach Coastal Storm Damage Reduction	\$3,000,000
22	Wrightsville Beach Coastal Storm Damage Reduction	
23	– Post Authorization Change Report	\$135,000
24	Planning Assistance to Communities	\$25,000
25	Surf City/North Topsail Beach Coastal Storm	
26	Damage Reduction	\$218,000
27	West Onslow Coastal Storm Damage Reduction	\$218,000
28	Natural Resources Conservation Services –	
29	Environmental Quality Incentives Program	
30	(NRCS EQIP)	\$2,000,000
31	State and Local Water Resources Development	
32	Program Grant Program	\$1,500,000
33	Eastern North Carolina Stream Debris Removal	\$1,000,000
34	Cape Fear Lock and Dam #2/#3 Fish Ramp Construction	\$840,000
35	Kunz Farm Park Riverwalk	\$250,000
36		
37	TOTALS	\$10,217,000

SECTION 37.3.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the nine million one hundred-five thousand dollars (\$9,105,000) appropriated for water resources development projects in Section 37.2 of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

45	Name of Project	Amount Carried Forward
46	(1) Carolina Beach Coastal Storm Damage Reduction	\$50,000
47	Kure Beach Coastal Storm Damage Reduction	\$50,000
48	Wrightsville Beach Coastal Storm Damage Reduction	\$700,000
49	Wrightsville Beach Coastal Storm Damage Reduction	\$22,000
50	– Post Authorization Change Report	
51	Planning Assistance to Communities	\$25,000

1	Surf City/North Topsail Beach Coastal Storm	\$135,000
2	Damage Reduction	
3	West Onslow Coastal Storm Damage Reduction	130,000
4	TOTALS	\$1,112,000

5
6 **SECTION 37.3.(c)** Where the actual costs are different from the estimated costs
7 under subsection (a) of this section, the Department may adjust the allocations among projects
8 as needed. If any projects funded under subsection (a) of this section are delayed and the
9 budgeted State funds cannot be used during the 2017-2018 fiscal year or if the projects funded
10 under subsection (a) of this section are accomplished at a lower cost, the Department may use
11 the resulting fund availability to fund any of the following:

- 12 (1) U.S. Army Corps of Engineers project feasibility studies.
- 13 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and
14 require State matching funds in the 2017-2018 fiscal year.
- 15 (3) State-local water resources development projects.

16 Funds subject to this subsection that are not expended or encumbered for the
17 purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General
18 Fund at the end of the 2018-2019 fiscal year.

19 **SECTION 37.3.(d)** The Department shall make semiannual reports on the use of
20 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal
21 Research Division, and the Office of State Budget and Management. Each report shall include
22 all of the following:

- 23 (1) All projects listed in this section.
- 24 (2) The estimated cost of each project.
- 25 (3) The date that work on each project began or is expected to begin.
- 26 (4) The date that work on each project was completed or is expected to be
27 completed.
- 28 (5) The actual cost of the project.

29 The semiannual reports also shall show those project advanced in schedule, those
30 projects delayed in schedule, and an estimate of the amount of funds expected to revert to the
31 General Fund.

32 **SECTION 37.3.(e)** Notwithstanding any provision of law to the contrary, funds
33 appropriated for a water resources development project shall be used to provide no more than
34 fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to
35 funds appropriated in this act and to funds appropriated prior to the 2017-2019 fiscal biennium
36 that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds
37 for water resources development projects. The limitation on fund usage contained in this
38 subsection applies only to projects in which a local government or local governments
39 participate.

40 **SECTION 37.3.(f)** Funds deposited with the State Treasurer in a Capital Account
41 received pursuant to 33 U.S.C. § 701(c)(3) regarding leases related to lands acquired by the
42 United States for flood control, navigation, and allied purposes are hereby appropriated to the
43 relevant local governments for the benefit of public schools and public roads.
44

45 **NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

46 **SECTION 37.4.(a)** The General Assembly authorizes the following capital
47 projects to be funded with receipts or from other non-General Fund sources available to the
48 appropriate department:
49

50	Name of Project	FY 2017-18	FY 2018-19
51	Department of Natural and Cultural Resources		

1	Museum of Art New Park and Pavilion Building	\$915,300	-
2	Department of Transportation		
3	Repairs and Renovation	5,112,700	5,350,000
4	Greenville DMV/SHP Office and SHP Garage	5,344,700	2,190,000
5	Camp Burton QMS/Resident Engineer's Office	1,254,000	-
6	Local Truck Storage Sheds Statewide	2,674,200	2,869,000
7	Anson County Blacksmith Shop	195,000	-
8	Gaston County Equipment Sub-Shop	2,409,000	-
9	Chatham County Eight-Bay Truck Shed	-	1,494,000
10	Lee County Resident Engineer's Office	-	1,198,000
11	Watauga County District Engineer's Office	-	1,165,000
12	Surry County District Engineer's Office	-	1,197,000
13	Guilford County Bridge/Bridge Maintenance Assembly		1,024,000
14	Asset Management Long Range Facility Planning	250,000	250,000
15			
16	Wildlife Resources Commission		
17	Setzer Hatchery Building Replacement	750,000	-
18	Setzer Hatchery Raceways Replacements	4,500,000	-
19	Butner Lab and Storage Building	500,000	-
20	Burnsville Depot	500,000	-
21	Bolivia Depot	750,000	-
22	New Shooting Ranges	1,000,000	1,000,000
23	Agency Land Acquisition	7,000,000	3,000,000
24	Agency Infrastructure Repairs and Renovations	1,500,000	-
25	Boating Access Areas Repairs and Renovations	900,000	900,000
26	Outer Banks Education Center Air Handlers	-	300,000
27			
28	TOTAL AMOUNT OF NON-GENERAL	\$35,554,900	21,937,000
29	FUND CAPITAL PROJECTS		
30	AUTHORIZED		
31			

SECTION 37.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2017-2018 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2018-2019 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 37.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2017-2018 fiscal year, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

- (1) One-Half of the funds shall be allocated to the Board of Governors of The University of North Carolina.
- (2) One Half of the funds shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with

1 G.S. 143C-4-3(d). The Board of Governors shall consult with or report to the Joint Legislative
2 Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

