

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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SENATE BILL 257
Appropriations/Base Budget Committee Substitute Adopted with unengrossed
amendments 5/10/17
Finance Committee favorable with unengrossed amendments 5/10/17
Pensions and Retirement and Aging Committee Substitute Adopted 5/10/17
Third Edition Engrossed 5/12/17
Corrected Copy 5/15/17
House Committee Substitute Favorable 5/30/17
House Committee Substitute #2 Favorable 5/31/17

Short Title: Appropriations Act of 2017.

(Public)

Sponsors:

Referred to:

March 15, 2017

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 in
16 accordance with the State Budget Act. Savings shall be effected where the total amounts
17 appropriated are not required to perform these services and accomplish these purposes, and the
18 savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise
19 provided by law.

20
21 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

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

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

28
29 **Current Operations – General Fund**

FY 2017-2018

FY 2018-2019



* S 2 5 7 - V - 6 *

1			
2	EDUCATION		
3			
4	Community Colleges System Office	1,124,926,730	1,161,099,369
5			
6	Department of Public Instruction	9,053,966,257	9,308,446,172
7			
8	Appalachian State University	134,672,993	134,672,993
9	East Carolina University		
10	Academic Affairs	214,598,809	214,598,809
11	Health Affairs	74,210,941	74,210,941
12	Elizabeth City State University	31,964,712	31,154,712
13	Fayetteville State University	52,116,162	52,116,162
14	NC A&T State University	92,203,482	92,203,482
15	NC Central University	83,243,559	83,243,559
16	NC State University		
17	Academic Affairs	410,148,050	407,648,050
18	Agricultural Extension	39,745,231	39,745,231
19	Agricultural Research	52,636,905	52,636,905
20	UNC-Asheville	38,750,625	38,750,625
21	UNC-Chapel Hill		
22	Academic Affairs	251,309,119	251,309,119
23	Health Affairs	186,665,032	186,665,032
24	AHEC	48,783,693	48,783,693
25	UNC-Charlotte	226,376,692	226,376,692
26	UNC-Greensboro	150,156,774	150,156,774
27	UNC-Pembroke	53,711,549	53,715,428
28	UNC-School of the Arts	30,424,499	30,424,499
29	UNC-Wilmington	120,327,946	120,327,946
30	Western Carolina University	89,729,461	89,730,641
31	Winston-Salem State University	64,717,512	64,717,512
32	General Administration	42,172,369	42,172,369
33	University Institutional Programs	96,697,794	252,290,431
34	Related Educational Programs	55,056,853	58,582,411
35	NC School of Science & Math	20,958,012	20,959,212
36	Aid to Private Institutions	154,799,754	166,799,754
37			
38	Total University of North Carolina – Board of Governors	2,816,178,528	2,983,992,982
39			
40	HEALTH AND HUMAN SERVICES		
41			
42	Department of Health and Human Services		
43	Central Management and Support	113,217,166	121,773,593
44	Division of Aging & Adult Services	45,068,961	45,131,130
45	Division of Blind Services/Deaf/Hard of Hearing	8,374,825	8,484,659
46	Division of Child Development & Early Education	272,271,774	281,326,777
47	Division of Health Service Regulation	18,407,670	19,255,924
48	Division of Medical Assistance	3,678,948,565	3,794,373,052
49	Division of Mental Health, Developmental		
50	Disabilities, & Substance Abuse Services	708,275,316	753,304,347
51	NC Health Choice	459,272	396,901

1	Division of Health Benefits	9,666,437	9,730,893
2	Division of Public Health	160,468,198	157,489,155
3	Division of Social Services	199,591,835	203,807,326
4	Division of Vocational Rehabilitation	38,560,702	39,016,759
5	Total Health and Human Services	5,253,310,721	5,434,090,516
6			
7	AGRICULTURAL, NATURAL, AND ECONOMIC RESOURCES		
8			
9	Department of Agriculture and Consumer Services	123,243,209	123,244,152
10			
11	Department of Commerce		
12	Commerce	138,102,626	134,761,317
13	Commerce State-Aid	19,155,810	15,955,810
14			
15	Wildlife Resources Commission	10,570,985	10,813,148
16			
17	Department of Environmental Quality	79,078,233	78,913,320
18			
19	Department of Labor	17,343,241	17,750,239
20			
21	Department of Natural and Cultural Resources	184,306,935	176,589,243
22	Department of Natural and Cultural		
23	Resources – Roanoke Island	555,571	555,571
24			
25	JUSTICE AND PUBLIC SAFETY		
26			
27	Department of Public Safety	1,990,818,159	2,032,151,538
28			
29	Judicial Department	526,315,948	537,767,784
30			
31	Judicial Department – Indigent Defense	121,885,761	123,365,462
32			
33	Department of Justice	56,739,412	57,126,405
34			
35	GENERAL GOVERNMENT		
36			
37	Department of Administration	62,534,822	63,233,565
38			
39	Office of Administrative Hearings	5,830,759	5,970,209
40			
41	Office of State Auditor	13,768,108	13,770,502
42			
43	Office of State Controller	20,741,775	23,251,812
44			
45	State Board of Elections	6,537,226	6,659,525
46			
47	General Assembly	64,932,281	66,496,475
48			
49	Office of the Governor		
50	Office of the Governor	5,857,833	5,963,129
51			

1	Office of the Governor – Special Projects	0	0
2			
3	Office of State Budget and Management		
4	Office of State Budget and Management	8,068,254	8,190,222
5	OSBM – Reserve for Special Appropriations	2,000,000	2,000,000
6			
7	Housing Finance Agency	14,609,159	30,660,000
8			
9	Department of Insurance	43,210,112	43,897,077
10			
11	Office of Lieutenant Governor	794,098	776,891
12			
13	Department of Military and Veterans Affairs	11,960,224	9,868,660
14			
15	Department of Revenue	84,081,870	85,743,497
16			
17	Department of Secretary of State	13,007,625	13,394,013
18			
19	Department of State Treasurer		
20	State Treasurer	4,789,044	4,829,040
21	State Treasurer – Retirement for Fire and		
22	Rescue Squad Workers	28,078,361	28,428,361
23			
24	DEPARTMENT OF INFORMATION TECHNOLOGY	51,392,048	51,616,433
25			
26	RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
27			
28	Contingency & Emergency Fund	4,800,000	4,800,000
29	Classification and Compensation System	3,900,000	7,800,000
30	Workers' Compensation Settlement Reserve	2,000,000	0
31	Salary Adjustment Fund	5,000,000	5,000,000
32	Film and Entertainment Grant Fund	15,000,000	30,000,000
33	Compensation Increase Reserve	0	275,630,879
34	State Emergency Response and Disaster Relief Fund	150,000,000	0
35	Reserve for Pending Legislation	7,099,116	1,510,386
36	Enterprise Resource Planning	3,200,000	10,000,000
37			
38	Debt Service		
39	General Debt Service	727,166,339	770,458,736
40	Federal Reimbursement	1,616,380	1,616,380
41			
42	TOTAL CURRENT OPERATIONS –		
43	GENERAL FUND	22,878,473,560	23,768,188,820
44			
45	GENERAL FUND AVAILABILITY STATEMENT		
46	SECTION 2.2.(a) The General Fund availability used in developing the 2017-2019		
47	fiscal biennial budget is shown below:		
48			
49		FY 2017-2018	FY 2018-2019
50	Unappropriated Balance	208,607,416	279,690,692
51	Disaster Recovery Appropriations (S.L. 2016-124)	(200,928,370)	0

1	Transfer From Savings Reserve	100,928,370	0
2	Revised Unappropriated Balance	108,607,416	0
3	Over Collections FY 2016-17	580,600,000	0
4	Reversions FY 2016-17	271,000,000	0
5	Replenish Savings Reserve (S.L. 2016-124)	(100,928,370)	0
6	Earmarkings of Year End Fund Balance:		
7	Savings Reserve	(263,000,000)	0
8	Repairs and Renovations	(365,000,000)	0
9	Beginning Unreserved Fund Balance	231,279,046	279,690,692
10			
11	Revenues Based on Existing Tax Structure	22,303,700,000	23,299,200,000
12			
13	Non-tax Revenues		
14	Investment Income	60,100,000	60,600,000
15	Judicial Fees	240,900,000	240,500,000
16	Disproportionate Share	164,700,000	149,600,000
17	Insurance	75,500,000	75,500,000
18	Master Settlement Agreement (MSA)	127,200,000	127,200,000
19	Other Non-Tax Revenues	180,600,000	182,900,000
20	Subtotal Non-tax Revenues	849,000,000	836,300,000
21			
22			
23	Total General Fund Availability	23,383,979,046	24,415,190,692
24			
25	Adjustments to Availability: 2017 Session		
26	Tax Law Changes	(120,100,000)	(246,100,000)
27	Diversion of Taxes from Short-Term Lease		
28	or Rental of Motor Vehicles to Highway Fund	(77,130,000)	(79,060,000)
29	Diversion to Savings Reserve (S.L. 2017-5)	0	(130,135,500)
30	Divert additional MSA funds to Golden L.E.A.F.	(5,000,000)	(5,000,000)
31	Transfer from Department of Insurance	3,419,428	4,104,228
32	Transfer from the Department of the State Treasurer	(5,477,782)	(5,437,786)
33			
34	Subtotal Adjustments to Availability: 2017 Session	(204,288,354)	(461,629,058)
35			
36	Revised General Fund Availability	23,179,690,692	23,953,561,634
37			
38	Less General Fund Net Appropriation	(22,900,000,000)	(23,779,584,013)
39			
40	Unappropriated Balance Remaining	279,690,692	173,977,621

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

SECTION 2.2.(c) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of three hundred sixty-three million nine hundred twenty-eight thousand three hundred seventy dollars (\$363,928,370) from the unreserved fund balance to the Savings Reserve Account on June 30, 2017. This transfer is not an "appropriation made by law," as that

1 phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection
 2 becomes effective June 30, 2017.

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

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

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

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

21 **SECTION 2.2.(h)** Subsection (g) of this section becomes effective July 1, 2017,
 22 and applies to taxes collected on or after that date. Subsection (g) of this section expires June
 23 30, 2019.

24
 25 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

26
 27 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

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

32 Current Operations – Highway Fund	FY 2017-2018	FY 2018-2019
33		
34 Department of Transportation		
35 Administration	\$ 96,416,366	\$ 94,370,410
36		
37 Division of Highways		
38 Administration	34,782,224	34,782,224
39 Construction	91,100,000	93,250,000
40 Maintenance	1,340,770,203	1,330,627,286
41 Planning and Research	0	0
42 OSHA Program	358,030	358,030
43		
44 State Aid to Municipalities	147,500,000	147,500,000
45		
46 Intermodal Divisions		
47 Ferry	51,733,375	46,733,375
48 Public Transportation	93,777,592	94,277,592
49 Aviation	135,442,773	133,072,773
50 Rail	43,659,362	43,850,362
51 Bicycle and Pedestrian	724,032	724,032

1			
2	Governor's Highway Safety	255,367	255,367
3	Division of Motor Vehicles	130,399,383	127,946,774
4			
5	Other State Agencies, Reserves, Transfers	84,095,034	166,158,099
6			
7	Capital Improvements	7,362,700	7,216,707
8			
9	Total Highway Fund Appropriations	\$ 2,258,376,441	\$ 2,321,123,031

HIGHWAY FUND AVAILABILITY STATEMENT

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

14			
15	Highway Fund Availability Statement	FY 2017-2018	FY 2018-2019
16	Unreserved Fund Balance	\$ 0	\$ 0
17	Estimated Revenue	2,179,096,441	2,237,763,031
18	Adjustment to Revenue Availability:		
19	Division of Motor Vehicles Hearing Fees	2,150,000	4,300,000
20	Highway Use Tax Lease Proceeds	77,130,000	79,060,000
21			
22	Total Highway Fund Availability	\$ 2,258,376,441	\$ 2,321,123,031
23			
24	Unappropriated Balance	\$ 0	\$ 0
25			

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

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

33			
34	Current Operations – Highway Trust Fund	FY 2017-2018	FY 2018-2019
35			
36	Program Administration	\$ 35,156,560	\$ 35,156,560
37	Debt Service	52,160,868	50,036,452
38	Turnpike Authority	49,000,000	49,000,000
39	State Ports Authority	45,000,000	45,000,000
40	Transfer to Highway Fund	400,000	400,000
41	FHWA State Match	4,640,000	4,640,000
42	Strategic Prioritization Funding Plan for		
43	Transportation Investments	1,360,770,863	1,401,591,150
44			
45	Total Highway Trust Fund Appropriations	\$ 1,547,128,291	\$ 1,585,824,162
46			

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

48 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
 49 2017-2019 fiscal biennial budget is shown below:

50			
51	Highway Trust Fund Availability	FY 2017-2018	FY 2018-2019

1			
2	Unreserved Fund Balance	\$ 0	\$ 0
3	Estimated Revenue	1,547,614,829	1,586,320,316
4	Adjustment to Revenue Availability:		
5	Title Fees (Mercury Switch Removal)	(486,538)	(496,154)
6			
7	Total Highway Trust Fund Availability	\$ 1,547,128,291	\$ 1,585,824,162
8			
9	Unappropriated Balance	\$ 0	\$ 0
10			

11 PART V. OTHER APPROPRIATIONS

13 CASH BALANCES AND OTHER APPROPRIATIONS

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

- 17 (1) For all budget codes listed in the Governor's Recommended Budget for the
 18 2017-2019 fiscal biennium, dated March 2017, and in the Budget Support
 19 Document, fund balances and receipts are appropriated up to the amounts
 20 specified, as adjusted by the General Assembly, for the 2017-2018 fiscal
 21 year and the 2018-2019 fiscal year. Funds may be expended only for the
 22 programs, purposes, objects, and line items or as otherwise authorized by the
 23 General Assembly. Expansion budget funds listed in those documents are
 24 appropriated only as otherwise provided in this act.
- 25 (2) Notwithstanding the provisions of subdivision (1) of this subsection:
- 26 a. Any receipts that are required to be used to pay debt service
 27 requirements for various outstanding bond issues and certificates of
 28 participation are appropriated up to the actual amounts received for
 29 the 2017-2018 fiscal year and the 2018-2019 fiscal year and shall be
 30 used only to pay debt service requirements.
- 31 b. Other funds, cash balances, and receipts of funds that meet the
 32 definition issued by the Governmental Accounting Standards Board
 33 of a trust or agency fund are appropriated for and in the amounts
 34 required to meet the legal requirements of the trust agreement for the
 35 2017-2018 fiscal year and the 2018-2019 fiscal year.

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

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

46 OTHER RECEIPTS FROM PENDING GRANT AWARDS

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

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

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

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

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

16
17 **EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS**

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

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

30
31 **SECTION 5.3.(b)** G.S. 18C-164 reads as rewritten:
32 "**§ 18C-164. Transfer of net revenues.**

33 ...
34 (b) ~~From the Education Lottery Fund, the~~ The Office of State Budget and Management
35 shall transfer ~~a sum equal to five percent (5%) of the any net revenue of the prior in excess of~~
36 the amount appropriated from the Education Lottery Fund in a fiscal year to the Education
37 Lottery Reserve Fund. A special revenue fund for this purpose shall be established in the State
38 treasury to be known as the Education Lottery Reserve Fund, and that fund shall be capped at
39 fifty million dollars (\$50,000,000). Monies in the Education Lottery Reserve Fund may be
40 appropriated only as provided in subsection (c) of this section. Fund.