3 **SECTION 37.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
4 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
5 portion shall be used each fiscal year by the Board of Governors for the installation of fire
6 sprinklers in University residence halls. This portion shall be in addition to funds otherwise
7 appropriated in this act for the same purpose. Such funds shall be allocated among the
8 University's constituent institutions by the President of The University of North Carolina, who
9 shall consider the following factors when allocating those funds:

- 10 (1) The safety and well-being of the residents of campus housing programs.
- 11 (2) The current level of housing rents charged to students and how that
12 compares to an institution's public peers and other UNC institutions.
- 13 (3) The level of previous authorizations to constituent institutions for the
14 construction or renovation of residence halls funded from the General Fund
15 or from bonds or certificates of participation supported by the General Fund
16 since 1996.
- 17 (4) The financial status of each constituent institution's housing system,
18 including debt capacity, debt coverage ratios, credit rankings, required
19 reserves, the planned use of cash balances for other housing system
20 improvements, and the constituent institution's ability to pay for the
21 installation of fire sprinklers in all residence halls.
- 22 (5) The total cost of each proposed project, including the cost of installing fire
23 sprinklers and the cost of other construction, such as asbestos removal and
24 additional water supply needs.

25 The Board of Governors shall submit progress reports to the Joint Legislative
26 Commission on Governmental Operations. Reports shall include the status of completed,
27 current, and planned projects. Reports also shall include information on the financial status of
28 each constituent institution's housing system, the constituent institution's ability to pay for fire
29 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be
30 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

31 **SECTION 37.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
32 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
33 portion shall be used each fiscal year by the Board of Governors for campus public safety
34 improvements allowable under G.S. 143C-4-3(b).

35 36 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

37 **SECTION 37.6.(a)** The appropriations made by the 2017 General Assembly for
38 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of
39 funds shall not be made by any State department, institution, or agency until an allotment has
40 been approved by the Governor as Director of the Budget. The allotment shall be approved
41 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.
42 Prior to the award of construction contracts for projects to be financed in whole or in part with
43 self-liquidating appropriations, the Director of the Budget shall approve the elements of the
44 method of financing of those projects, including the source of funds, interest rate, and
45 liquidation period. Provided, however, that if the Director of the Budget approves the method
46 of financing a project, the Director shall report that action to the Joint Legislative Commission
47 on Governmental Operations at its next meeting.

48 Where direct capital improvement appropriations include the purpose of furnishing
49 fixed and movable equipment for any project, those funds for equipment shall not be subject to
50 transfer into construction accounts except as authorized by the Director of the Budget. The

1 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and
2 approved by the Director of the Budget prior to commitment of funds.

3 Capital improvement projects authorized by the 2017 General Assembly shall be
4 completed, including fixed and movable equipment and furnishings, within the limits of the
5 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided
6 in this act. Capital improvement projects authorized by the 2017 General Assembly for the
7 design phase only shall be designed within the scope of the project as defined by the approved
8 cost estimate filed with the Director of the Budget, including costs associated with site
9 preparation, demolition, and movable and fixed equipment.

10 **SECTION 37.6.(b)** Notwithstanding subsection (a) of this section, the Director
11 may approve the award of contract for projects financed pursuant to Article 3 of Chapter 116D
12 of the General Statutes prior to the Director's approval of finance.

13 14 **STATE CAPITAL MASTER PLAN UPDATE**

15 **SECTION 37.7.(a)** In developing this master plan from the funds appropriated in
16 Section 37.2 of this act to the Department of Administration, the Department shall address the
17 following as it relates to State operations in Wake County:

- 18 (1) Analyze the current amount of leased square footage and State owned square
19 footage to make recommendations on the appropriate amount of each for
20 State Government Operation.
- 21 (2) Project the growth in personnel needed to support State operations in
22 coordination with the State Government Six Year Capital Plan.
- 23 (3) Recommend State agency operations that should be relocated from the City
24 of Raleigh to more efficiently meet the needs of relevant State agencies.
- 25 (4) Recommend space needs for State functions.
- 26 (5) Analyze underutilized and surplus property in the State Capital Area and
27 make recommendations on whether it would be suitable to dispose of such
28 property, and where to relocate any State operations impacted by such a sale.

29 **SECTION 37.7.(b)** The Department of Administration shall also make
30 recommendations on the future location of the Department of Health and Human Services
31 functions to be relocated from the Dorothea Dix Campus and administrative functions in Wake
32 County. The study shall analyze and make recommendations regarding the following:

- 33 (1) Which Departmental functions should be collocated and which can remain
34 separate.
- 35 (2) An analysis of providing State-owned space for all administrative functions
36 in the Capital area, leased space for administrative functions, or a
37 combination of State-owned and leased space for administrative functions.

38 **SECTION 37.7.(c)** The Department of Administration shall present the results of
39 the Master Plan Update to the Joint Legislative Oversight Committee on Capital Improvements
40 by October 1, 2018.

41 42 **REALIGNMENT OF DEPARTMENT OF HEALTH AND HUMAN SERVICES** 43 **CAPITAL PROJECTS**

44 **SECTION 37.8.(a)** Section 23.12(e) of S.L. 2006-66, as amended by Section 2(c)
45 of S.L. 2009-209, reads as rewritten:

46 "**SECTION 23.12.(e)** In accordance with G.S. 142-83, this subsection authorizes the
47 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
48 ~~ninety eight million seven hundred eighty two thousand five hundred forty dollars~~
49 ~~(\$98,782,540)~~ ninety-one million two hundred eighty-two thousand five hundred forty dollars
50 (\$91,282,540) to finance the capital facility costs of the Department of Health and Human
51 Services Public Health Laboratory and Office of Chief Medical Examiner. The State, with the

1 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of
2 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
3 order to provide funds to the State to be used, together with other available funds, to pay the
4 capital facility costs of the project described in this subsection no more than a maximum
5 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
6 may be issued or incurred under this subsection prior to July 1, 2007."

7 **SECTION 37.8.(b)** Section 23.12(f) of S.L. 2006-66, as amended by Section 2(c)
8 of S.L. 2009-209, reads as rewritten:

9 "**SECTION 23.12.(f)** In accordance with G.S. 142-83, this subsection authorizes the
10 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
11 ~~one hundred thirty-eight million three hundred twenty-five thousand eight hundred fourteen~~
12 ~~dollars (\$138,325,814)~~ one hundred thirty-nine million three hundred twenty-five thousand
13 eight hundred fourteen dollars (\$139,325,814) to finance the capital facility costs of the Eastern
14 Regional Psychiatric Hospital for the Department of Health and Human Services. The State,
15 with the prior approval of the State Treasurer and the Council of State, as provided in Article 9
16 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
17 order to provide funds to the State to be used, together with other available funds, to pay the
18 capital facility costs of the project described in this subsection. No more than a maximum
19 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
20 may be issued or incurred under this subsection prior to July 1, 2007. No more than a
21 maximum aggregate principal amount of one hundred million dollars (\$100,000,000) of special
22 indebtedness may be issued or incurred under this subsection prior to July 1, 2008."

23 **SECTION 37.8.(c)** Section 23.12(h) of S.L. 2006-66, as amended by Section 2(c)
24 of S.L. 2009-209, reads as rewritten:

25 "**SECTION 23.12.(h)** In accordance with G.S. 142-83, this subsection authorizes the
26 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
27 ~~one hundred fifty-four million seven hundred seventy-two thousand eight hundred one~~
28 ~~dollars (\$154,772,801)~~ one hundred sixty-one million two hundred seventy-two thousand eight
29 hundred one dollars (\$161,272,801) to finance the capital facility costs of the Western Regional
30 Psychiatric Hospital for the Department of Health and Human Services. The State, with the
31 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of
32 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
33 order to provide funds to the State to be used, together with other available funds, to pay the
34 capital facility costs of the project described in this subsection. No special indebtedness may be
35 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum
36 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
37 may be issued or incurred under this subsection prior to July 1, 2009. No more than a
38 maximum aggregate principal amount of fifty-four million dollars (\$54,000,000) of special
39 indebtedness may be issued or incurred under this subsection prior to July 1, 2011."

40 41 **DEPARTMENT OF ADMINISTRATION OVERSIGHT OF CONNECT NC BOND** 42 **PROJECTS**

43 **SECTION 37.9.** To the extent authorized by law, subdivision (2) of subsection (d)
44 of Section 1 of S.L. 2015-280 is amended by adding a new sub-subdivision to read:

45 "**SECTION 1.(d)** Definitions. – Unless the context otherwise requires, the following
46 definitions apply in this section:

47 ...

- 48 (2) Cost. – Without intending thereby to limit or restrict any proper definition of
49 this term in financing the cost of facilities or purposes authorized by this
50 section, any of the following:

51 ...

1 h. The cost of providing funds for oversight and project management at
2 the Department of Administration State Construction Office, not to
3 exceed five hundred fifty thousand dollars (\$550,000) per year.

4 Allocations in this section of proceeds of bonds to the costs of a project or
5 undertaking in each case may include allocations to pay the costs set forth in
6 sub-subdivisions c. through g. of this subdivision in connection with the
7 issuance of bonds for the project or undertaking."
8

9 **AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND**
10 **RENOVATIONS PROJECTS WITH FUNDS AVAILABLE**

11 **SECTION 37.10.(a) G.S. 143C-8-7 reads as rewritten:**

12 **"§ 143C-8-7. When a State agency may begin a capital improvement project.**

13 (a) No State agency may expend funds for the construction or renovation of any capital
14 improvement project except as needed to comply with this Article or otherwise authorized by
15 the General Assembly. Funds that become available by gifts, excess patient receipts above
16 those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private
17 grants, receipts becoming a part of special funds by act of the General Assembly, or any other
18 funds available to a State agency or institution may be utilized for advanced planning through
19 the working drawing phase of capital improvement projects, upon approval of the Director of
20 the Budget.

21 (b) A State agency may undertake repairs and renovations projects, upon approval of
22 the Director of the Budget, so long as each project satisfies the following:

23 (1) Total project costs do not exceed five hundred thousand dollars (\$500,000).

24 (2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

25 (3) The project is paid for with funds available to the agency.

26 (c) A constituent institution of The University of North Carolina, upon approval of the
27 Director of the Budget, may undertake repairs and renovations projects so long as each project
28 satisfies the following:

29 (1) Total project costs do not exceed one million dollars (\$1,000,000).

30 (2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

31 (3) The project is paid for with funds available to the constituent institution.

32 (d) Projects undertaken pursuant to subsection (b) and (c) of this section shall be
33 reported to the Joint Legislative Oversight Committee on Capital Improvements on a quarterly
34 basis. A report under this subsection shall include information about all of the following for
35 each project:

36 (1) The facility at which the project is being undertaken.

37 (2) The nature and scope of the project.

38 (3) The source of funds for the project.

39 (4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls
40 within."

41

42 **SIX YEAR CAPITAL NEEDS ESTIMATE AND PLAN DATE CHANGES**

43 **SECTION 37.11.(a) G.S. 143C-8-5(a) reads as rewritten:**

44 "(a) General. – The State capital improvement plan shall address the long-term capital
45 improvement needs of all State government agencies and shall incorporate all capital projects,
46 however financed, proposed to meet those needs, except that transportation infrastructure
47 projects shall be excluded. ~~On or before December 31 of each even numbered year, In addition~~
48 to the requirements of G.S. 143C-3(1a), the Director of the Budget shall prepare and transmit to
49 the General Assembly a six-year capital improvement plan. When preparing the plan, the
50 Director of the Budget shall consider the capital improvement needs estimates submitted by
51 State agencies as required in G.S. 143C-8-4. The plan shall be prepared in two parts."

1 **SECTION 37.11.(b)** G.S. 143C-8-4(a) reads as rewritten:

2 "(a) Needs Estimate Required. – ~~On or before September 1 of each~~ Each even-numbered
3 year, each State agency shall submit to the Office of State Budget and Management and to the
4 Division of Fiscal Research a six-year capital improvement needs estimate. This estimate shall
5 describe the agency's anticipated capital needs for each year of the six-year planning period.
6 Capital improvement needs estimates shall be shown in two parts."
7

8 **REHABILITATION DEFINITION**

9 **SECTION 37.12.** G.S. 143C-1-1(d) is amended by adding a new subdivision to
10 read:

11 "(23a) Rehabilitation. – Comprehensive renovations to greatly increase the useful
12 life of a State facility."
13

14 **UNIVERSITY OF NORTH CAROLINA RECEIPT SUPPORTED PROEJCTS**

15 **SECTION 37.13.(a)** G.S. 143C-8-8 reads as rewritten:

16 "**§ 143C-8-8. When a State agency may increase the cost of a capital improvement**
17 **project.**

18 Upon the request of the administration of a State agency, the Director of the Budget may,
19 when in the Director's opinion it is in the best interest of the State to do so, increase the cost of
20 a capital improvement project. Provided, however, that if the Director of the Budget increases
21 the cost of a project, the Director shall report that action to the Joint Legislative Commission on
22 Governmental Operations at its next meeting. The increase may be funded from gifts, federal or
23 private grants, special fund receipts, ~~excess patient receipts above those budgeted at the~~
24 ~~University of North Carolina Hospitals at Chapel Hill,~~ or direct capital improvement
25 appropriations to that department or institution."