41 ...
42 (e) If the actual net revenues are less than the appropriation for that given year, then the
43 Governor ~~may~~ shall transfer from the Education Lottery Reserve Fund an amount sufficient to
44 equal the appropriation by the General Assembly. To the extent that the funds described in this
45 subsection are required to be appropriated, they are hereby appropriated for the purpose set
46 forth in this subsection.

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

49
50 **CIVIL PENALTY AND FORFEITURE FUND**

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

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

9
10 **SECTION 5.4.(b)** Excess receipts realized in the Civil Penalty and Forfeiture Fund
11 in each year of the 2017-2019 fiscal biennium shall remain unspent until appropriated by a
12 further act of the General Assembly.

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

17 18 **INDIAN GAMING EDUCATION REVENUE FUND**

19 **SECTION 5.5.** Notwithstanding G.S. 143C-9-7, the sum of six million dollars
20 (\$6,000,000) in each year of the 2017-2019 fiscal biennium is transferred from the Indian
21 Gaming Education Revenue Fund to the Department of Public Instruction, Textbooks, and
22 Digital Resources Allotment.

23 24 **DISASTER RELIEF FUNDING**

25 **SECTION 5.6.(a)** Funding. – Of the funds appropriated in this act to the State
26 Emergency Response and Disaster Relief Fund, the sum of one hundred fifty million dollars
27 (\$150,000,000) shall be used for disaster relief as provided by the Disaster Recovery Act of
28 2016, S.L. 2016-124. The Governor may not expend these funds to make budget adjustments
29 under G.S. 143C-6-4 or reallocations under G.S. 166A-19.40(c); however, nothing in this
30 subsection shall be construed to prohibit the Governor from exercising the Governor's authority
31 under these statutes with respect to other funds.

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

35 36 **PART VI. GENERAL PROVISIONS**

37 38 **ESTABLISHING OR INCREASING FEES**

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

42 **SECTION 6.2.(b)** Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an
43 emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized
44 by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter
45 150B of the General Statutes.

46 47 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

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

50 **"§ 143C-4-8. Use of funds appropriated to a reserve.**

1 All funds appropriated into a reserve by a Current Operations Appropriations Act or other
 2 act of the General Assembly may be expended only for the purpose or purposes for which the
 3 reserve was established."
 4

5 CAP STATE-FUNDED PORTION OF NONPROFIT SALARIES

6 **SECTION 6.4.** No more than one hundred twenty thousand dollars (\$120,000) in
 7 State funds, including any interest earnings accruing from those funds, may be used for the
 8 annual salary of any individual employee of a nonprofit organization.
 9

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

11 **SECTION 6.5.** Notwithstanding any provision of G.S. 143C-9-3 to the contrary,
 12 the additional sum of five million dollars (\$5,000,000) in each year of the 2017-2019 fiscal
 13 biennium is appropriated from the Settlement Reserve Fund to The Golden L.E.A.F.
 14 (Long-Term Economic Advancement Foundation), Inc., a nonprofit corporation, for research,
 15 rural economic development, and job-creation related purposes.
 16

17 CLARIFY BASE BUDGET DEFINITION

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

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

20 (1) Appropriation. – An enactment by the General Assembly authorizing the
 21 withdrawal of money from the State treasury. An enactment by the General
 22 Assembly that authorizes, specifies, or otherwise provides that funds may be
 23 used for a particular purpose is not an appropriation.
 24

25 ...

26 (1c) Base Budget. – That part of the recommended State budget that provides the
 27 baseline for the next biennium. The base budget for each State agency shall
 28 be the authorized budget for that agency with adjustments only for the
 29 following:

- 30 a. Annualization of programs and ~~positions~~ positions created in the
previous biennium.
- 31 b. Reductions to adjust for items funded with nonrecurring funds during
 32 the prior fiscal biennium.
- 33 c. Increases to adjust for nonrecurring reductions during the prior fiscal
 34 biennium.
- 35 d. Adjustments for federal payroll tax changes.
- 36 e. Rate increases in accordance with the terms of existing leases of real
 37 property.
- 38 f. Adjustments to receipt projections, made in accordance with
 39 G.S. 143C-3-5(b)(2)c.
- 40 g. Reconciliation of intragovernmental and intergovernmental transfers.
- 41 h. Adjustments for statutory appropriations and other adjustments as
 42 directed by the General Assembly.

43 ...

44 ~~(6) Capital Improvements Appropriations Act. — An act of the General~~
 45 ~~Assembly containing appropriations for one or more capital improvement~~
 46 ~~projects.~~
 47

48 ...

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

1 ...
 2 (28) Statutory appropriation. – An appropriation enacted by the General
 3 Assembly in the General Statutes that authorizes the current and future
 4 withdrawal of funds from the State treasury during fiscal years extending
 5 beyond the current fiscal biennium, current and future fiscal years, without
 6 further act of the General Assembly.

7"

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

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

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

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

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

33 "**§ 143C-3-5. Budget recommendations and budget message.**

34 ...

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

37 ...

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

43 ...

44 (c) Even-Numbered Years. – In even-numbered years, the Governor may recommend
 45 changes in the enacted budget for the second year of the biennium. These recommendations
 46 shall be presented as amendments to the enacted budget and shall be incorporated in a
 47 recommended Current Operations ~~Appropriation Act and a recommended Capital~~
 48 ~~Improvements Appropriations Act as necessary.~~ Appropriations Act. Any recommended
 49 changes shall clearly distinguish program reductions, program eliminations, program
 50 expansions, and new programs, and shall explain all proposed capital improvements in the
 51 context of the Six-Year Capital Improvements Plan and as required by G.S. 143C-8-6. The

1 Governor shall provide sufficient supporting documentation and accounting detail, consistent
2 with that required by G.S. 143C-3-5(b), corresponding to the recommended amendments to the
3 enacted budget.

4"

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

6 "**§ 143C-5-1. Rules for the introduction of the Governor's appropriations bills.**

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

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

13 "**§ 143C-5-5. Committee report used to construe intent of budget acts.**

14 A committee report incorporated by reference in the Current Operations Appropriations Act
15 ~~or the Capital Improvements Appropriations Act~~ and distributed on the floor of the House of
16 Representatives and of the Senate as part of the explanation of the act is to be construed with
17 the appropriate act in interpreting its intent. If a report conflicts with the act, the act prevails.
18 The Director of the Fiscal Research Division of the Legislative Services Commission shall send
19 a copy of the reports to the Director."

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

21 "**§ 143C-6-1. Budget enacted by the General Assembly; certified budgets of State**
22 **agencies.**

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

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

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

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

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

1 "SECTION 11A.3.(i) Subsections (a) and (b) of this section apply beginning with the
2 2016-2017 school year. ~~Subsections (g) and~~Subsection (h) of this section ~~become~~becomes
3 effective July 1, 2017."

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

7 8 PENDING LITIGATION

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

13 14 FOOD SCIENCE INNOVATION ADVISORY BOARD

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

- 18 (1) The Commissioner of Agriculture or the Commissioner's designee.
- 19 (2) The Secretary of Commerce or the Secretary's designee.
- 20 (3) The President of the Golden L.E.A.F. (Long-Term Economic Advancement
21 Foundation), Inc., or the President's designee.
- 22 (4) Two members shall be appointed by the Speaker of the House of
23 Representatives, one of whom shall be a farmer and one of whom shall have
24 expertise in one or more of the following fields: patents, copyrights,
25 intellectual property, royalties, and finance.
- 26 (5) Two members shall be appointed by the President Pro Tempore of the
27 Senate, one of whom shall have expertise in food science and one of whom
28 shall have expertise in one or more of the following fields: local economic
29 development, workforce development, or public-private partnerships in this
30 State.
- 31 (6) One member appointed by the Board of Trustees of the North Carolina State
32 University.
- 33 (7) One member who is a representative of the North Carolina Research
34 Campus.

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

- 37 (1) Preserving existing rural agricultural and manufacturing jobs and creating
38 new agricultural and manufacturing jobs from research discoveries.
- 39 (2) Encouraging and networking agricultural entrepreneurs and enabling
40 collaboration between producers and available markets.
- 41 (3) Reducing production waste stemming from agricultural manufacturing.
- 42 (4) Enabling advancements in food security and food safety by leveraging
43 emerging technologies with the production resources available in this State.
- 44 (5) Establishing best practices for the provision of potential royalties stemming
45 from campus-based research and projects to enable a public-private
46 partnership that will be rurally focused and will enable local economic and
47 workforce development by investing the results and benefits of the
48 collaborative efforts of the educational institutions of the State and the
49 private sector.
- 50 (6) Increasing markets for North Carolina agricultural products.

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

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

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

13 From funds available to the General Assembly, the Legislative Services
14 Commission shall allocate monies to fund the work of the Board. Members of the Board shall
15 receive subsistence and travel expenses as provided in G.S. 120-3.1 and G.S. 138-5. The
16 Legislative Services Commission, through the Legislative Services Officer, shall assign
17 professional staff to assist the Council in its work. Upon the direction of the Legislative
18 Services Commission, the Director of Legislative Assistants of the Senate and of the House of
19 Representatives shall assign clerical staff to the Board. The expenses for clerical employees
20 shall be borne by the Board.

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

25 **SECTION 6.9.(e)** On or before September 1, 2018, and at least semiannually
26 thereafter, the Board shall submit a report to the Joint Legislative Oversight Committee on
27 Agriculture and Natural and Economic Resources and the Fiscal Research Division with its
28 recommendations based upon its study of the items listed in subsection (b) of this section.
29

30 **BUDGET ACCOUNTABILITY AND TRANSPARENCY REFORM INITIATIVE**

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

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

- 43 (1) Strict adherence to Chapter 143C of the General Statutes, the State Budget
44 Act.
- 45 (2) Realignment of the State's expenditures and revenues in a clear and logical
46 manner.
- 47 (3) Presentation of a comprehensive, accurate, and reliable account of all State
48 expenditures and revenues.
- 49 (4) An annual base budget document that:
 - 50 a. Is presented in a format that promotes effective decision making,
51 accountability, and oversight; and

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

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

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

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

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

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

35 36 **PAY-AS-YOU-GO CAPITAL AND INFRASTRUCTURE FUND**

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

39 **"§ 143C-4-3.1. State Capital and Infrastructure Fund.**

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

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

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

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

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

12 (2) Repair and renovation of existing capital assets, as provided in
13 G.S. 143C-4-3.

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

17 (4) Economic development infrastructure projects.

18 (5) Transportation capital improvement projects.

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

20 (d) Funds Available Only Upon Appropriation. – Funds reserved to the Fund shall be
21 available for expenditure only upon an act of appropriation by the General Assembly. The
22 appropriation shall include the amount available for expenditure and a description of the
23 project."

24

25 **REPORT ON USE OF LAPSED SALARY FUNDS**

26 **SECTION 6.12.(a)** The Office of State Budget and Management (OSBM) in
27 conjunction with State agencies, as defined in G.S. 143C-1-1(d)(24), shall report on the use of
28 lapsed salary funds for fiscal year 2016-2017 and fiscal year 2017-2018. State agencies shall
29 report to the OSBM on the use of lapsed salary, including all of the following:

30 (1) The total amount of accrued lapsed salary funds by funding source.

31 (2) The total number of full-time equivalent positions comprising the lapsed
32 salary funds.

33 (3) The total expenditure of lapsed salaries by purpose.

34 (4) The legal authorization to expend lapsed salary funds.

35 **SECTION 6.12.(b)** The OSBM shall report to the Joint Legislative Oversight
36 Committees on Health and Human Services; Education; Justice and Public Safety;
37 Transportation; Information Technology; General Government; and Agriculture and Natural
38 and Economic Resources and the Fiscal Research Division on the use of lapsed salary funds as
39 prescribed in subsection (a) of this section as follows:

40 (1) By making a final report on fiscal year 2016-2017, no later than October 1,
41 2017.

42 (2) By submitting preliminary reports on fiscal year 2017-2018 data, no later
43 than January 31, 2018, and May 1, 2018, and making a final report on fiscal
44 year 2017-2018 data, no later than September 1, 2018.

45

46 **INDUSTRIAL COMMISSION PLAN FOR TRANSITION TO DEPARTMENT OF** 47 **INSURANCE**

48 **SECTION 6.13.** During the 2017-2018 fiscal year, the Industrial Commission shall
49 collaborate with the Department of Insurance on a plan to transition the Industrial Commission
50 from the Department of Commerce to the Department of Insurance to occur in July 2018. The
51 Industrial Commission and the Department of Insurance shall consider the statutory duties and

1 current functions of the Commission and shall design a plan and shall make recommendations
2 for the transition of the Industrial Commission. The Industrial Commission and the Department
3 of Insurance shall submit the transition plan and the recommendations to the Joint Legislative
4 Oversight Committee on Agriculture and Natural and Economic Resources and the Joint
5 Legislative Oversight Committee on General Government on or before March 1, 2018.

6 7 **PART VII. PUBLIC SCHOOLS**

8 9 **FUNDS FOR CHILDREN WITH DISABILITIES**

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

19 20 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

21 **SECTION 7.2.** The State Board of Education shall allocate additional funds for
22 academically or intellectually gifted children on the basis of one thousand three hundred
23 fourteen dollars and fifty-six cents (\$1,314.56) per child for fiscal years 2017-2018 and
24 2018-2019. A local school administrative unit shall receive funds for a maximum of four
25 percent (4%) of its 2017-2018 fiscal year allocated average daily membership, regardless of the
26 number of children identified as academically or intellectually gifted in the unit. The dollar
27 amounts allocated under this section for academically or intellectually gifted children shall also
28 be adjusted in accordance with legislative salary increments, retirement rate adjustments, and
29 health benefit adjustments for personnel who serve academically or intellectually gifted
30 children.

31 32 **SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

33 **SECTION 7.3.(a)** Use of Funds for Supplemental Funding. – All funds received
34 pursuant to this section shall be used only (i) to provide instructional positions, instructional
35 support positions, teacher assistant positions, clerical positions, school computer technicians,
36 instructional supplies and equipment, staff development, and textbooks and digital resources
37 and (ii) for salary supplements for instructional personnel and instructional support personnel.
38 Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds
39 received pursuant to this section to improve the academic performance of children who are
40 performing at Level I or II on either reading or mathematics end-of-grade tests in grades three
41 through eight.

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

- 44 (1) Anticipated county property tax revenue availability. – The county-adjusted
45 property tax base multiplied by the effective State average tax rate.
- 46 (2) Anticipated total county revenue availability. – The sum of the following:
47 a. Anticipated county property tax revenue availability.
48 b. Local sales and use taxes received by the county that are levied under
49 Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of
50 Chapter 105 of the General Statutes.

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

1 the audit report filed with the Secretary of the Local Government
2 Commission pursuant to G.S. 115C-447.

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

8 (13) Sales assessment ratio studies. – Sales assessment ratio studies performed by
9 the Department of Revenue under G.S. 105-289(h).

10 (14) State average adjusted property tax base per square mile. – The sum of the
11 county-adjusted property tax bases for all counties divided by the number of
12 square miles of land area in the State.