26 **SECTION 37.13.(b)** G.S. 143C-8-12 (a) reads as rewritten:

27 "(a) University Projects. – Notwithstanding any other provision of this Chapter, the
28 Board of Governors of The University of North Carolina may approve any of the following:
29

30 ...
31 (3) A change in the scope, or increase in cost, of any previously approved
32 capital improvement project of The University of North Carolina provided
33 that both the project, increase in cost, and change in scope are funded
34 entirely with non-General Fund money.

35 (4) The President of the University of North Carolina may approve the
36 following project cost increases:

37 a. Increases to a project previously approved by the Board of Governors
38 under this section not to exceed ten percent (10%) of the previously
39 approved amount.

40 "

41 **DEFINE CAPITAL PROJECTS**

42 **SECTION 37.14.** G.S. 143C-1-1(d)(5) reads as rewritten:

43 "(5) Capital improvement. – A term that includes real property acquisition, new
44 construction or rehabilitation of existing facilities, and repairs and
45 ~~renovations~~ renovations over one hundred thousand dollars (\$100,000) in
46 value."
47

48 **ELIMINATE NON-STATE FUNDED ADVANCE PLANNING REQUIREMNT** 49 **BEFORE REQUESTING LEGISLATIVE SUPPORTS**

50 **SECTION 37.15.** G.S. 143C-3-3(b)(2) is repealed.
51

SPECIAL INDEBTEDNESS PROJECTS

SECTION 37.16.(a) The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the projects described in this subsection. In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness:

- (1) In the maximum aggregate principal amount of twenty million dollars (\$20,000,000) to finance the capital facility costs of renovating the Administration Building in Raleigh, NC.
- (2) In the maximum aggregate principal amount of thirteen million seven hundred five thousand dollars (\$13,705,000) to finance the capital facility costs of constructing a third chiller plant for the Downtown Complex in Raleigh, NC.
- (3) In the maximum aggregate principal amount of four million nine hundred seventy eight thousand dollars (\$4,978,000) to finance the capital facility costs of renovating the Brown Rogers Building in Raleigh, NC.
- (4) In the maximum aggregate principal amount of six million dollars (\$6,000,000) to finance the capital facility costs of constructing the Forest Service Region Headquarters and Training Facility in Lenior County.
- (5) In the maximum aggregate principal amount of sixteen million five hundred fifty four thousand dollars (\$16,554,000) to finance the capital facility costs of expanding and renovating the Morehead City Office Complex in Carteret County.
- (6) In the maximum aggregate principal amount of four million one hundred twenty five thousand dollars (\$4,125,000) to finance the construction of a new maintenance facility at the Eastern Regional Psychiatric Hospital.
- (7) In the maximum aggregate principal amount of fourteen million two hundred one thousand dollars (\$14,201,000) to finance the capital facility costs of constructing a Regional Medical Examiner's Office in Forsyth County.
- (8) In the maximum aggregate principal amount of thirteen million two hundred sixty eight thousand dollars (\$13,268,000) to finance the capital facility costs of constructing a new Regional Medical Examiners Office in Pitt County.
- (9) In the maximum aggregate principal amount of five million sixty seven thousand dollars (\$5,067,000) to finance the capital facility costs of constructing a new maintenance facility at Western Regional Psychiatric Hospital.
- (10) In maximum principal amount of three million four hundred ninety four thousand dollars (\$3,494,000) to finance the capital facility costs of renovating Dormitory C at the Eastern Justice Academy.
- (11) In the maximum aggregate principal amount of four million seven hundred thirty five thousand dollars (\$4,735,000) to finance the capital facility costs of constructing a dormitory at the Western Justice Academy.
- (12) In the maximum aggregate principal amount of four million eight hundred ninety thousand dollars (\$4,890,000) to finance the capital facility costs of renovating Dormitory B at the Eastern Justice Academy.
- (13) In the maximum aggregate principal of twelve million five hundred thousand dollars (\$12,500,000) to finance the capital facility costs of constructing a Visitor Center and Museum at the Fort Fisher Historic Site.
- (14) In the maximum aggregate principal amount of six million eight hundred thousand dollars (\$6,800,000) to finance the capital facilities costs of

- 1 renovating State Bureau of Investigation Building 16 at the Garner Road
2 Campus in Raleigh, NC.
- 3 (15) In the maximum aggregate principal amount six million one hundred thirty
4 seven thousand dollars (\$6,137,000) to finance the capital facility costs of
5 site improvements at the State Highway Patrol Training Academy.
- 6 (16) In the maximum aggregate principal amount of four million two hundred
7 fifty thousand dollars (\$4,250,000) to finance the capital facility costs of
8 constructing a new armory building at the State Highway Patrol Training
9 Academy.
- 10 (17) In the maximum aggregate principal amount of thirteen million two hundred
11 forty five thousand dollars (\$13,245,000) to finance the capital facility costs
12 of constructing a new Youth Development Center.
- 13 (18) In the maximum aggregate principal amount of twenty one million eight
14 hundred thousand dollars (\$21,800,000) to finance the capital facility costs
15 of renovating the Legislative Office Building.
- 16 (19) In the maximum aggregate principal amount of twelve million twenty five
17 thousand dollars (\$12,025,000) to finance the capital facility costs of
18 renovating Sanford Hall at Appalachian State University.
- 19 (20) In the maximum aggregate principal amount of six million five hundred
20 thirty eight thousand dollars (\$6,538,000) to finance the capital facility costs
21 of renovating the Whichard Building at East Carolina University.
- 22 (21) In the maximum aggregate principal amount of three million sixty eight
23 thousand dollars (\$3,068,000) to finance the capital facility costs of
24 renovating Lester Hall at East Carolina University.
- 25 (22) In the maximum aggregate principal amount of seven million nine hundred
26 thirty eight thousand dollars (\$7,938,000) to finance the capital facility costs
27 of water, sewer, and storm water management improvements at Fayetteville
28 State University.
- 29 (23) In the maximum aggregate principal amount of fifteen million eight hundred
30 sixteen thousand dollars (\$15,816,000) to finance the capital facility costs of
31 renovating Carver Hall at North Carolina Agricultural and Technical State
32 University.
- 33 (24) In the maximum aggregate principal amount of seven million one hundred
34 eighty four thousand dollars (\$7,184,000) to finance the capital facility costs
35 of renovating the Lee Biology Building at North Carolina Central
36 University.
- 37 (25) In the maximum aggregate principal amount of three million one thousand
38 dollars (\$3,001,000) to finance the capital facility costs of renovating living
39 space at the North Carolina School of Science and Mathematics.
- 40 (26) In the maximum aggregate principal amount of fifteen million forty three
41 thousand dollars (\$15,043,000) to finance the capital facility costs of
42 renovating Page Hall at North Carolina State University.
- 43 (27) In the maximum aggregate principal amount of six million seven hundred
44 seventy thousand dollars (\$6,770,000) to finance the capital facility costs of
45 renovating Phillips Halls at the University of North Carolina – Asheville.
- 46 (28) In the maximum aggregate principal amount of sixteen million eight hundred
47 forty thousand dollars (\$16,840,000) to finance the capital facility costs of
48 renovating Gardner Hall and demolishing Phillips Annex at the University of
49 North Carolina – Chapel Hill.

- (29) In the maximum aggregate principal amount of fifteen million five hundred thirty six thousand dollars (\$15,536,000) to finance the capital facilities costs of renovating Colvard Hall at the University of North Carolina Charlotte.
- (30) In the maximum aggregate principal amount of twelve million twenty five thousand dollars (\$12,025,000) to finance the capital facilities costs of renovating Moore Hall at the University of North Carolina – Greensboro.
- (31) In the maximum aggregate principal amount of ten million one hundred eighteen thousand dollars (\$10,118,000) to finance the capital facilities costs of renovating West Hall at the University of North Carolina – Pembroke.
- (32) In the maximum aggregate principal amount of twelve million seven hundred seventy six thousand dollars (\$12,776,000) to finance the capital facilities costs of renovating Alderman Hall at the University of North Carolina – Wilmington.
- (33) In the maximum aggregate principal amount of nine million three hundred two thousand dollars (\$9,302,000) to finance the capital facilities costs of renovating the High Point Studio at the University of North Carolina School of the Arts.
- (34) In the maximum aggregate principal amount of fifteen million thirteen thousand dollars (\$15,013,000) to finance the capital facility costs of constructing the Phase One Boiler Replacement at Western Carolina University.
- (35) In the maximum aggregate principal amount of six million seven thousand dollars (\$6,007,000) to finance the capital facility costs of renovating Hauser Hall at Winston Salem State University.

SECTION 37.16.(b) This section is effective when it becomes law

PART XXXVIII. FINANCE PROVISIONS

ALLOW CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

SECTION 38.1.(a) Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-151.34. Credit for qualified child and dependent care expenses.

(a) Credit. – A person who is allowed a credit against federal income tax for a percentage of employment-related expenses under section 21 of the Code shall be allowed as a credit against the tax imposed by this Part an amount equal to a percentage of the amount of the credit provided for in Section 21 of the Code which is claimed and allowed pursuant to the Internal Revenue Code. In order to claim the credit allowed by this section, the taxpayer must provide with the tax return the information required by the Secretary of Revenue.

(b) Applicable Percentage. – For employment-related expenses that are incurred only with respect to one or more dependents who are six years old or older and other dependents who are physically or mentally incapable of caring for themselves, the applicable percentage is thirty-five percent (35%) of the credit provided for in Section 21 of the Code. For employment-related expenses with respect to any other qualifying individual, the applicable percentage is fifty percent (50%) of the credit provided for in Section 21 of the Internal Revenue Code.

(c) Phaseout. – The credit allowed by this section shall be reduced by a percentage listed below, rounded to the nearest percentage point, based on the taxpayer's adjusted gross income as calculated under the Code:

<u>Filing Status</u>	<u>For AGI Exceeding</u>	<u>Percentage Reduction</u>
<u>Married, filing jointly</u>	<u>\$150,000</u>	<u>The lesser of 100% or</u> <u>[(Taxpayer's AGI – \$150,000) / \$50,000]</u>

1	<u>Head of Household</u>	<u>\$120,000</u>	<u>The lesser of 100% or</u>
2			<u>[(Taxpayer's AGI – \$120,000) / \$40,000]</u>
3	<u>Single</u>	<u>\$75,000</u>	<u>The lesser of 100% or</u>
4			<u>[(Taxpayer's AGI – \$75,000) / \$25,000]</u>

5 (d) Limitations. – A nonresident or part-year resident who claims the credit allowed by
6 this section shall reduce the amount of the credit by multiplying it by the fraction calculated
7 under G.S. 105-153.4(b) or (c), as appropriate. The credit allowed by this section may not
8 exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all
9 credits allowable, except for payments of tax made by or on behalf of the taxpayer."

10 **SECTION 38.1.(b)** This section is effective for taxable years beginning on or
11 before January 1, 2018.

12 **FILM AND ENTERTAINMENT TAX INCENTIVE**

13 **SECTION 38.2.(a)** G.S. 143B-437.02A is repealed.

14 **SECTION 38.2.(b)** G.S. 150B-1(d)(18a) is repealed.

15 **SECTION 38.2.(c)** G.S. 105-130.47 is reenacted as it existed immediately before
16 its repeal and reads as rewritten:

17 **"§ 105-130.47. Credit for qualifying expenses of a production company.**

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

19 (1) Award show. – An awards show is television programming involving the
20 filming of a ceremony in which individuals, groups, or organizations are
21 given an award.

22 (2) Employee. – A person who is employed for consideration and whose wages
23 are subject to withholding under Article 4A of Chapter 105 of the General
24 Statutes.

25 ~~(3)~~(3) Highly compensated individual. – An individual who directly or indirectly
26 receives compensation in excess of one million dollars (\$1,000,000) for
27 personal services with respect to a single production. An individual receives
28 compensation indirectly when a production company pays a personal service
29 company or an employee leasing company that pays the individual.