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

17 (16) Supplant. – To decrease local per student current expense appropriations
18 from one fiscal year to the next fiscal year.

19 (17) Weighted average of the three most recent annual sales assessment ratio
20 studies. – The weighted average of the three most recent annual sales
21 assessment ratio studies in the most recent years for which county current
22 expense appropriations and adjusted property tax valuations are available. If
23 real property in a county has been revalued one year prior to the most recent
24 sales assessment ratio study, a weighted average of the two most recent sales
25 assessment ratios shall be used. If property has been revalued the year of the
26 most recent sales assessment ratio study, the sales assessment ratio for the
27 year of revaluation shall be used.

28 **SECTION 7.3.(c) Eligibility for Funds.** – Except as provided in subsection (g) of
29 this section, the State Board of Education shall allocate these funds to local school
30 administrative units located in whole or in part in counties in which the county wealth as a
31 percentage of the State average wealth is less than one hundred percent (100%).

32 **SECTION 7.3.(d) Allocation of Funds.** – Except as provided in subsection (f) of
33 this section, the amount received per average daily membership for a county shall be the
34 difference between the State average current expense appropriations per student and the current
35 expense appropriations per student that the county could provide given the county's wealth and
36 an average effort to fund public schools. To derive the current expense appropriations per
37 student that the county could be able to provide given the county's wealth and an average effort
38 to fund public schools, multiply the county's wealth as a percentage of State average wealth by
39 the State average current expense appropriations per student. The funds for the local school
40 administrative units located in whole or in part in the county shall be allocated to each local
41 school administrative unit located in whole or in part in the county based on the average daily
42 membership of the county's students in the school units. If the funds appropriated for
43 supplemental funding are not adequate to fund the formula fully, each local school
44 administrative unit shall receive a pro rata share of the funds appropriated for supplemental
45 funding.

46 **SECTION 7.3.(e) Formula for Distribution of Supplemental Funding Pursuant to**
47 **This Section Only.** – The formula in this section is solely a basis for distribution of
48 supplemental funding for low-wealth counties and is not intended to reflect any measure of the
49 adequacy of the educational program or funding for public schools. The formula is also not
50 intended to reflect any commitment by the General Assembly to appropriate any additional
51 supplemental funds for low-wealth counties.

1 **SECTION 7.3.(f)** Minimum Effort Required. – A county shall receive full funding
2 under this section if the county (i) maintains an effective county tax rate that is at least one
3 hundred percent (100%) of the effective State average tax rate in the most recent year for which
4 data are available or (ii) maintains a county appropriation per student to the school local current
5 expense fund of at least one hundred percent (100%) of the current expense appropriations per
6 student to the school local current expense fund that the county could provide given the
7 county's wealth and an average effort to fund public schools. A county that maintains a county
8 appropriation per student to the school local current expense fund of less than one hundred
9 percent (100%) of the current expense appropriations per student to the school local current
10 expense fund that the county could provide given the county's wealth and an average effort to
11 fund public schools shall receive funding under this section at the same percentage that the
12 county's appropriation per student to the school local current expense fund is of the current
13 expense appropriations per student to the school local current expense fund that the county
14 could provide given the county's wealth and an average effort to fund public schools.

15 **SECTION 7.3.(g)** Nonsupplant Requirement. – A county in which a local school
16 administrative unit receives funds under this section shall use the funds to supplement local
17 current expense funds and shall not supplant local current expense funds. For the 2017-2019
18 fiscal biennium, the State Board of Education shall not allocate funds under this section to a
19 county found to have used these funds to supplant local per student current expense funds. The
20 State Board of Education shall make a finding that a county has used these funds to supplant
21 local current expense funds in the prior year, or the year for which the most recent data are
22 available, if all of the following criteria apply:

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

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

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

36 **SECTION 7.3.(i)** Funds for EVAAS Data. – Notwithstanding the requirements of
37 subsection (a) of this section, local school administrative units may utilize funds allocated
38 under this section to purchase services that allow for extraction of data from the Education
39 Value-Added Assessment System (EVAAS).

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

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

1
2 **SMALL COUNTY SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

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

<u>Allotted ADM</u>	<u>Small County Allotment</u>
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

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

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

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

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

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

- 49 (1) The current expense appropriation per student of the county for the current
50 year is less than ninety-five percent (95%) of the average of local current
51 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 7.4.(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 7.4.(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 7.5.(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.
22 (2) Provide professional development.
23 (3) Provide intensive in-school or after-school remediation, or both.
24 (4) Purchase diagnostic software and progress-monitoring tools.
25 (5) 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 7.5.(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 7.5.(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.

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

5 **SECTION 7.6.** 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 year
7 but shall remain available until expended.

9 **DPI/ALIGNMENT OF FEDERAL FUNDS**

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

16 **ADMINISTRATION OF THE EXCELLENT PUBLIC SCHOOLS ACT**

17 **SECTION 7.9.(a)** From the funds appropriated to implement Section 7A.1 of S.L.
18 2012-142, as amended, for the 2017-2019 fiscal biennium only, the Department of Public
19 Instruction shall use those funds for the following 13 time-limited positions that support the
20 kindergarten through third grade assessments pursuant to G.S. 115C-174.11:

<u>Position</u>	<u>Title</u>
22 65017164	Project Administrator
23 65017165	Project Lead
24 65017166	Project Lead
25 65017167	Program Assistant V
26 65017169	Northeast Consultant
27 65017170	Southeast Consultant
28 65017171	North Central Consultant
29 65017172	Sandhills Consultant
30 65017173	Piedmont Triad Consultant
31 65017174	Southwest Consultant
32 65017250	Northwest Consultant
33 65017251	Western Consultant
34 65021990	Project Coordinator

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

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

39 **SUPERINTENDENT OF PUBLIC INSTRUCTION SUPPORT STAFF**

40 **SECTION 7.10.** Of the funds appropriated by this act to the Department of Public
41 Instruction for the 2017-2019 fiscal biennium, the Superintendent of Public Instruction may use
42 up to nine hundred twenty-one thousand five hundred eighty-three dollars (\$921,583) to
43 appoint, in addition to any other personnel appointed by the Superintendent, up to 10 full-time
44 equivalent exempt policy-making positions, as defined in G.S. 126-5(b)(3), to staff the office of
45 the Superintendent and assist in the administration of the Superintendent's duties under Article
46 III and Section 4(2) of Article IX of the North Carolina Constitution as an elected officer and
47 member of the Council of State and as secretary and chief administrative officer of the State
48 Board of Education. Personnel appointed to these positions shall be exempt from the North
49 Carolina Human Resources Act and shall report solely to the Superintendent of Public
50 Instruction. The Superintendent of Public Instruction shall fix the salaries of the personnel for
51 the office of the Superintendent within the funds available as provided by this section. The

1 personnel for the office of the Superintendent of Public Instruction within the Department of
2 Public Instruction shall be in addition to any staff appointed to the Department in accordance
3 with G.S. 115C-21(a)(1). The appointments shall not be subject to approval or disapproval by
4 the State Board of Education.
5

6 **CARRYFORWARD OF CERTAIN DPI FUNDS**

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

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

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

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

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

29 "SECTION 5. There is appropriated from the General Fund to the Department of Public
30 Instruction four hundred thousand dollars (\$400,000) in recurring funds for the 2016-2017
31 fiscal year for salary and benefits for the ~~ASD~~ISD Superintendent, staff, and other expenses
32 associated with the ~~ASD~~ISD. Any funds appropriated for this purpose that are unexpended at
33 the end of the 2016-2017 fiscal year shall not revert but shall remain available for one-time,
34 start-up expenses of the ISD until the end of the 2017-2018 fiscal year. There is appropriated
35 from the General Fund to the Department of Public Instruction five hundred thousand dollars
36 (\$500,000) for the 2016-2017 fiscal year to contract with an independent research organization
37 to conduct the evaluation required in Section 4 of this act. Funds appropriated to the
38 Department of Public Instruction for the 2016-2017 fiscal year for the evaluation shall not
39 revert at the end of the fiscal year but shall remain available until expended."

40 **SECTION 7.11.(d)** This section becomes effective June 30, 2017.
41

42 **CLASS SIZE FLEXIBILITY FOR CURRENT PILOT PROGRAMS AND DUAL** 43 **LANGUAGE IMMERSION CLASSES**

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

45 **SECTION 7.15.(b)** Notwithstanding G.S. 115C-301 or Section 1(b) of S.L.
46 2017-9, local school administrative units approved by the State Board of Education to
47 participate in the teacher compensation models and advanced teaching roles pilot program
48 established under Section 8.7 of S.L. 2016-94 may allow a certain number of schools that were
49 identified in their proposals to exceed individual class size requirements in kindergarten
50 through third grade for the duration of the pilot program ending with the 2019-2020 school year
51 as follows:

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

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

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

16 "**§ 115C-301. Allocation of teachers; class size.**

17 ...

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

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

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

31 (c1) Class size requirements for kindergarten through third grade provided in subsection
 32 (c) of this section shall not apply to dual language immersion classes. For the purposes of this
 33 subsection, dual language immersion classes are classes in which (i) at least one-third of the
 34 students' dominant language is English and (ii) instruction involves both English and a target
 35 foreign language, with a minimum of fifty percent (50%) of core content taught in the target
 36 foreign language in order to promote dual language proficiency for all students.

37"

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

40 **ARTS EDUCATION REQUIREMENT**

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

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

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

- 1 (1) Establish procedures and a time line for a phased-in implementation of the
2 arts education graduation requirement.
- 3 (2) Establish the minimum criteria to meet the arts education graduation
4 requirement.
- 5 (3) By December 15, 2018, report to the Joint Legislative Education Oversight
6 Committee on the following:
 - 7 a. The statewide implementation of the three interdependent
8 components of comprehensive arts education (arts education, arts
9 integration, and arts exposure).
 - 10 b. The graduation requirement set forth in this section.

11 **IMPROVE EDUCATION FINANCIAL AND INFORMATION TRANSPARENCY**

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

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

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

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

47 **SECTION 7.16.(d)** Of the funds appropriated to the Department of Public
48 Instruction by this act for the school business system modernization plan for the 2017-2019
49 fiscal biennium, the Department shall transfer up to three million two hundred fifty thousand
50 dollars (\$3,250,000) for the 2017-2018 fiscal year and up to two hundred fifty thousand dollars
51

1 (\$250,000) for the 2018-2019 fiscal year to GDAC to leverage existing public-private
2 partnerships for the development and deployment of a data integration service that consolidates
3 data from financial, human resources, licensure, student information, and related systems.
4 Implementation shall also include development and deployment of a modern analytical
5 platform and reporting environment. By December 1, 2017, GDAC shall execute any
6 contractual agreements and interagency data sharing agreements necessary to develop the
7 reporting system established by this section.

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

14 **SECTION 7.16.(f)** Prior to executing any contractual agreements and interagency
15 data sharing agreements necessary to develop the financial reporting system as provided for in
16 this section, the State Superintendent shall submit to the Joint Legislative Education Oversight
17 Committee (Committee) and the Fiscal Research Division an initial report by September 15,
18 2017, on the progress of GDAC's development and deployment of a data integration service
19 that consolidates data from financial, human resources, licensure, student information, and
20 related systems. The State Superintendent shall also submit an interim report to the Committee
21 and the Fiscal Research Division by January 30, 2018, on the selection of a vendor for an ERP
22 software as a service solution. Thereafter, the State Superintendent shall submit annual reports
23 to the Committee and the Fiscal Research Division by March 15 of each year on the
24 expenditure of funds for the project and progress of implementation until the completion of the
25 project.

26 **SECTION 7.16.(g)** Funds appropriated to the Department of Public Instruction for
27 the 2017-2019 fiscal biennium to implement the school business modernization system shall
28 not revert at the end of the fiscal year but shall remain available until expended.
29

30 **OFFICE OF CHARTER SCHOOLS/WEB-BASED RECORD AND DATA** 31 **MANAGEMENT**

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

- 38 (1) For the 2017-2018 fiscal year, the Department shall use funds appropriated
39 to the Department for the Uniform Education Reporting System (UERS) by
40 S.L. 2015-241 for the 2016-2017 fiscal year that were unexpended and did
41 not revert at the end of the 2016-2017 fiscal year in accordance with Section
42 8.7 of that act.
- 43 (2) For the 2018-2019 fiscal year, the Department shall use funds appropriated
44 to the Department for UERS by this act for the 2017-2018 fiscal year that are
45 unexpended and do not revert at the end of the 2017-2018 fiscal year in
46 accordance with Section 7.6 of this act.

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

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

- 1 (2) Controls collections of documents to assist in core authorizing functions,
2 including the charter school application and charter school renewal
3 processes.
- 4 (3) Provides for the visualization of academic, financial, and demographic
5 information for either an individual school or a portfolio of charter schools.
- 6 (4) Provides for the safe and secure electronic storage of documents in a Tier 3
7 datacenter that meets the following standards:
 - 8 a. Sarbanes-Oxley Act (SOX) compliant, including Statement on
9 Auditing Standards (SAS) No. 70, Statement on Standards for
10 Attestation Engagements (SSAE) No. 16, Service Organization
11 Control (SOC) No. 1, and SOC No. 2.
 - 12 b. Health Insurance Portability and Accountability Act (HIPAA)
13 compliant, including the Office for Civil Rights (OCR) HIPAA Audit
14 Protocol.
 - 15 c. Payment Card Industry (PCI) Data Security Standard (DSS)
16 compliant.
 - 17 d. Safe Harbor certification program compliant.