30 ~~(2)~~(4) Live sporting event. – A scheduled sporting competition, game, or race that
31 is not originated by a production company, but originated solely by an
32 amateur, collegiate, or professional organization, institution, or association
33 for live or tape-delayed television or satellite broadcast. A live sporting
34 event does not include commercial advertising, an episodic television series,
35 a television pilot, a music video, a motion picture, or a documentary
36 production in which sporting events are presented through archived
37 historical footage or similar footage taken at least 30 days before it is used.

38 (5) Loan-out company. – A personal service corporation that employs an
39 individual who is hired by a film or digital media production company.

40 (6) Production. – Any of the following:

41 a. A motion picture intended for commercial distribution to a motion
42 picture theater or directly to the consumer viewing market that has a
43 running time of at least 75 minutes.

44 b. A television series or a commercial for theatrical or television
45 viewing, made-for-television movie, or production intended for
46 on-line distribution. For video and television series, one production is
47 all of the episodes of the series produced for a single season.

48 ~~(3)~~(7) Production company. – Defined in G.S. 105-164.3.

49 ~~(4)~~(8) Qualifying expenses. – The sum of the following amounts spent in this State
50 by a production company in connection with a production, less the amount
51

1 in excess of one million dollars (\$1,000,000) paid to a highly compensated
2 individual:

- 3 a. Goods and services leased or purchased. For goods with a purchase
4 price of twenty-five thousand dollars (\$25,000) or more, the amount
5 included in qualifying expenses is the purchase price less the fair
6 market value of the good at the time the production is completed.
7 Goods and services includes the costs of tangible and intangible
8 property used for, and services performed primarily and customarily
9 in, production, including preproduction and postproduction and other
10 direct costs of producing the project in accordance with generally
11 accepted entertainment industry practices. Goods and services
12 exclude costs for development, marketing, and distribution; costs of
13 financing for the production, of bonding related to the production, of
14 production-related insurance coverage obtained on the production;
15 and expenses for insurance coverage purchased from a related
16 member.
- 17 b. Compensation and wages on which withholding payments are
18 remitted to the Department of Revenue under Article 4A of this
19 Chapter. Payments made to a loan-out company for services provided
20 in North Carolina shall be subject to gross income tax withholding at
21 the applicable rate under the Article 4 of this Chapter.
- 22 e. ~~The cost of production-related insurance coverage obtained on the~~
23 ~~production. Expenses for insurance coverage purchased from a~~
24 ~~related member are not qualifying expenses.~~
- 25 ~~d.c.~~ Employee fringe contributions, including health, pension, and
26 welfare contributions.
- 27 ~~e.d.~~ Per diems, stipends, and living allowances paid for work being
28 performed in this State.

29 ~~(5)(9)~~ Related member. – Defined in G.S. 105-130.7A.

30 (b) Credit. – A taxpayer that is a production company and has qualifying expenses ~~of at~~
31 ~~least two hundred fifty thousand dollars (\$250,000) as set out in this subsection~~ with respect to
32 a production is allowed a credit against the taxes imposed by this Part equal to twenty-five
33 percent (25%) of the production company's qualifying expenses. ~~For the purposes of this~~
34 ~~section, in the case of an episodic television series, an entire season of episodes is one~~
35 ~~production. The qualifying expenses are at least the following:~~

36 (1) For a feature-length film, five million dollars (\$5,000,000).

37 (2) For a television series, one million dollars (\$1,000,000) per episode.

38 (3) For a commercial for theatrical or television viewing or on-line distribution,
39 two hundred fifty thousand dollars (\$250,000).

40 The credit is computed based on all of the taxpayer's qualifying expenses incurred with
41 respect to the production, not just the qualifying expenses incurred during the taxable year.

42 (b1) Repealed by Session Laws 2009-529, s. 1, effective January 1, 2011.

43 (c) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and
44 G.S. 105-269.15, a pass-through entity that qualifies for a credit provided in this section does
45 not distribute the credit among any of its owners. The pass-through entity is considered the
46 taxpayer for purposes of claiming a credit allowed by this section. If a return filed by a
47 pass-through entity indicates that the entity is paying tax on behalf of the owners of the entity, a
48 credit allowed under this section does not affect the entity's payment of tax on behalf of its
49 owners.

50 (d) Return. – A taxpayer may claim a credit allowed by this section on a return filed for
51 the taxable year in which the production activities are completed. The return must state the

1 name of the production, and the taxpayer must provide a description of the ~~production,~~
2 production and a detailed accounting of the qualifying expenses with respect to which a credit
3 is claimed. The qualifying expenses are subject to audit by the Secretary before the credit is
4 allowed.

5 (e) Credit Refundable. – If a credit allowed by this section exceeds the amount of tax
6 imposed by this Part for the taxable year reduced by the sum of all credits allowable, the
7 Secretary must refund the excess to the taxpayer. The refundable excess is governed by the
8 provisions governing a refund of an overpayment by the taxpayer of the tax imposed in this
9 Part. In computing the amount of tax against which multiple credits are allowed, nonrefundable
10 credits are subtracted before refundable credits.

11 (f) Limitations. – The amount of credit allowed under this section ~~with respect to a per~~
12 ~~production that is a feature film may not exceed twenty million dollars (\$20,000,000).~~shall not
13 exceed the following amounts:

14 (1) For a feature-length film, twelve million dollars (\$12,000,000).

15 (2) For a television series, nine million dollars (\$9,000,000) per season.

16 (3) For a commercial for theatrical or television viewing or on-line distribution,
17 two hundred fifty thousand dollars (\$250,000).

18 No credit is allowed under this section for any production that satisfies one or more
19 of the following conditions:

20 (1) It ~~is~~ has the primary purpose of political ~~advertising~~ advertising, fundraising,
21 or marketing of a product or service other than by commercial.

22 (2) It is a ~~television~~ production of a news program ~~or live sporting~~
23 event program, including weather, financial market, and current events
24 reports.

25 (3) It is a live sporting event, including pre-event and post-event coverage and
26 scripted sports entertainment.

27 (4) It is a talk, game, or awards show or a gala event.

28 ~~(3)~~(5) It contains material that is ~~obscene~~, "obscene," as defined in G.S. 14-190.1,
29 G.S. 14-190.1, or that is "harmful to minors," as defined in G.S. 14-190.13.

30 ~~(4)~~(6) It is a radio production.

31 (7) It fails to contain in the end credits of the production a statement that the
32 production was "Filmed in North Carolina," a logo provided by the North
33 Carolina Film Office, and an acknowledgement of the regional film office
34 responsible for the geographic area in which the filming of the production
35 occurred.

36 (8) It has received a grant from the Film and Entertainment Grant Fund set out
37 in G.S. 143B-437.02A.

38 (g) Substantiation. – A taxpayer allowed a credit under this section must maintain and
39 make available for inspection any information or records required by the Secretary of Revenue.
40 The taxpayer has the burden of proving eligibility for a credit and the amount of the credit. The
41 Secretary may consult with the North Carolina Film Office ~~of the Department of Commerce~~
42 and the regional film commissions in order to determine the amount of qualifying expenses.

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

45 (1) The location of sites used in a production for which a credit was taken.

46 (2) The qualifying expenses for which a credit was taken, classified by whether
47 the expenses were for goods, services, or compensation paid by the
48 production company.

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

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

1 (i) Repealed by Session Laws 2006-220, s. 2, effective for taxable years beginning on
2 or after January 1, 2007.

3 (j) ~~NC Film Office Notification.~~ – To claim a credit under this section, a taxpayer must
4 notify the ~~Department of Commerce~~ North Carolina Film Office of the taxpayer's intent to claim
5 the production tax credit. The notification must include the title of the production, the name of
6 the production company, a financial contact for the production company, the proposed dates on
7 which the production company plans to begin filming the production, and any other
8 information required by the ~~Department~~. ~~For productions that have production credits, a~~
9 ~~taxpayer claiming a credit under this section must acknowledge in the production credits both~~
10 ~~the North Carolina Film Office and the regional film office responsible for the geographic area~~
11 ~~in which the filming of the production occurred.~~ Office. Additionally, the production company
12 must offer marketing opportunities to be evaluated by the North Carolina Film Office to ensure
13 that they offer promotional value to the State.

14 (k) Sunset. – This section is repealed for qualifying expenses occurring on or after
15 January 1, ~~2015~~ 2022."

16 **SECTION 38.2.(d)** G.S. 105-151.29 is reenacted as it existed immediately before
17 its repeal and reads as rewritten:

18 "**§ 105-151.29. Credit for qualifying expenses of a production company.**

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

20 (1) Award show. – An awards show is television programming involving the
21 filming of a ceremony in which individuals, groups, or organizations are
22 given an award.

23 (2) Employee. – A person who is employed for consideration and whose wages
24 are subject to withholding under Article 4A of Chapter 105 of the General
25 Statutes.

26 ~~(3)~~(3) Highly compensated individual. – An individual who directly or indirectly
27 receives compensation in excess of one million dollars (\$1,000,000) for
28 personal services with respect to a single production. An individual receives
29 compensation indirectly when a production company pays a personal service
30 company or an employee leasing company that pays the individual.

31 ~~(2)~~(4) Live sporting event. – A scheduled sporting competition, game, or race that
32 is not originated by a production company, but originated solely by an
33 amateur, collegiate, or professional organization, institution, or association
34 for live or tape-delayed television or satellite broadcast. A live sporting
35 event does not include commercial advertising, an episodic television series,
36 a television pilot, a music video, a motion picture, or a documentary
37 production in which sporting events are presented through archived
38 historical footage or similar footage taken at least 30 days before it is used.

39 (5) Loan-out company. – A personal service corporation that employs an
40 individual who is hired by a film or digital media production company.

41 (6) Production. – Any of the following:

42 a. A motion picture intended for commercial distribution to a motion
43 picture theater or directly to the consumer viewing market that has a
44 running time of at least 75 minutes.

45 b. A television series or a commercial for theatrical or television
46 viewing, made-for-television movie, or production intended for
47 on-line distribution. For video and television series, one production is
48 all of the episodes of the series produced for a single season.

49 ~~(3)~~(7) Production company. – Defined in G.S. 105-164.3.

50 ~~(4)~~(8) Qualifying expenses. – The sum of the following amounts spent in this State
51 by a production company in connection with a production, less the amount

1 paid in excess of one million dollars (\$1,000,000) to a highly compensated
2 individual:

- 3 a. Goods and services leased or purchased. For goods with a purchase
4 price of twenty-five thousand dollars (\$25,000) or more, the amount
5 included in qualifying expenses is the purchase price less the fair
6 market value of the good at the time the production is completed.
7 Goods and services includes the costs of tangible and intangible
8 property used for, and services performed primarily and customarily
9 in, production, including preproduction and postproduction and other
10 direct costs of producing the project in accordance with generally
11 accepted entertainment industry practices. Goods and services
12 exclude costs for development, marketing, and distribution; costs of
13 financing for the production, of bonding related to the production, of
14 production-related insurance coverage obtained on the production;
15 and expenses for insurance coverage purchased from a related
16 member.
- 17 b. Compensation and wages on which withholding payments are
18 remitted to the Department of Revenue under Article 4A of this
19 Chapter. Payments made to a loan-out company for services provided
20 in North Carolina shall be subject to gross income tax withholding at
21 the applicable rate under the Article 4 of this Chapter.
- 22 e. ~~The cost of production-related insurance coverage obtained on the~~
23 ~~production. Expenses for insurance coverage purchased from a~~
24 ~~related member are not qualifying expenses.~~
- 25 d.c. Employee fringe contributions, including health, pension, and
26 welfare contributions.
- 27 e.d. Per diems, stipends, and living allowances paid for work being
28 performed in this State.

29 ~~(5)(9)~~ Related member. – Defined in G.S. 105-130.7A.

30 (b) Credit. – A taxpayer that is a production company and has qualifying expenses ~~of at~~
31 ~~least two hundred fifty thousand dollars (\$250,000) as set out in this subsection~~ with respect to
32 a production is allowed a credit against the taxes imposed by this Part equal to twenty-five
33 percent (25%) of the production company's qualifying expenses. ~~For the purposes of this~~
34 ~~section, in the case of an episodic television series, an entire season of episodes is one~~
35 ~~production.~~ The qualifying expenses are at least the following:

36 (1) For a feature-length film, five million dollars (\$5,000,000).

37 (2) For a television series, one million dollars (\$1,000,000) per episode.

38 (3) For a commercial for theatrical or television viewing or on-line distribution,
39 two hundred fifty thousand dollars (\$250,000).

40 The credit is computed based on all of the taxpayer's qualifying expenses incurred with
41 respect to the production, not just the qualifying expenses incurred during the taxable year.