18 COOPERATIVE INNOVATIVE HIGH SCHOOL FUNDING CHANGES

19 **SECTION 7.22.(a)** Legislative Findings. – The General Assembly finds the
20 following in regard to the State's long-term, ongoing investment in providing high school
21 students with opportunities to obtain postsecondary credit and career credentials at no cost to
22 the student in order to maximize cost savings to students in obtaining a postsecondary
23 education:
24

- 25 (1) Dual enrollment opportunities for high school students have been available
26 in the State for many years but began to significantly grow in the early-
27 mid-2000s as a result of the General Assembly's enactment of the Innovative
28 Education Initiatives Act and the establishment of the cooperative innovative
29 high school program pursuant to Part 9 of Article 16 of Chapter 115C of the
30 General Statutes. This act demonstrated the State's commitment in
31 prioritizing cooperative efforts between secondary schools and institutions of
32 higher education so as to reduce the high school dropout rate, increase high
33 school and college graduation rates, decrease the need for remediation in
34 institutions of higher education, and raise certificate, associate, and bachelor
35 degree completion rates.
- 36 (2) To ensure continued efficiency in the investment of State funds to provide
37 postsecondary dual enrollment programs for high school students, the
38 General Assembly directed the State Board of Education and the State Board
39 of Community Colleges to jointly establish the Career and College Promise
40 Program pursuant to Section 7.1A of S.L. 2011-145, effective January 1,
41 2012, to consolidate existing cooperative efforts between secondary schools
42 and institutions of higher education by providing (i) for specific pathways
43 for obtaining college credit that is transferable to community colleges and
44 institutions of higher education, (ii) for college credit leading to a
45 subject-area certificate, diploma, or degree, and (iii) through enrollment at a
46 cooperative innovative high school, enabling students to concurrently obtain
47 a high school diploma and to begin or complete an associate degree
48 program, master a certificate or vocational program, or earn up to two years
49 of college credit within five years.
- 50 (3) The recent growth in the establishment of cooperative innovative high
51 school programs has resulted in a steady increase in full-time equivalent

- 1 (FTE) student enrollment at community colleges due to the maturation of
2 those programs, including an increase of one hundred forty percent (140%)
3 in FTE enrollment for these students between 2008-2009 and 2013-2014.
- 4 (4) The implementation of other Career and College Promise pathways enabling
5 certain traditional high school students to concurrently enroll in
6 postsecondary courses leading to a defined academic goal has also resulted
7 in a recent rise in student enrollment at community colleges with a thirty
8 percent (30%) increase in the College Transfer pathway and a twenty-one
9 percent (21%) increase in the Career and Technical Education pathway
10 between 2012-2013 and 2013-2014.
- 11 (5) For the 2013-2014 academic year, the General Assembly appropriated
12 fifty-seven million dollars (\$57,000,000) in State funds to cover community
13 college FTE for 11,389 students during the first year of full implementation
14 of the Career and College Promise Program.
- 15 (6) For the 2015-2016 fiscal year, the General Assembly appropriated the
16 following amounts to cover the cost of cooperative innovative high schools
17 and other Career and College Promise programs:
- 18 a. For the cooperative innovative high school allotment, the sum of
19 twenty-five million four hundred eighty-eight thousand seven
20 hundred twenty-five dollars (\$25,488,725).
- 21 b. For community college FTE for the following:
- 22 1. For students enrolled in cooperative innovative high schools,
23 the sum of forty-two million two hundred ninety-one
24 thousand three hundred eighty-six dollars (\$42,291,386).
- 25 2. For students enrolled in courses that count toward the College
26 Transfer pathway, the sum of twenty-one million three
27 hundred forty-three thousand five hundred seven dollars
28 (\$21,343,507).
- 29 3. For students enrolled in courses that count toward the Career
30 and Technical Education pathway, the sum of twenty-one
31 million seven hundred eight thousand nine hundred thirty-two
32 dollars (\$21,708,932).
- 33 c. For the reimbursement of tuition for constituent institutions of the
34 University of North Carolina as a partner institution of higher
35 education to a cooperative innovative high school, the sum of one
36 million nine hundred forty-five thousand two hundred one dollars
37 (\$1,945,201).
- 38 d. For the reimbursement of tuition for private colleges located in North
39 Carolina that are a partner institution of higher education to a
40 cooperative innovative high school, the sum of four hundred
41 fifty-seven thousand six hundred thirty-nine dollars (\$457,639).
- 42 (7) Since considerable State funds have been appropriated on an ongoing basis
43 to cover the cost of high school student enrollment at community colleges,
44 constituent institutions, and approved private colleges pursuant to
45 G.S. 115C-238.54 and G.S. 115D-5(b)(12) as part of the Career and College
46 Promise programs, it is necessary to examine the total cost of these programs
47 and prioritize the appropriation of State funds to achieve the General
48 Assembly's goal of maximizing cost savings to students in obtaining a
49 postsecondary education. This shall include reducing the amount of funds
50 allocated to local school administrative units for the cooperative innovative
51 high school allotment.

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

15 **SECTION 7.22.(c)** Cooperative Innovative High School Allotment Amount. – Of
16 the funds appropriated to the Department of Public Instruction by this act for the 2017-2019
17 fiscal biennium, the Department of Public Instruction shall allocate from the cooperative
18 innovative high school supplemental allotment the sum of two hundred thousand dollars
19 (\$200,000) in recurring funds each fiscal year to a local school administrative unit for the
20 operation of each authorized cooperative innovative high school located in the unit that was
21 approved by the State Board of Education pursuant to G.S. 115C-238.51A(c), except for a
22 cooperative innovative high school operated by a regional school board of directors pursuant to
23 G.S. 115C-238.50A(3a).

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

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

37 38 **PREPARING FUTURE WORKFORCE IN CODING AND MOBILE APP** 39 **DEVELOPMENT GRANT PROGRAM**

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

1 **SECTION 7.23.(b)** Program Criteria and Guidelines; Applications. – By August
2 15, 2017, the Superintendent of Public Instruction shall establish criteria and guidelines for
3 grant applications and Program requirements for local school administrative units and charter
4 schools, including sufficient curricular rigor for courses offered to students. The Department of
5 Public Instruction shall accept applications for the first year of the Program until October 15,
6 2017. For subsequent fiscal years in which funds are available for new applications to the
7 Program, the Department shall accept applications until May 15 of that year. Grant applicants
8 shall submit at least the following information in their applications:

- 9 (1) A description of how the proposed partnership initiative will provide
10 increased career opportunities for students to engage in high-wage,
11 high-skill, and high-demand occupations.
- 12 (2) Demonstrated evidence of employer demand for the partnership initiative
13 and related career and technical education (CTE) training, including
14 documentation of industry involvement in the partnership initiative.
- 15 (3) A proposed budget for the partnership initiative, including demonstrated
16 commitment of local or regional partners to sustain the programs beyond the
17 initial grant funding.
- 18 (4) A description of how the proposed initiative aligns with other programs,
19 including CTE, Career and College Pathways, and postsecondary programs
20 and, if appropriate, how equipment necessary for the initiative will be
21 utilized by partners.
- 22 (5) A description of how the project will create innovative, nontraditional, and
23 immediate career pathways for students to enter high demand jobs in the
24 development of mobile software applications.

25 **SECTION 7.23.(c)** Selection of Recipients. – In selecting recipients for the
26 Program, the Superintendent of Public Instruction shall consider diversity among the pool of
27 applicants, including geographic location, the positive impact on the community of industry
28 partnerships, and the size of the student population served by the recipient, in order to award
29 funds to the extent possible to grant recipients that represent different characteristics of the
30 State. The Superintendent of Public Instruction shall select initial grant recipients by November
31 15, 2017, to begin implementation of the partnership initiatives under the Program as early as
32 the spring semester of the 2017-2018 school year. For subsequent fiscal years in which funds
33 are available for new applications to the Program, the Superintendent shall select grant
34 recipients by July 15 of that year.

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

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

49 By September 15 of each year of the Program, the Department shall report to the
50 Joint Legislative Education Oversight Committee and the Fiscal Research Division, beginning
51 with an initial report by September 15, 2018, on grant recipients and implementation of the

1 program, including the information required to be reported to the Department pursuant to this
2 subsection and any legislative recommendations for modifications or expansion of the Program.
3

4 **EXPAND SCHOOL CONNECTIVITY INITIATIVE/CYBERSECURITY AND RISK** 5 **MANAGEMENT**

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

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

21 **SECTION 7.23A.(b)** Of the funds appropriated by this act to the Department of
22 Public Instruction for the 2017-2019 fiscal biennium the sum of three hundred fifty thousand
23 dollars (\$350,000) in nonrecurring funds shall be used for the 2017-2018 fiscal year to develop
24 and implement the new cybersecurity and risk management services to support public school
25 cybersecurity and risk management service operations.
26

27 **REPORT ON CURSIVE WRITING AND MULTIPLICATION TABLES**

28 **SECTION 7.23B.** The State Board of Education and the Department of Public
29 Instruction shall report to the Joint Legislative Education Oversight Committee by March 30,
30 2018, regarding the measures taken by each local school administrative unit to implement the
31 requirements regarding cursive writing and memorization of the multiplication tables pursuant
32 to G.S. 115C-81(k) and (l) and to ensure that those requirements are met.
33

34 **K-3 CLASS SIZE REQUIREMENTS/BUILDING CAPACITY REPORT**

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

37 "(f) Biannual Reports. – At the end of September and end of February of each school
38 year, each local board of education, through the superintendent, shall file a report, based on
39 information provided by the principal, for each school within the local school administrative
40 unit with the Superintendent of Public Instruction. The report shall be filed in a format
41 prescribed by the Superintendent of Public Instruction and shall include the organization for
42 each school in the local school administrative unit, including the following information:

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

- 1 a. The number of program enhancement teachers. For the purposes of
2 this subdivision, program enhancement teachers are teachers who
3 teach any of the following:
4 1. Arts disciplines, including dance, music, theater, and the
5 visual arts.
6 2. Physical education and health programs.
7 3. World languages.
8 b. The source of funds used to pay each program enhancement teacher.
9 (3) The average class size for each grade from kindergarten through third grade
10 in the local school administrative unit.
11 (3a) Any limitations on the capacity of school facilities for each school in the
12 local school administrative unit that make it impracticable for the school to
13 meet individual class size requirements for students in kindergarten through
14 third grade without a school facility expansion.
15 (4) Any other information the Superintendent of Public Instruction may require.

16 The Superintendent of Public Instruction shall conduct periodic audits of the information
17 reported by the local superintendent under this subsection to confirm the accuracy of reporting
18 at the local school administrative unit and school level of the average and individual class size
19 for students in kindergarten through third grade. If the Superintendent of Public Instruction
20 finds that a local board of education is exceeding class size requirements without application to
21 the State Board for an allotment adjustment or a waiver of those class size requirements, the
22 State Board may impose the penalty set forth in subsection (j) of this section until such time the
23 local board of education receives a waiver or the schools in the unit meet the class size
24 requirements for kindergarten through third grade."
25

26 **JOINT LEGISLATIVE TASK FORCE ON EDUCATION FINANCE REFORM**

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

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

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

38 **SECTION 7.23D.(c)** In consultation with the State Board of Education and the
39 Department of Public Instruction, the Task Force shall study various weighted student formula
40 funding models and develop a new funding model for the elementary and secondary public
41 schools of North Carolina based on a weighted student formula. As a part of this process, the
42 Task Force shall do all of the following:

- 43 (1) Review the State's current public school allotment system and undertake an
44 in-depth study of various types of weighted student formula funding models.
45 In its study, the Task Force is encouraged to consider models used by other
46 states.
47 (2) Determine the base amount of funds that must be distributed on a per student
48 basis to cover the cost of educating a student in the State.
49 (3) Identify the student characteristics eligible for weighted funding and the
50 associated weights for each of these characteristics.

- 1 (4) Resolve the extent to which the base amount of funds to be distributed
2 would be adjusted based on the characteristics of each local school
3 administrative unit.
- 4 (5) Decide which funding elements, if any, would remain outside the base of
5 funds to be distributed under a weighted student formula.
- 6 (6) Study other funding models for elementary and secondary public schools,
7 including public charter schools, in addition to the weighted student funding
8 formula.
- 9 (7) Study funding models to provide children with disabilities with a free
10 appropriate public education. This shall include a consideration of
11 economies of scale, the advisability and practicality of capping additional
12 funding for children with disabilities, and additional costs associated with
13 services required for particular disabilities.
- 14 (8) Study any other issue the Task Force considers relevant.

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

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

29 **SECTION 7.23D.(f)** Meetings of the Task Force shall begin no later than October
30 1, 2017. The Task Force shall submit a final report on the results of its study and development,
31 including proposed legislation, to the Joint Legislative Education Oversight Committee on or
32 before October 1, 2018, by filing a copy of the report with the Office of the President Pro
33 Tempore of the Senate, the Office of the Speaker of the House of Representatives, the Joint
34 Legislative Education Oversight Committee, and the Legislative Library. The Task Force shall
35 terminate on October 1, 2018, or upon the filing of its final report, whichever comes first.

36 37 **ELIMINATE ANALYSIS OF STUDENT WORK PROCESS FOR TEACHER** 38 **EVALUATIONS**

39 **SECTION 7.23E.(a)** The State Board of Education shall eliminate the use of the
40 analysis of student work process and shall prohibit use of an analysis of student work process to
41 assess teacher performance and professional growth as part of the North Carolina Teacher
42 Evaluation System.

43 **SECTION 7.23E.(b)** The consolidated State plan to be submitted by the State
44 Board of Education and the Department of Public Instruction to the U.S. Department of
45 Education as required by the Elementary and Secondary Education Act of 1965, 20 U.S.C. §
46 6301, et seq., as amended by the Every Student Succeeds Act, P.L. 114-95, shall reflect the
47 requirements of subsection (a) of this section.

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

49 "(e) The State Board of Education shall develop a mentor program to provide ongoing
50 support for teachers entering the profession. In developing the mentor program, the State Board
51 shall conduct a comprehensive study of the needs of new teachers and how those needs can be

1 met through an orientation and mentor support program. For the purpose of helping local
 2 boards to support new teachers, the State Board shall develop and distribute guidelines which
 3 address optimum teaching load, extracurricular duties, student assignment, and other working
 4 condition considerations. These guidelines shall provide that initially licensed teachers not be
 5 assigned extracurricular activities unless they request the assignments in writing and that other
 6 noninstructional duties of these teachers be minimized. The State Board shall develop and
 7 coordinate a mentor teacher training program. The State Board shall develop criteria for
 8 selecting excellent, experienced, and qualified teachers to be participants in the mentor teacher
 9 training program, including requiring that mentor teachers have been rated, through formal
 10 evaluations, at least at the "accomplished" level as part of the North Carolina Teacher
 11 Evaluation ~~System and have met expectations for student growth.~~ System."

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

- 13 "(3) Educator preparation programs shall ensure clinical educators who supervise
 14 students in residencies or internships meet the following requirements:
 15 a. Be professionally licensed in the field of licensure sought by the
 16 student.
 17 b. Have a minimum of three years of experience in a teaching role.
 18 c. Have been rated, through formal evaluations, at least at the
 19 "accomplished" level as part of the North Carolina Teacher
 20 Evaluation ~~System and have met expectations as part of student~~
 21 ~~growth.~~ System in the field of licensure sought by the student."

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

24
 25 **SIXTH AND SEVENTH GRADE CTE PROGRAM EXPANSION GRANT PROGRAM**

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

27 **"§ 115C-64.15. North Carolina Education and Workforce Innovation Commission.**

28 ...

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

33 (e) The Commission shall publish a report on the Education and Workforce Innovation
 34 Program and the Career and Technical Education Grade Expansion Program on or before April
 35 30 of each year. The report shall be submitted to the Joint Legislative Education Oversight
 36 Committee, the State Board of Education, the State Board of Community Colleges, and the
 37 Board of Governors of The University of North Carolina. The report shall include at least all of
 38 the following information:

- 39 (1) An accounting of how funds and personnel resources were utilized for each
 40 program and their impact on student achievement, retention, and
 41 employability.
 42 (2) Recommended statutory and policy changes.
 43 (3) Recommendations for improvement of ~~the each~~ program.
 44 (4) For the Career and Technical Education Grade Expansion Program,
 45 recommendations on increasing availability of grants after the first two years
 46 of the program to include additional local school administrative units or
 47 providing additional grants to prior recipients."

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

50 **"§ 115C-64.17. The Career and Technical Education Grade Expansion Program.**

1 (a) Program Establishment. – There is established the Career and Technical Education
2 Grade Expansion Program (Program) to expand career and technical education (CTE) programs
3 by prioritizing the inclusion of students in sixth and seventh grade through grant awards
4 provided to selected local school administrative units for up to seven years. Funds appropriated
5 for the Program shall be used to award competitive grants of (i) for the 2017-2018 fiscal year,
6 up to seven hundred thousand dollars (\$700,000) and (ii) for the 2018-2019 fiscal year and
7 subsequent fiscal years, to the extent that those funds are available, up to one million dollars
8 (\$1,000,000) to be allocated to a selected local school administrative unit. Grant funds shall be
9 used only for employing additional licensed personnel in career and technical education areas,
10 career development coordination areas, and support service areas necessary for expanding the
11 CTE program to sixth and seventh grade students. The funds may be used for CTE programs at
12 one or more schools in the local school administrative unit. Grant funds allocated to the local
13 school administrative unit each fiscal year under the Program shall not revert but shall be
14 available for the purpose of the grant program until expended.

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

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

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

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

49 (e) Reporting Requirements. – No later than August 1 of each year, for up to seven
50 years after the initial grant award, a grant recipient shall submit to the Department of Public
51 Instruction, Local Planning Systems Regional Services staff within the Division of Career and

1 Technical Education, an annual report for the preceding year in which grant funds were
 2 expended that provides at least the following information on the program for sixth and seventh
 3 grade students:

- 4 (1) The use of grant funds, including the CTE programs and courses that have
 5 been expanded in the local school administrative unit to include sixth and
 6 seventh grade students.
 7 (2) The number of students enrolled in CTE courses as part of the expansion.
 8 (3) The number of students who subsequently enrolled in CTE courses in high
 9 school.
 10 (4) The number of students who subsequently participated in internships,
 11 cooperative education, or apprenticeship programs.
 12 (5) The number of students who subsequently earned (i) college credit and (ii)
 13 approved industry certification and credentials.
 14 (6) Any other information the Division of Career and Technical Education
 15 deems necessary.

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

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

- 26 (1) Of the funds appropriated by this act to the Department of Public Instruction
 27 for the 2017-2019 fiscal biennium, the Department shall allocate the sum of
 28 seven hundred thousand dollars (\$700,000) each fiscal year to the
 29 Commission.
 30 (2) Of the funds appropriated by this act for the At-Risk Student Services
 31 Alternative School Allotment for the 2018-2019 fiscal year, the Department
 32 of Public Instruction shall allocate the sum of three million five hundred
 33 thousand dollars (\$3,500,000) for the 2018-2019 fiscal year to the
 34 Commission.

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

38
 39 **TRANSFER EDUCATION AND WORKFORCE INNOVATION COMMISSION TO**
 40 **DPI**

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

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

48 "(a) There is created the North Carolina Education and Workforce Innovation
 49 Commission (Commission). The Commission shall be located administratively in the ~~Office of~~
 50 ~~the Governor~~ Department of Public Instruction but shall exercise all its prescribed powers
 51 independently of the ~~Office of the Governor~~ Department of Public Instruction. Of the funds

1 appropriated for the Education and Workforce Innovation Program established under
 2 G.S. 115C-64.16, up to ~~two hundred thousand dollars (\$200,000)~~ ten percent (10%) of those
 3 funds each fiscal year may be used by the ~~Office of the Governor~~ Department of Public
 4 Instruction to provide technical assistance and administrative assistance, including staff, to the
 5 Commission and for reimbursements and expenses for the Commission. Commission for the
 6 Education and Workforce Innovation Program and the Career and Technical Education Grade
 7 Expansion Program."

8 **SECTION 7.23G.(c)** Section 23.1(a) of S.L. 2014-100 is repealed.
 9

10 **FUTURE READY STUDENTS**

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

12 **"§ 115C-47. Powers and duties generally.**

13 In addition to the powers and duties designated in G.S. 115C-36, local boards of education
 14 shall have the power or duty:

15 ...

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

19 ...

20 (34a) To Establish Work-Based Opportunities and Encourage High School to
 21 Work Partnerships. – Each local board of education shall offer at least two
 22 work-based learning opportunities that are related to career and technical
 23 education instruction in the local school administrative unit as required by
 24 G.S. 115C-157. Local boards of education shall also encourage high schools
 25 and local businesses to partner, specifically to target students who may not
 26 seek higher education, and facilitate high school to work partnerships. Local
 27 businesses shall be encouraged to work with local high schools to create
 28 opportunities for students to complete a job shadow, internship, or
 29 apprenticeship. Students may also be encouraged to tour the local business
 30 or clinic, meet with employees, and participate in career and technical
 31 student organizations. Waiver forms ~~may~~ shall be developed in collaboration
 32 with participating businesses for the protection of both the students and the
 33 businesses.

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

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

50"

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

1 **"§ 115C-55. Advisory councils.**

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

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

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

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

- 16 (1) The integration of academic and ~~vocational-career~~ and technical
17 ~~education;education.~~
- 18 (2) A sequential course of study leading to both academic and occupational
19 ~~competencies;competencies.~~
- 20 (3) Increased student work skill attainment and job ~~placement;placement.~~
- 21 (4) Increased linkages, where geographically feasible, between public schools
22 and community colleges, so the public schools can emphasize academic
23 preparation and the community colleges can emphasize specific job ~~training;~~
24 ~~andtraining.~~
- 25 (5) Instruction and experience, to the extent practicable, in all aspects of the
26 industry the students are prepared to enter."

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

28 **"§ 115C-81.1. Basic Education Program Funds not to supplant Local funds for schools.**

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

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

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

43 "Article 10.

44 "~~Vocational-Career~~ and Technical Education.

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

46 **"§ 115C-151. Statement of purpose.**

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

1 purposes of ~~vocational-career~~ and technical education in North Carolina public secondary
2 schools shall ~~be~~^{be} as follows:

- 3 (1) Occupational Skill Development. – To prepare individuals for paid or unpaid
4 employment in recognized occupations, new occupations, and emerging
5 occupations.
- 6 (2) Preparation for Advanced Education. – To prepare individuals for
7 participation in advanced or highly skilled ~~vocational-career~~ and technical
8 education.
- 9 (3) Career Development; Introductory. – To assist individuals in the making of
10 informed and meaningful occupational choices.

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

16 **"§ 115C-152. Definitions.**

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

- 21 (1) "Career development; ~~introductory~~"introductory; or career awareness
22 program" means an instructional program, service, or activity designed to
23 familiarize individuals with the broad range of occupations for which special
24 skills are required and the requisites for careers in such occupations. A
25 career awareness program offered to elementary school students shall
26 encourage students to explore career pathways and prepare students for the
27 transition to middle school career planning.
- 28 (2) "Comprehensive ~~vocational-career~~ and technical education" means
29 instructional programs, services, or activities directly related to preparation
30 for and placement in employment, for advanced technical preparation, or for
31 the making of informed and meaningful educational and occupational
32 choices.
- 33 (3) "Occupational skill development" means a program, service, or activity
34 designed to prepare individuals for paid or unpaid employment as
35 semiskilled or skilled workers, technicians, or professional-support
36 personnel in recognized occupations and in new and emerging occupations
37 including occupations or a trade, technical, business, health, office,
38 homemaking, homemaking-related, agricultural, marketing, and other
39 nature. Instruction is designed to fit individuals for initial employment in a
40 specific occupation or a cluster of closely related occupations in an
41 occupational field. This instruction includes education in technology,
42 manipulative skills, theory, auxiliary information, application of academic
43 skills, and other associated ~~knowledges-abilities~~.
- 44 (4) "Preparation for advanced education" means a program, service, or activity
45 designed to prepare individuals for participation in advanced or highly
46 skilled post-secondary and technical education programs leading to
47 employment in specific occupations or a cluster of closely related
48 occupations and for participation in ~~vocational-career~~ and technical
49 education teacher education programs.

50 **"§ 115C-153. Administration of ~~vocational-career~~ and technical education.**

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

9 **"§ 115C-154. Duties of the State Board of Education.**

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

- 16 (1) Articulation shall occur with institutions, agencies, councils, and other
17 organizations having responsibilities for work force preparedness.
- 18 (2) Business, industrial, agricultural, and lay ~~representatives, including parents~~
19 ~~of students enrolled in Vocational and Technical Education courses,~~
20 representatives organized as business advisory committees-councils under
21 Part 4 of this Article have been utilized in the development of decisions
22 affecting ~~vocational-career~~ and technical education programs and services.
- 23 (3) Public hearings are conducted annually to afford the public an opportunity to
24 express their views concerning the State Board's plan and to suggest changes
25 in the plan.
- 26 (4) The plan describes the State's policy for ~~vocational-career~~ and technical
27 education and the system utilized for the delivery of ~~vocational-career~~ and
28 technical education programs, services, and activities. The policy shall
29 include priorities of curriculum, integration of ~~vocational-career~~ and
30 academic education, technical preparation, and youth apprenticeships.
- 31 (5) A professionally and occupationally qualified staff is employed and
32 organized in a manner to assure efficient and effective State leadership for
33 ~~vocational-career~~ and technical education. Provisions shall be made for such
34 functions as: planning, administration, supervision, personnel development,
35 curriculum development, ~~vocational-career and technical education~~ student
36 organization and coordination research and evaluation, and such others as
37 the State Board may direct.
- 38 (6) An appropriate supply of qualified personnel is trained for program
39 expansion and replacements through cooperative arrangements with
40 institutions of higher education and other institutions or agencies, including
41 where necessary financial support of programs and curriculums designed for
42 the preparation of ~~vocational-career and technical education~~ administrators,
43 supervisors, coordinators, instructors, and support personnel.
- 44 (7) Minimum standards shall be prescribed for personnel employed at the State
45 and local levels.
- 46 (8) Local boards of education submit to the State Board of Education a local
47 plan for ~~vocational-career~~ and technical education that has been prepared in
48 accordance with the procedures set forth in the Master Plan for ~~Vocational~~
49 Career and Technical Education.
- 50 (9) Appropriate minimum standards for ~~vocational-career~~ and technical
51 education programs, services, and activities shall be established,

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

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

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

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

- (1) The programs are in accordance with the purposes of ~~G.S. 115C-151;~~G.S. 115C-151.
- (2) The ~~vocational—career and technical education~~ programs and courses are not duplicated within a local school administrative unit, unless the unit has data to justify the duplication or the unit has a plan to redirect the duplicative programs within three ~~years;~~years.
- (3) For all current job skill programs, there is a documented need, based on labor market data or follow-up data, or there is a plan to redirect the program within two ~~years;~~years.
- (4) New ~~vocational—career and technical education~~ programs show documented need based on student demand, or for new job skill programs, based on student and labor market ~~demand; and~~demand.
- (5) All programs are responsive to technological advances, changing characteristics of the work force, and the academic, technical, and attitudinal development of students.
- (6) The local board of education establishes a business advisory council in accordance with Part 4 of this Article. The local board of education shall submit information regarding ongoing consultation with the advisory council as part of the career and technical education local planning system maintained by the State Board of Education and the Department of Public Instruction.

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

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

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

The State Board shall also develop a plan to assure that minimum equipment standards for each program are met to the extent that State, local, and federal funds are available for that

1 purpose. The State Board shall consider all reasonable and prudent means to meet these
2 minimum equipment standards and to ensure a balanced ~~vocational-career~~ and technical
3 education program for students in the public schools.

4 **"§ 115C-155. Acceptance of benefits of federal ~~vocational-career~~ and technical education**
5 **acts.**

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

12 **"§ 115C-156. State funds for ~~vocational-career~~ and technical education.**

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

23 ...

24 **"§ 115C-156.2. Industry certifications and credentials program.**

25 (a) It is the intent of the State to encourage students to enroll in and successfully
26 complete rigorous coursework and credentialing processes in career and technical education to
27 enable success in the workplace. To attain this goal, to the extent funds are made available for
28 this purpose, students shall be supported to earn State Board of Education approved industry
29 certifications and ~~credentials~~:credentials as follows:

- 30 (1) Students enrolled in public schools and in career and technical education
31 courses shall be exempt from paying any fees for one administration of
32 examinations leading to industry certifications and credentials pursuant to
33 rules adopted by the State Board of Education.
- 34 (2) Each school year, at such time as agreed to by the Department of Commerce
35 and the State Board of Education, the Department of Commerce shall
36 provide the State Board of Education with a list of those occupations in high
37 need of additional skilled employees. If the occupations identified in such
38 list are not substantially the same as those occupations identified in the list
39 from the prior year, reasonable notice of such changes shall be provided to
40 local school administrative units.
- 41 (3) Local school administrative units shall consult with their local industries,
42 employers, business advisory councils, and workforce development boards
43 to identify industry certification and credentials that the local school
44 administrative unit may offer to best meet State and local workforce needs.

45 (b) Beginning in ~~2014,2017~~, the State Board of Education shall report to the Joint
46 Legislative Education Oversight Committee by ~~September~~-November 15 of each year on the
47 number of students in career and technical education courses who earned (i) community college
48 credit and (ii) related industry certifications and credentials.

49 **"§ 115C-157. Responsibility of local boards of education.**

50 (a) Each local school administrative unit, shall provide free appropriate ~~vocational~~
51 career and technical education instruction, activities, and services in accordance with the

1 provisions of this Part for all youth, with priority given to youth in grades eight through 12,
2 who elect the instruction and shall have responsibility for administering the instruction,
3 activities, and services in accordance with federal and State law and State Board of Education
4 policies.

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

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

18 **"§ 115C-157.5. Extended year agriculture education program; evaluation of career and**
19 **technical education agriculture teacher personnel.**

20 Local boards of education shall provide career and technical education agriculture teacher
21 personnel with adequate resources to provide a career and technical education agriculture
22 education program for 12 calendar months, which includes work-based learning services and
23 instructional and leadership development. A local board of education shall require that career
24 and technical education agriculture teacher personnel who are employed for 12 calendar
25 months, pursuant to G.S. 115C-302.1, are evaluated in the same manner as teachers evaluated
26 in accordance with G.S. 115C-333 or G.S. 115C-333.1, as applicable.

27 **"§ 115C-158. Federal funds division.**

28 The division between secondary and post-secondary educational systems and institutions of
29 federal funds for which the State Board of ~~Vocational-Career~~ and Technical Education has
30 responsibility shall, within discretionary limits established by law, require the concurrence of
31 the State Board of Education and the State Board of Community Colleges on and after January
32 1, 1981. The portion of the approved State Plan for post-secondary ~~vocational-career~~ and
33 technical education required by G.S. 115C-154 shall be as approved by the State Board of
34 Community Colleges.

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

36 **"§ 115C-159. Statement of purpose.**

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

48 **"§ 115C-160. Definitions.**

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

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

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

8 **"§ 115C-161. Duties of the State Board of Education.**

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

14 **"§ 115C-162. Use of proceeds derived from production work.**

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

20 **"§ 115C-163. Acquisition of land for agricultural education instructional programs.**

21 Local boards of education may acquire by gift, purchase, or lease for not less than the
22 useful life of any project to be conducted upon the premises, a parcel of land suitable for a land
23 laboratory to provide students with practical instruction in soil science, plant science,
24 horticulture, forestry, animal husbandry, and other subjects related to the agriculture
25 curriculum.

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

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

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

38 **"§ 115C-164. Building trades training.**

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

41 (1) Local boards of education may use supplementary tax funds or other local
42 funds available for the support of ~~vocational-career~~ and technical education
43 to purchase and develop suitable building sites on which dwellings or other
44 buildings are to be constructed by ~~vocational-career~~ and technical education
45 trade classes of each public school operated by local boards of education.
46 Local boards of education may use these funds for each school to pay the
47 fees necessary in securing and recording deeds to these properties for each
48 public school operated by local boards of education and to purchase all
49 materials needed to complete the construction of buildings by ~~vocational~~
50 career and technical education trade classes and for development of site and
51 property by other ~~vocational-career~~ and technical education classes. Local

boards of education may use these funds to acquire skilled services, including electrical, plumbing, heating, sewer, water, transportation, grading, and landscaping needed in the construction and completion of buildings, that cannot be supplied by the students in ~~vocational~~ career and technical education trade classes.