42 (b1) Repealed by Session Laws 2009-529, s. 2, effective January 1, 2011.

43 (c) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and
44 G.S. 105-269.15, a pass-through entity that qualifies for a credit provided in this section does
45 not distribute the credit among any of its owners. The pass-through entity is considered the
46 taxpayer for purposes of claiming a credit allowed by this section. If a return filed by a
47 pass-through entity indicates that the entity is paying tax on behalf of the owners of the entity, a
48 credit allowed under this section does not affect the entity's payment of tax on behalf of its
49 owners.

50 (d) Return. – A taxpayer may claim a credit allowed by this section on a return filed for
51 the taxable year in which the production activities are completed. The return must state the

1 name of the production, and the taxpayer must provide a description of the ~~production,~~
2 production and a detailed accounting of the qualifying expenses with respect to which a credit
3 is claimed. The qualifying expenses are subject to audit by the Secretary before the credit is
4 allowed.

5 (e) Credit Refundable. – If a credit allowed by this section exceeds the amount of tax
6 imposed by this Part for the taxable year reduced by the sum of all credits allowable, the
7 Secretary must refund the excess to the taxpayer. The refundable excess is governed by the
8 provisions governing a refund of an overpayment by the taxpayer of the tax imposed in this
9 Part. In computing the amount of tax against which multiple credits are allowed, nonrefundable
10 credits are subtracted before refundable credits.

11 (f) Limitations. – The amount of credit allowed under this section ~~with respect to a per~~
12 ~~production that is a feature film may not exceed twenty million dollars (\$20,000,000).~~ shall not
13 exceed the following amounts:

14 (1) For a feature-length film, twelve million dollars (\$12,000,000).

15 (2) For a television series, nine million dollars (\$9,000,000) per season.

16 (3) For a commercial for theatrical or television viewing or on-line distribution,
17 two hundred fifty thousand dollars (\$250,000).

18 No credit is allowed under this section for any production that satisfies one or more
19 of the following conditions:

20 (1) ~~It is~~ has the primary purpose of political advertising, advertising, fundraising,
21 or marketing, other than by commercial, a product, or services.

22 (2) ~~It is a television~~ production of a news program or live sporting
23 event program, including weather, financial market, and current events
24 reports.

25 (3) It is a live sporting event, including pre-event and post-event coverage and
26 scripted sports entertainment.

27 (4) It is a talk, game, or awards show or a gala event.

28 ~~(3)~~(5) ~~It contains material that is obscene,~~ "obscene," as defined in
29 G.S. 14-190.1. G.S. 14-190.1, or that is "harmful to minors," as defined in
30 G.S. 14-190.13.

31 ~~(4)~~(6) It is a radio production.

32 (7) It fails to contain in the end credits of the production a statement that the
33 production was "Filmed in North Carolina," a logo provided by the North
34 Carolina Film Office, and an acknowledgement of the regional film office
35 responsible for the geographic area in which the filming of the production
36 occurred.

37 (8) It has received a grant from the Film and Entertainment Grant Fund set out
38 in G.S. 143B-437.02A.

39 (g) Substantiation. – A taxpayer allowed a credit under this section must maintain and
40 make available for inspection any information or records required by the Secretary of Revenue.
41 The taxpayer has the burden of proving eligibility for a credit and the amount of the credit. The
42 Secretary may consult with the North Carolina Film Office ~~of the Department of Commerce~~
43 and the regional film commissions in order to determine the amount of qualifying expenses.

44 (h) Report. – The Department must include in the economic incentives report required
45 by G.S. 105-256 the following information itemized by taxpayer:

46 (1) The location of sites used in a production for which a credit was taken.

47 (2) The qualifying expenses for which a credit was taken, classified by whether
48 the expenses were for goods, services, or compensation paid by the
49 production company.

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

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

1 (i) Repealed by Session Laws 2006-220, s. 4, effective for taxable years beginning on
2 and after January 1, 2007.

3 (j) ~~NC Film Office Notification.~~ – To claim a credit under this section, a taxpayer must
4 notify the ~~Department of Commerce~~ North Carolina Film Office of the taxpayer's intent to
5 claim the production tax credit. The notification must include the title of the production, the
6 name of the production company, a financial contact for the production company, the proposed
7 dates on which the production company plans to begin filming the production, and any other
8 information required by the ~~Department~~. ~~For productions that have production credits, a~~
9 ~~taxpayer claiming a credit under this section must acknowledge in the production credits both~~
10 ~~the North Carolina Film Office and the regional film office responsible for the geographic area~~
11 ~~in which the filming of the production occurred.~~ Office. Additionally, the production company
12 must offer marketing opportunities to be evaluated by the North Carolina Film Office to ensure
13 that they offer promotional value to the State.

14 (k) Sunset. – This section is repealed for qualifying expenses occurring on or after
15 January 1, ~~2015~~ 2022."

16 **SECTION 38.2.(e)** This section becomes effective January 1, 2018, and applies to
17 productions with qualifying expenses occurring on or after January 1, 2018.

18 **PART XXXIX. MISCELLANEOUS PROVISIONS**

19 **STATE BUDGET ACT APPLIES**

20
21 **SECTION 39.1.** The provisions of the State Budget Act, Chapter 143C of the
22 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
23 this act by reference.
24

25 **MOST TEXT APPLIES TO THE 2017-2019 FISCAL BIENNIUM**

26 **SECTION 39.2.** Except for statutory changes or other provisions that clearly
27 indicate an intention to have effects beyond the 2017-2019 fiscal biennium, the textual
28 provisions of this act apply only to funds appropriated for, and activities occurring during, the
29 2017-2019 fiscal biennium.
30

31 **EFFECT OF HEADINGS**

32 **SECTION 39.3.** The headings to the parts, subparts, and sections of this act are a
33 convenience to the reader and are for reference only. The headings do not expand, limit, or
34 define the text of this act, except for effective dates referring to a part or subpart.
35

36 **SEVERABILITY**

37 **SECTION 39.4.** If any section or provision of this act is declared unconstitutional
38 or invalid by the courts, it does not affect the validity of this act as a whole or any part other
39 than the part so declared to be unconstitutional or invalid.
40

41 **EFFECTIVE DATE**

42 **SECTION 39.5.** Except as otherwise provided, this act becomes effective July 1,
43 2017.
44