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

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

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

"Part 3. Eye Safety Devices Required.

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

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

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

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

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

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

...

"Part 4. Business Advisory Councils.

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

(a) Purpose. – Each local board of education shall be assisted by a business advisory council in the performance of its duties to provide career and technical education instruction, activities, and services in accordance with this Article. The business advisory council shall serve local boards of education by identifying economic and workforce development trends

1 related to the training and educational needs of the local community and advocating for strong,
2 local career and technical education programs, including career pathway development that
3 provides work-based learning opportunities for students and prepares students for
4 post-secondary educational certifications and credentialing for high-demand careers. A
5 business advisory council established under this Part may serve more than one local board of
6 education in a region of the State upon the agreement of the members of the council and all of
7 the local boards of education to be served by that council.

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

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

17 (1) Education representatives. – The following members shall serve ex officio
18 on the council to represent each local school administrative unit that the
19 council serves:

20 a. The superintendent of the local school administrative unit or his or
21 her designee.

22 b. The career and technical education program director of the local
23 school administrative unit as a nonvoting member.

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

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

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

35 a. Local business and industry owners.

36 b. Representatives from local manufacturing centers and factories.

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

39 d. Representatives from community-based organizations.

40 e. Representatives from economic and workforce development
41 organizations.

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

44 g. Representative or manager of the local apprenticeship coalition.

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

1 three-year terms, in group three to serve two-year terms, and in group four to serve one-year
2 terms.

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

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

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

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

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

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

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

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

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

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

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

32 **"§ 115C-174.25. WorkKeys.**

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

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

38 **"§ 115C-302.1. Salary.**

39 ...
40 (b) Salary Payments. – State-allotted teachers shall be paid for a term of 10 months.
41 Except for career and technical education agriculture teacher personnel positions as provided
42 for in this subsection, State-allotted months of employment for ~~vocational~~career and technical
43 education to local boards shall be used for the employment of teachers of ~~vocational~~career and
44 technical education for a term of employment to be determined by the local boards of
45 education. ~~However, local boards shall not reduce the term of employment for any vocational~~
46 agriculture teacher personnel position that was 12 calendar months for the 1982-83 school year
47 for any school year thereafter. In addition, local boards shall not reduce the term of
48 employment for any vocational agriculture teacher personnel position that was 12 calendar
49 months for the 2003-2004 school year for any school year thereafter. Beginning with the
50 2018-2019 school year, career and technical education agriculture teacher personnel positions
51 serving students in grades nine through 12 shall be for a term of employment for 12 calendar

1 months. A local board of education may fund these positions using any combination of State
2 funds, local funds, or any other funds available to the local board.

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

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

17 Any individual teacher who is not employed in a year-round school may be paid in 12
18 monthly installments if the teacher so requests on or before the first day of the school year. The
19 request shall be filed in the local school administrative unit which employs the teacher. The
20 payment of the annual salary in 12 installments instead of 10 shall not increase or decrease the
21 teacher's annual salary nor in any other way alter the contract made between the teacher and the
22 local school administrative unit. Teachers employed for a period of less than 10 months shall
23 not receive their salaries in 12 installments.

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

27 ...

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

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

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

1 school is closed to employees and pupils due to inclement weather, a teacher shall work on the
2 scheduled makeup day.

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

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

8"

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

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

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

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

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

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

41 **ESTABLISH B-3 INTERAGENCY COUNCIL**

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

44 "Article 6D.

45 "B-3 Interagency Council.

46 **§ 115C-64.25. Establishment and membership of B-3 Interagency Council.**

47 (a) There is established the B-3 Interagency Council. The Council is a joint council
48 between the Department of Health and Human Services and the Department of Public
49 Instruction and shall consist of 12 voting members and four nonvoting advisory members as
50 follows:
51

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

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

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

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

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

49 **"§ 115C-64.26. Powers and duties of B-3 Interagency Council.**

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

- 1 (1) Facilitating the development and implementation of an interagency plan for
2 a coordinated system of early care, education, and child development
3 services with a focus on program outcomes in satisfying the developmental
4 and educational needs of all children from birth to eight years of age that
5 includes at least the following:
- 6 a. Any recommendations to the Secretary of Health and Human
7 Services and the Superintendent of Public Instruction on necessary
8 organizational changes needed within the Departments of Health and
9 Human Services and Public Instruction to be more responsive to and
10 supportive of the birth to grade three continuum of early learning and
11 development in an effort to optimize learning gains realized in the
12 prekindergarten years.
- 13 b. An early childhood information system that facilitates and
14 encourages the sharing of data between and among early childhood
15 service providers and State agencies.
- 16 c. An early childhood accountability plan that includes identification of
17 appropriate population indicators and program and system
18 performance measures of early success of children such as the NC
19 Pathways to Grade-Level Reading.
- 20 (2) Implementing a statewide longitudinal evaluation of the educational progress
21 of children from prekindergarten programs through grade 12.
- 22 (3) Collaborating with the Department of Public Instruction, the Department of
23 Health and Human Services, the North Carolina Partnership for Children,
24 and other relevant early childhood stakeholders, including members of the
25 North Carolina Early Childhood Advisory Council, to achieve the goal of a
26 coordinated system of early care, education, and child development services
27 for children from birth to eight years of age.

28 **"§ 115C-64.27. Reporting requirement.**

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

33 **"§ 115C-64.28. Establish position of Associate Superintendent of Early Education to**
34 **serve as chief academic officer of early education.**

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

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

48 All other staff shall be appointed, supervised, and directed by the Associate Superintendent
49 and shall be subject to the provisions of Chapter 126 of the General Statutes. Except for the
50 Associate Superintendent, salaries and compensation of all staff personnel shall be fixed in the

1 manner provided by law for fixing and regulating salaries and compensation by other State
2 agencies."

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

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

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

- 20 (1) The delivery of educational services to young children and their families to
21 ensure optimal learning for each young child.
- 22 (2) The collaboration and sharing of data elements necessary to perform quality
23 assessments and longitudinal analysis across early childhood education and
24 development services.
- 25 (3) The coordination of a comprehensive statewide system of professional
26 development for providers and staff of early care and education and child
27 development programs and services.
- 28 (4) Areas of duplication in regulating and monitoring of early care and
29 education and child development programs and services.
- 30 (5) The coordination and support of public and private partnerships to aid early
31 childhood initiatives.

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

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

47 **SECTION 7.23I.(f)** Notwithstanding G.S. 115C-64.27, as enacted by this section,
48 the B-3 Interagency Council shall submit its initial quarterly report to the Superintendent of
49 Public Instruction and the Secretary of the Department of Health and Human Services by May
50 15, 2018.

51

ALLOTMENT TRANSFER REPORT

SECTION 7.23J. G.S. 115C-105.25 reads as rewritten:

"§ 115C-105.25. Budget flexibility.

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

...

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

...

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

a. The amount of the transfer.

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

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

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

e. The educational priorities that necessitated the transfer.

...

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

DIGITAL LEARNING PLAN/PROGRAMS/FUNDS

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

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

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

(3) Delivery of professional development that is flexible and allows teachers to engage in an "anytime, anyplace" professional development experience utilizing various modalities, including face-to-face, Web-based, and prerecorded on-demand videos and content to ensure the greatest possible coverage and convenience for teachers and teacher candidates. Each

1 professional development session should provide the teacher with a
2 workshop, classroom takeaway or reflection on best practices, and a
3 self-assessment.

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

- 12 (1) Provide opportunity for students to learn essential digital literacy skills,
13 including computer fundamentals, computational thinking, keyboarding,
14 digital citizenship and online safety, Web browsing, e-mail and online
15 communication, visual mapping, word processing, spreadsheets, databases,
16 and presentations.
- 17 (2) Provide teachers with the ability to measure student digital literacy growth.
- 18 (3) Be accessible entirely online, require no special software to be installed on
19 an electronic device, and operate on multiple operating systems and
20 hardware platforms, including desktops, laptops, and tablets.
- 21 (4) Support multiple implementation strategies, including self-paced and
22 teacher-facilitated approaches.
- 23 (5) Be age appropriate and include automatically scored lessons, quizzes, and
24 games and provide teachers with a complete scope and sequence along with
25 grade-level pacing calendars.
- 26 (6) Facilitate Project-Based Learning (PBL), including preassembled projects
27 for K-8 students so that educators can integrate instruction of digital literacy
28 into core subjects, such as mathematics, English language arts, science, and
29 social studies.
- 30 (7) Be specifically designed with the scope and sequence to prepare students for
31 next generation, online assessments that include preassessment and the
32 ability to auto-prescribe content to each individual student.
- 33 (8) Enable teachers to assign sequences of instruction to classes, groups of
34 students, or individual students.
- 35 (9) Be capable of implementation in a wide variety of instructional settings,
36 including computer or media labs, or in a classroom setting using various
37 educational technology deployment strategies, such as laptop carts, Bring
38 Your Own Device (BYOD), or 1:1 technology initiatives.
- 39 (10) Provide teachers with instructional support and supplemental and extension
40 options.
- 41 (11) Accommodate English language learners with Spanish language instruction.

42 **SECTION 7.23K.(c)** Of the six million two hundred twenty thousand dollars
43 (\$6,220,000) in recurring funds appropriated to the Department of Public Instruction to
44 accelerate implementation of the State's Digital Learning Plan, as set out in S.L. 2016-94,
45 beginning with the 2017-2018 fiscal year, the Department shall use up to one million eight
46 hundred thousand dollars (\$1,800,000) to implement the requirements of this section.

47 **AUDIT OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

48 **SECTION 7.23L.** The Superintendent of Public Instruction shall select an
49 independent research organization for the 2017-2018 fiscal year to conduct an organizational,
50 functional, and business-process audit of the Department of Public Instruction. No later than
51

1 May 1, 2018, the Department shall submit a report to the General Assembly, the Joint
2 Legislative Education Oversight Committee, and the Fiscal Research Division with the results
3 of the audit including, at a minimum, all of the following information:

- 4 (1) Identification of cost saving measures that could be implemented within the
5 Department.
- 6 (2) A statement regarding the minimum funding necessary to ensure that federal
7 grant funds do not constitute more than fifty percent (50%) of the budget of
8 the Department.
- 9 (3) All maintenance of effort requirements related to federal grants administered
10 by the Department and the financial impact of failing to meet those
11 requirements.
- 12 (4) Any recommendations for legislative action.

13 SCHOOL PERFORMANCE GRADES/ESSA COMPLIANCE

14 SECTION 7.26.(a) G.S. 115C-12(9)c1. reads as rewritten:

15 "c1. To issue an annual "report card" for the State and for each local
16 school administrative unit, assessing each unit's efforts to improve
17 student performance based on the growth in performance of the
18 students in each school and taking into account progress over the
19 previous years' level of performance and the State's performance in
20 comparison with other states. This assessment shall take into account
21 factors that have been shown to affect student performance and that
22 the State Board considers relevant to assess the State's efforts to
23 improve student performance. ~~As a part of the~~The annual "report
24 card" for each local school administrative ~~unit,~~ unit shall include the
25 following:

26 1. For all schools, the State Board shall award, in accordance
27 with G.S. 115C-83.15, an overall numerical school
28 achievement, growth, and performance score achievement
29 and school growth scores on a scale of zero to 100 and a
30 separate corresponding performance letter gradegrades of A,
31 B, C, D, or F for both the school achievement and school
32 growth earned by each school within the local school
33 administrative unit. The school performance score and
34 gradescores and grades shall reflect student performance on
35 annual subject-specific assessments, college and workplace
36 readiness measures, and graduation rates-rates, promotion
37 rates, course offerings, and student progress in achieving
38 English language proficiency. In addition, the State Board
39 shall award separate scores and grades for the following:

40 I. Subgroup achievement and subgroup growth
41 calculated pursuant to G.S. 115C-83.15.

42 II. For schools serving students in any grade from
43 kindergarten to eighth grade, separate performance
44 scores and grades shall also be awarded based on the
45 school performance achievement and growth in
46 reading and mathematics respectively. The annual
47 "report card" for

48 2. For schools serving students in third grade also shall include
49 grade, the number and percentage of third grade students who
50 (i) take and pass the alternative assessment of reading
51

1 comprehension; (ii) were retained in third grade for not
 2 demonstrating reading proficiency as indicated in
 3 G.S. 115C-83.7(a); and (iii) were exempt from mandatory
 4 third grade retention by category of exemption as listed in
 5 G.S. 115C-83.7(b). ~~The annual "report card" for~~

6 3. ~~For high schools shall also include schools, measures of~~
 7 ~~Advanced Placement course participation and participation,~~
 8 ~~Cambridge Advanced International Certificate of Education~~
 9 ~~(AICE) Program participation, and International~~
 10 ~~Baccalaureate Diploma Programme participation and~~
 11 ~~Advanced Placement Placement, Cambridge AICE, and~~
 12 ~~International Baccalaureate examination participation and~~
 13 ~~performance."~~

14 **SECTION 7.26.(b)** G.S. 115C-47(58) reads as rewritten:

15 "(58) To Inform the Public About the North Carolina School Report Cards Issued
 16 by the State Board of Education. – Each local board of education shall
 17 ensure that the report card issued for it by the State Board of Education
 18 receives wide distribution to the local press or is otherwise provided to the
 19 public. Each local board of education shall ensure that the ~~overall~~-school
 20 ~~performance scores~~ and ~~grade~~ grades earned by each school in the local
 21 school administrative unit for the current and previous four school years ~~is~~
 22 ~~are~~ prominently displayed on the Web site of the local school administrative
 23 unit. If any school in the local school administrative unit is awarded a school
 24 achievement or school growth grade of D or F, the local board of education
 25 shall provide notice of the grade in writing to the parent or guardian of all
 26 students enrolled in that school."

27 **SECTION 7.26.(c)** G.S. 115C-83.15 reads as rewritten:

28 "**§ 115C-83.15. School achievement, growth, performance scores, scores and grades.**

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

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

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

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

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

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

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

- 1 e. One point for each percent of students who are promoted from the
2 third grade to the fourth grade within four years of a student entering
3 kindergarten.
- 4 f. One point for each percent of students who are promoted from the
5 eighth grade to the ninth grade within three years of a student
6 entering sixth grade.
- 7 g. Points assigned for a school that offers certain subject-area courses as
8 follows:
- 9 1. For schools serving kindergarten through grade five:
- 10 I. 25 points if a school offers at least one course in arts
11 disciplines, including dance, music, theater, and the
12 visual arts.
- 13 II. 50 points if a school offers at least one course in
14 physical education and health.
- 15 III. 25 points if a school offers at least one course in
16 world languages.
- 17 2. For schools serving grades six through eight:
- 18 I. 20 points if a school offers at least one course in arts
19 disciplines, including dance, music, theater, and the
20 visual arts.
- 21 II. 40 points if a school offers at least one course in
22 physical education and health.
- 23 III. 20 points if a school offers at least one course in
24 world languages.
- 25 IV. 20 points if a school offers at least one course in
26 career and technical education.
- 27 (2) For schools serving any students in ninth through twelfth grade, the State
28 Board shall assign points on all of the following achievement elements for
29 that school:
- 30 ~~(4)~~a. One point for each percent of students who score at or above
31 proficient on the Algebra I or Integrated Math I end-of-course test.
- 32 ~~(5)~~b. One point for each percent of students who score at or above
33 proficient on the English II end-of-course test.
- 34 ~~(6)~~c. One point for each percent of students who score at or above
35 proficient on the Biology end-of-course test.
- 36 ~~(7)~~d. One point for each percent of students who complete Algebra II or
37 Integrated Math III with a passing grade.
- 38 ~~(8)~~e. One point for each percent of students who achieve the minimum
39 score required for admission into a constituent institution of The
40 University of North Carolina on a nationally normed test of college
41 readiness.
- 42 ~~(9)~~f. One point for each percent of students enrolled in Career and
43 Technical Education courses who meet the standard when scoring at
44 Silver, Gold, or Platinum levels on a nationally normed test of
45 workplace readiness.
- 46 ~~(10)~~g. One point for each percent of students who graduate within four
47 years of entering high school.
- 48 h. One point for each percent of students who progress in achieving
49 English language proficiency.
- 50 i. Points assigned for a school that offers certain subject-area courses as
51 follows:

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

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

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

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

- (1) A school ~~performance~~-score of at least ~~90–85~~ is equivalent to an ~~overall school performance~~-an achievement or growth grade of A.
- (2) A school ~~performance~~-score of at least ~~80–70~~ is equivalent to an ~~overall school performance~~-an achievement or growth grade of B.
- (3) A school ~~performance~~-score of at least ~~70–55~~ is equivalent to an ~~overall school performance~~-an achievement or growth grade of C.
- (4) A school ~~performance~~-score of at least ~~60–40~~ is equivalent to an ~~overall school performance~~-an achievement or growth grade of D.
- (5) A school ~~performance~~-score of less than ~~60 points~~ 40 is equivalent to an ~~overall school performance~~-an achievement or growth grade of F.

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

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

- 16 (1) Economically disadvantaged students.
- 17 (2) Students from major racial and ethnic groups.
- 18 (3) Children with disabilities.
- 19 (4) English learners.

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

24 (f) Indication of Growth. – In addition to awarding the ~~overall school achievement and~~
25 ~~growth scores for achievement, growth, and performance and the performance grade, and~~
26 ~~grades,~~ using EVAAS, the State Board shall designate that a school has met, exceeded, or has
27 not met expected growth. The designation of student growth shall be clearly displayed in the
28 annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and
29 116-239.8.

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

- 36 (1) A summary for each local school administrative unit and for each individual
37 school of the school achievement and growth grades, whether the school has
38 met, exceeded, or has not met expected growth, and any other information
39 required to be provided as part of the annual report card.
- 40 (2) The percentage of schools receiving a school achievement or growth grade
41 of A, B, C, D, or F earned by each school located within a local school
42 administrative unit and statewide.
- 43 (3) The number of schools that have met, exceeded, or have not met expected
44 growth by each school located within a local school administrative unit and
45 statewide.
- 46 (4) A Web page for each individual school that prominently displays the
47 school's achievement and growth grades, whether the school has met,
48 exceeded, or has not met expected growth, and the school's achievement and
49 growth scores in a way that is easy for the user to read.
- 50 (5) The ability to easily compare annual report card information, including
51 school achievement and growth grades and whether schools have met,

1 exceeded, or have not met expected growth, for local school administrative
 2 units and for individual schools for a time span of at least three years."

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

5 **"§ 115C-83.16. School performance indicators for the purpose of compliance with federal**
 6 **law.**

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

11 **"§ 115C-83.17. Definitions.**

12 The following definitions apply in this Part:

- 13 (1) Achievement grade. – A letter grade of A, B, C, D, or F assigned to a school
 14 or a subgroup of students by the State Board of Education based on the
 15 achievement score.
 16 (2) Achievement score. – A numerical score on a scale of zero to 100 that is
 17 based on the sum of points earned by a school or by a subgroup of students
 18 pursuant to G.S. 115C-83.15.
 19 (3) Growth grade. – A letter grade of A, B, C, D, or F assigned to a school or a
 20 subgroup of students based on the growth score.
 21 (4) Growth score. – A numerical score measuring student growth calculated for
 22 a school or for a subgroup of students pursuant to G.S. 115C-83.15."

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

- 24 "(5) Qualifying school. – A low-performing school, as defined in
 25 G.S. 115C-105.37, that meets one of the following criteria:
 26 a. The school received a school ~~performance~~ achievement score in the
 27 lowest five percent (5%) of all schools in the prior school year that
 28 meet all of the following requirements:
 29 1. The school includes all or part of grades kindergarten through
 30 fifth.
 31 2. The school did not exceed growth in at least one of the prior
 32 three school years and did not meet growth in at least one of
 33 the prior three school years.
 34 3. One of the models established in G.S. 115C-105.37B for
 35 continually low-performing schools had not been adopted for
 36 that school for the immediately prior school year.

37 "...."

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

39 **"§ 115C-105.37. Identification of low-performing schools.**

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

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

- 49 (1) The superintendent shall proceed under G.S. 115C-105.39.
 50 (2) Within 30 days of the initial identification of a school as low-performing by
 51 the State Board, the superintendent shall submit to the local board of

1 education a preliminary plan for improving both the school ~~performance~~
2 achievement grade and school growth score, including how the
3 superintendent and other central office administrators will work with the
4 school and monitor the school's progress.

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

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

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

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

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

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

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

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

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

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

41 **"§ 115C-105.39A. Identification of low-performing local school administrative units.**

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

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

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

- 1 (2) Within 30 days of the identification of a local school administrative unit as
2 low-performing by the State Board, the superintendent shall submit to the
3 local board of education a preliminary plan for improving both the school
4 ~~performance~~ achievement grade and school growth score of each
5 low-performing school in the unit, including how the superintendent and
6 other central office administrators will work with each low-performing
7 school and monitor the low-performing school's progress and how current
8 local school administrative unit policy should be changed to improve student
9 achievement throughout the local school administrative unit.
- 10 (3) Within 30 days of its receipt of the preliminary plan, the local board shall
11 vote to approve, modify, or reject this plan. Before the local board votes on
12 the plan, it shall make the plan available to the public, including the
13 personnel assigned to each low-performing school and the parents and
14 guardians of the students who are assigned to each low-performing school,
15 and shall allow for written comments.
- 16 (4) The local board shall submit a final plan to the State Board within five days
17 of the local board's approval of the plan. The State Board shall review the
18 plan expeditiously and, if appropriate, may offer recommendations to
19 modify the plan. The local board shall consider any recommendations made
20 by the State Board and, if necessary, amend the plan and vote on approval of
21 any changes to the final plan.
- 22 (5) The local board of education shall provide access to the final plan on the
23 local school administrative unit's Web site. The State Board of Education
24 shall also provide access to each low-performing local school administrative
25 unit plan on the Department of Public Instruction's Web site.
- 26 (c) Parental Notice of Low-Performing Local School Administrative Unit Status. –
27 Each local school administrative unit that the State Board identifies as low-performing shall
28 provide written notification to the parents and guardians of all students attending any school in
29 the local school administrative unit within 30 days of the identification that includes the
30 following information:
- 31 (1) A statement that the State Board of Education has found that a majority of
32 the schools in the local school administrative unit have "received a school
33 ~~performance~~ achievement grade of D or F and a school growth score of "~~met~~
34 ~~expected growth~~" or that indicates whether a school has "not met expected
35 growth" and have been identified as low-performing schools as defined by
36 G.S. 115C-105.37." The statement shall also include an explanation of the
37 school ~~performance~~ achievement grades and school growth scores.
- 38 (2) The percentage of schools identified as low-performing.
- 39 (3) Information about the preliminary plan developed under subsection (b) of
40 this section and the availability of the final plan on the local school
41 administrative unit's Web site.
- 42 (4) The meeting date for when the preliminary plan will be considered by the
43 local board of education.
- 44 (5) A description of any additional steps the local school administrative unit and
45 schools are taking to improve student performance.
- 46 (6) For notifications sent to parents and guardians of students attending a school
47 that is identified as low-performing under G.S. 115C-105.37, a statement
48 that the State Board of Education has found that the school has "received a
49 school ~~performance~~ achievement grade of D or F and a school growth score
50 of "~~met expected growth~~" or that indicates whether a school has "not met
51 expected growth" and has been identified as a low-performing school as

1 defined by G.S. 115C-105.37." This notification also shall include the school
 2 ~~performance-achievement~~ grade and school growth score the school received
 3 and an explanation of the school performance grades and school growth
 4 scores."

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

6 "**§ 115C-218.65. North Carolina School Report Cards.**

7 A charter school shall ensure that the report card issued for it by the State Board of
 8 Education receives wide distribution to the local press or is otherwise provided to the public. A
 9 charter school shall ensure that the ~~overall-school performance-scores~~ and ~~grade-grades~~
 10 earned by the charter school for the current and previous four school years is prominently
 11 displayed on the school Web site. If a charter school is awarded school achievement or school
 12 growth grade of D or F, the charter school shall provide notice of the grade in writing to the
 13 parent or guardian of all students enrolled in that school."

14 **SECTION 7.26.(i)** G.S. 115C-218.94(a) reads as rewritten:

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

20 **SECTION 7.26.(j)** G.S. 115C-238.66(11) reads as rewritten:

21 "(11) North Carolina School Report Cards. – A regional school shall ensure that
 22 the report card issued for it by the State Board of Education receives wide
 23 distribution to the local press or is otherwise provided to the public. A
 24 regional school shall ensure that the ~~overall-school performance-score~~ ~~scores~~
 25 and ~~grade-grades~~ earned by the regional school for the current and previous
 26 four school years is prominently displayed on the school Web site. If a
 27 regional school is awarded a school achievement or school growth grade of
 28 D or F, the regional school shall provide notice of the grade in writing to the
 29 parent or guardian of all students enrolled in that school."

30 **SECTION 7.26.(k)** G.S. 116-239.8(14) reads as rewritten:

31 "(14) North Carolina school report cards. – A lab school shall ensure that the
 32 report card issued for it by the State Board of Education receives wide
 33 distribution to the local press or is otherwise provided to the public. A lab
 34 school shall ensure that the ~~overall-school performance-score~~ ~~scores~~ and
 35 ~~grade-grades~~ earned by the lab school for the current and previous four
 36 school years is prominently displayed on the school Web site. If a lab school
 37 is awarded a school achievement or school growth grade of D or F, the lab
 38 school shall provide notice of the grade in writing to the parent or guardian
 39 of all students enrolled in that school."

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

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

43
 44 **CLARIFY STUDENT CONSENT TO RECEIVE COLLEGE, UNIVERSITY, AND**
 45 **SCHOLARSHIP INFORMATION**

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

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

49 ...

50 (6) Using a student's information, including covered information, solely to
 51 identify or display information on nonprofit institutions of higher education

1 or scholarship providers to the student if the provider secures the express
2 written consent of the parent or student who is at least 13 years of age given
3 in response to clear and conspicuous notice."
4

5 **CAREER AND COLLEGE READY LITERACY SKILLS/READING IMPROVEMENT**
6 **COMMISSION**

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

9 "(40) To Establish High School Diploma Endorsements. – The State Board of
10 Education shall establish, implement, and determine the impact of adding (i)
11 college, (ii) career, and (iii) college and career endorsements to high school
12 diplomas to encourage students to obtain requisite job skills necessary for
13 students to be successful in a wide range of high-quality careers and to
14 reduce the need for remedial education in institutions of higher education.
15 These endorsements shall reflect courses completed, overall grade point
16 average, reading achievement, and other criteria as developed by the State
17 Board of Education. A student shall only receive a high school diploma
18 endorsement if that student receives on a nationally norm-referenced college
19 admissions test for reading, either administered under
20 G.S. 115C-174.11(c)(4) or as an alternative nationally norm-referenced
21 college admissions test approved by the State Board, at least the benchmark
22 score established by the testing organization that represents the level of
23 achievement required for students to have approximately a fifty percent
24 (50%) chance of obtaining a grade B or higher or a seventy-five percent
25 (75%) chance of obtaining a grade C or higher in a corresponding
26 credit-bearing, first-year college course. A student may retake a nationally
27 norm-referenced test as many times as necessary to achieve the required
28 benchmark score for reading in order to receive a high school diploma
29 endorsement prior to the student's graduation. The State Board of Education
30 shall report annually to the Joint Legislative Education Oversight Committee
31 on (i) the impact of awarding these endorsements on high school graduation,
32 college acceptance and remediation, and post-high school employment
33 ~~rates-rates~~; (ii) the number of students who had to retake a nationally
34 norm-referenced college admissions test to meet the reading benchmark
35 score required by this subdivision to receive a high school diploma
36 endorsement; and (iii) the number of students who were not awarded a high
37 school diploma endorsement solely because of the inability to meet the
38 benchmark score for reading as required by this subdivision."

39 **SECTION 7.26B.(b)** Reading Improvement Commission. – The Superintendent of
40 Public Instruction shall establish a Reading Improvement Commission (Commission) within
41 the Department of Public Instruction to study and make recommendations on best practices for
42 public schools in the State to improve reading comprehension, understanding, and application
43 for students in grades four through 12 to ensure that students complete high school with literacy
44 skills necessary for career and college readiness. The Commission shall develop
45 recommendations on appropriate methods to monitor student progress and provide appropriate
46 and timely remediation to students to ensure success on nationally norm-referenced college
47 admissions tests. The Superintendent of Public Instruction may appoint superintendents,
48 principals, reading instructors, representatives from research institutions, and other individuals
49 as determined by the Superintendent to the Commission. Of the funds appropriated to the
50 Department of Public Instruction for the 2017-2018 fiscal year, the Superintendent of Public
51 Instruction may use up to two hundred thousand dollars (\$200,000) in nonrecurring funds for

1 the 2017-2018 fiscal year for the work of the Reading Improvement Commission. The
 2 Superintendent may also use these funds to contract with an independent research organization
 3 to assist in the study. The Superintendent of Public Instruction shall report to the Joint
 4 Legislative Education Oversight Committee, the President Pro Tempore of the Senate, the
 5 Speaker of the House of Representatives, and the State Board of Education on the study,
 6 including any findings and recommendations, no later than January 15, 2019. The State Board
 7 of Education may use the findings and recommendations to inform the State Board's policies
 8 and may submit additional comments on the report to the Joint Legislative Education Oversight
 9 Committee, the President Pro Tempore of the Senate, and the Speaker of the House of
 10 Representatives no later than February 15, 2019.

11 **SECTION 7.26B.(c)** Subsection (a) of this section applies beginning with high
 12 school diploma endorsements awarded in the 2019-2020 school year.
 13

14 **NATIONALLY NORM REFERENCED COLLEGE ADMISSIONS TESTS**

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

16 "(4) To the extent funds are made available, the State Board of Education shall
 17 ~~plan for and require the administration of the ACT test for use a competitive~~
 18 bid process to adopt two or more nationally norm-referenced college
 19 admission tests to make available to local school administrative units to
 20 administer to all students in the eleventh grade as follows unless the student
 21 has already taken a comparable test and scored at or above a level set by the
 22 State Board.

23 a. From the nationally norm-referenced college admission tests adopted
 24 by the State Board, each local board of education shall select one test
 25 to be used in the local school administrative unit. Upon request by
 26 one or more local boards of education, the State Board shall enter
 27 into a contract for a statewide service or contracts for regional
 28 services to offer the nationally norm-referenced college admission
 29 tests in multiple local school administrative units. These contracts
 30 shall be let in accordance with the provisions of Article 3 of Chapter
 31 143 of the General Statutes.

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

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

50 d. ~~Alternate assessment and ACT assessment results~~ Nationally
 51 norm-referenced college admissions test and alternate assessment

1 results of students with disabilities shall be included in school
2 accountability reports, including charter and regional schools,
3 provided by the State Board of Education."

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

5 **"§ 115C-174.22. Tools for student learning.**

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

13 **SECTION 7.26C.(c)** The State Board of Education shall solicit bids through a
14 competitive bid process to adopt two or more nationally norm-referenced college admission test
15 and precursor test, as required by G.S. 115C-174.11(c)(4), as amended by this section, and
16 G.S. 115C-174.22, as amended by this section. The State Board of Education shall report on the
17 results of the competitive bid process to the Joint Legislative Education Oversight Committee
18 and the Fiscal Research Division no later than November 15, 2017.

19 **YOUTH SUICIDE AWARENESS AND PREVENTION**

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

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

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

26 **"§ 115C-375.10. Youth suicide awareness and prevention training and risk referral**
27 **protocol for school personnel.**

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

43 (b) Training and Protocol Requirements. – Each public school unit shall provide the
44 training program and model risk referral protocol developed by the State Board of Education
45 under subsection (a) of this section, or a locally developed plan that meets the requirements of
46 subsection (c) of this section, to school personnel who work directly with students in grades six
47 through 12 at no cost to the employee. A school employee who works directly with students in
48 grades six through 12 shall receive training within 12 months of employment with a board of a
49 public school unit and every two years thereafter while employed with that board. The training
50 may be offered in various formats, including electronically, through videoconferencing, or
51

1 through an individual program of study of designated materials consisting of at least two hours
2 of instruction.

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

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

15 (2) A safety plan for the school in the event of (i) identification of a student as
16 being at-risk of suicide, including a student help plan and immediate
17 assistance and (ii) a suicide death or suicide attempt by a student enrolled in
18 the school, including a care plan for peers and school personnel.

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

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

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

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

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

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

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

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

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

1 supervision, management, and operation of elementary and secondary schools ~~that have been~~
2 ~~selected as achievement-innovative schools pursuant to as provided in~~ this Article.

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

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

9 (2) One teacher or retired teacher.

10 (3) One principal or retired principal.

11 (4) One superintendent or retired superintendent.

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

14 (c) The State Board of Education shall consider the recommendation of the ~~ASD-ISD~~
15 Superintendent Selection Advisory Committee and shall appoint a superintendent to serve as
16 the executive officer of the ~~ASD-ISD~~. The ~~ASD-ISD~~ Superintendent shall serve at the pleasure
17 of the State Board of Education at a salary established by the State Board of Education within
18 the funds appropriated for this purpose. The ~~ASD-ISD~~ Superintendent shall have qualifications
19 consistent with G.S. 115C-271(a) and report directly to the State Board of Education.

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

24 "**§ 115C-75.7. Selection of achievement-innovative schools.**

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

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

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

1 adopt a resolution either (i) consenting to transfer of the selected qualifying school to the ~~ASD~~
2 ~~ISD~~ as an ~~achievement-innovative~~ school or (ii) closing that school at the conclusion of that
3 school year. The State Board of Education may delay the transfer of a selected school to the
4 ~~ASD-ISD~~ for one year only upon the recommendation of the ~~ASD-ISD~~ Superintendent.

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

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

15 **"§ 115C-75.8. Selection of ~~AS-IS~~ operators.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

49 **"§ 115C-75.9. Management of ~~achievement-innovative~~ schools.**

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

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

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

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

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

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

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

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

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

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

46 (1) Facility and capital expenditures.

47 (2) Transportation services.

48 (3) Services for Children with Disabilities.

49 If the ~~AS-IS~~ operator elects to use a memorandum of understanding for alternate
50 arrangements, the ~~AS-IS~~ operator and local board of education shall finalize the memorandum
51 of understanding within 30 days of the initial request by the ~~AS-IS~~ operator. If the parties have

1 not completed the memorandum of understanding within 30 days, the State Board of Education
2 shall resolve any issues in dispute.

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

6 (h) ~~Achievement-Innovative~~ School Employees. – The ~~AS-IS~~ operator shall select and
7 hire the school principal for an ~~achievement~~-innovative school. Within the limits of the school
8 budget, the ~~AS-IS~~ operator or its designee shall select staff members in accordance with
9 guidance from the ~~ASD-ISD~~ Superintendent. Before finalizing staffing recommendations, the
10 ~~AS-IS~~ operator and the ~~ASD-ISD~~ Superintendent or the Superintendent's designee shall
11 interview all existing staff members at the qualifying school and review student growth and
12 performance data for those staff members for whom it is available. Notwithstanding Article
13 21A of this Chapter, the ~~AS-IS~~ operator and the ~~ASD-ISD~~ Superintendent shall be permitted to
14 examine personnel files of existing staff members for the qualifying school. The ~~AS-IS~~ operator
15 shall have the authority to decide whether any administrator, teacher, or staff member
16 previously assigned to a qualifying school selected to become an ~~achievement~~-innovative
17 school shall continue as an employee of the ~~achievement~~-innovative school. Any such
18 employees retained shall become employees of the ~~ASD-ISD~~. An employee hired to work in an
19 ~~achievement~~-innovative school shall be an employee of the ~~ASD-ISD~~, and the employees shall
20 be under the exclusive control of the ~~ASD-ISD~~. All employees of the ~~ASD-ISD~~ shall be eligible
21 for enrollment in the Teachers' and State Employees' Retirement System of North Carolina, the
22 State Health Plan, and other benefits available to State employees. The ~~AS-IS~~ operator shall
23 provide funds to the ~~ASD-ISD~~ in an amount sufficient to provide salary and benefits for
24 employees of the ~~ASD-ISD~~ working in the ~~achievement~~-innovative school based on the terms of
25 employment established by the ~~AS-IS~~ operator.

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

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

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

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

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

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

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

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

47 **"§ 115C-75.10. ~~Achievement-Innovative~~ schools funds.**

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

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

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

- 6 a. An amount equal to the average per pupil allocation for average daily
7 membership from the local school administrative unit allotments in
8 which the ~~achievement~~innovative school was located for each child
9 attending the ~~achievement~~innovative school except for the
10 allocations for (i) children with disabilities, (ii) children with limited
11 English proficiency, and (iii) transportation. The State Board of
12 Education shall provide the allocation for transportation to the local
13 school administrative unit in which the ~~achievement~~innovative
14 school is located.
- 15 b. An additional amount for each child attending the ~~achievement~~innovative
16 innovative school who is a child with disabilities.
- 17 c. An additional amount for children with limited English proficiency
18 attending the ~~achievement~~innovative school, based on a formula
19 adopted by the State Board of Education.

20 (2) The local school administrative unit in which the ~~achievement~~innovative
21 school is located shall transfer to the ~~ASD~~ISD for the ~~achievement~~innovative
22 innovative school an amount equal to the per pupil share of the local current
23 expense fund of the local school administrative unit for the fiscal year. The
24 per pupil share of the local current expense fund shall be transferred to the
25 ~~ASD~~ISD for the ~~achievement~~innovative school within 30 days of the
26 receipt of monies into the local current expense fund. The local school
27 administrative unit and ~~ASD~~ISD may use the process for mediation of
28 differences between the State Board of Education and a charter school
29 provided in G.S. 115C-218.95(d) to resolve differences on calculation and
30 transference of the per pupil share of the local current expense fund. The
31 amount transferred under this subsection that consists of revenue derived
32 from supplemental taxes shall be transferred only to an ~~achievement~~innovative
33 innovative school located in the tax district for which these taxes are levied
34 and in which the student resides. The local school administrative unit shall
35 also provide the ~~ASD~~ISD with all of the following information within the
36 30-day time period provided in this subsection:

- 37 a. The total amount of monies the local school administrative unit has
38 in each of the funds listed in G.S. 115C-426(c).
- 39 b. The student membership numbers used to calculate the per pupil
40 share of the local current expense fund.
- 41 c. How the per pupil share of the local current expense fund was
42 calculated.
- 43 d. Any additional records requested by the ~~ASD~~ISD from the local
44 school administrative unit in order for the ~~ASD~~ISD to audit and
45 verify the calculation and transfer of the per pupil share of the local
46 current expense fund.

47 (c) Funding Memorandum of Understanding. – The ~~AS~~IS operator, in consultation
48 with the ~~ASD~~ISD Superintendent, may enter into a funding memorandum of understanding
49 with the local board of education of the local school administrative unit where the ~~achievement~~innovative
50 innovative school is located for all student support and operational services and instructional
51 services to be provided by the local board of education in the same manner and degree as in the

1 prior school year or funding in an amount equivalent to the amount the local board of education
2 would have expended on those services if provided. For the purposes of this subsection, student
3 support and operational services include cafeteria services, custodial services, broadband and
4 utilities, and student information services, and instructional services include alternative
5 education, special education services, test administration services, textbooks, technology,
6 media resources, instructional equipment, and other resources. The ~~AS-IS~~ operator and local
7 board of education shall finalize the funding memorandum of understanding within 30 days of
8 the initial request for the memorandum by the ~~AS-IS~~ operator. If the parties have not completed
9 the funding memorandum of understanding within 30 days, the State Board of Education shall
10 resolve any issues in dispute.

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

14 **"§ 115C-75.11. Accountability and governance for achievement-innovative schools.**

15 (a) The ~~AS-IS~~ operator shall set clear goals related to higher academic outcomes for
16 students, safe and positive learning environments for children, parent and community
17 engagement, and the efficient and effective use of taxpayer dollars, empower and equip
18 teachers and school leaders to meet the goals, and hold such teachers and school leaders
19 accountable to meet the goals. The ~~AS-IS~~ operator shall apply to the ~~ASD-ISD~~ Superintendent
20 for appropriate waivers for the ~~achievement-innovative~~ school pursuant to G.S. 115C-75.7(e).

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

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

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

31 **"§ 115C-75.12. Term of supervision for an achievement-innovative school.**

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

- 36 (1) Early termination of contract based on performance. – If, during the
37 five-year contract, the ~~achievement-innovative~~ school's annual percentage
38 growth does not exceed the average annual percentage growth of other
39 qualifying schools for three consecutive years, the State Board of Education,
40 upon the recommendation of the ~~ASD-ISD~~ Superintendent, may terminate
41 the contract at the conclusion of the academic year and select another ~~AS-IS~~
42 operator in accordance with G.S. 115C-75.8 to assume the remainder of the
43 five-year contract and any occupancy agreements or memorandums of
44 understanding with the local board of education at the beginning of the next
45 academic year.
- 46 (2) Nonrenewal of contract based on performance. – If, by the end of the
47 five-year contract, the ~~achievement-innovative~~ school's average annual
48 percentage growth during the term of the contract does not exceed the
49 average annual percentage growth of other qualifying schools during the
50 same term, the State Board of Education shall not renew the contract of the

- 1 AS-IS operator and develop a transition plan to return the school to the local
2 school administrative unit.
- 3 (3) State Board of Education optional extension of contract for three years. – If,
4 by the end of the five-year contract, the ~~achievement~~-innovative school
5 remains a qualifying school but has exceeded the average annual percentage
6 growth of other qualifying schools and has shown growth over the term of
7 the contract, the State Board of Education, upon the recommendation of the
8 ~~ASD-ISD~~ Superintendent in his or her discretion, may continue the contract
9 with the AS-IS operator for an additional three-year term. The ~~ASD-ISD~~
10 Superintendent and AS-IS operator shall engage the school, the school
11 community, and the school's local board of education in developing a
12 transition plan for the school to leave the supervision of the ~~ASD-ISD~~ at the
13 conclusion of the three-year extension of the contract. If the State Board of
14 Education does not elect to continue the contract, the State Board of
15 Education may do any of the following:
- 16 a. Select another AS-IS operator for a three-year contract.
17 b. Close the school as provided in subdivision (2) of this subsection.
18 c. Develop a transition plan to return the school to the local school
19 administrative unit for the next school year.
- 20 (4) AS-IS operator option to extend contract for three years. – If, by the end of
21 the five-year contract, the ~~achievement~~-innovative school receives a grade of
22 C or higher under G.S. 115C-12(9)c1., the AS-IS operator shall have the
23 option to extend the contract for another three-year term. The ~~ASD-ISD~~
24 Superintendent and AS-IS operator shall engage the school, the school
25 community, and the school's local board of education in developing a
26 transition plan for the school to leave the supervision of the ~~ASD-ISD~~ at the
27 conclusion of the three-year extension of the contract. Options at the
28 conclusion of the contract shall include the following:
- 29 a. Conversion to charter. – If, in the development of the transition plan,
30 a local board of education indicates by resolution to the State Board
31 of Education that the local board of education elects to not receive
32 the transfer of the ~~achievement~~-innovative school back to the local
33 school administrative unit, the AS-IS operator may apply to convert
34 the school to a charter school under Article 14A of this Chapter. If a
35 charter is awarded, the charter board of directors may request to use
36 the facility as provided in G.S. 115C-218.35. If the AS-IS operator
37 does not seek conversion to a charter school or fails to receive a
38 charter, the State Board of Education may close the school as
39 provided in subdivision (2) of this subsection.
- 40 b. Alternate as operator or return to local school administrative unit. – If
41 the AS-IS operator does not elect to continue the contract, the State
42 Board of Education may select another AS-IS operator for a
43 three-year contract or may develop a transition plan to return the
44 school to the local school administrative unit for the next school year.
- 45 (5) Termination of contract on other grounds. – The State Board of Education,
46 upon the recommendation of the ~~ASD-ISD~~ Superintendent, may terminate a
47 contract with an AS-IS operator at any time during the contract for financial
48 mismanagement, noncompliance with federal or State laws, failure to
49 comply with the terms of the contract, or evidence of criminal activity. The
50 State Board of Education shall develop a transition plan to return the school
51 to the local school administrative unit.

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

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

6 "**§ 115C-75.13. Innovation zones.**

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

13 The State Board of Education shall grant such requests for the creation of an innovation
14 zone. The State Board of Education shall also authorize the local board of education the
15 flexibility to operate the schools within the innovation zone with the same exemptions from
16 statutes and rules as a charter school authorized under Article 14A of this Chapter and with
17 exemptions from local board of education policies as needed to ensure autonomy under the
18 guidance of the innovation zone office for financial, programmatic, staffing, and time
19 allocation decisions.

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

- 22 (1) Development of a clear and specific plan for improving schools within the
23 innovation zone.
- 24 (2) Establishment of an innovation zone office with a leader appointed by the
25 local board of education and approved by the State Board of Education to
26 govern and lead the schools in the innovation zone.
- 27 (3) Attraction of high-quality staff at schools in the innovation zone through the
28 use of incentives, favorable working conditions, and development of
29 partnerships to develop human capital.
- 30 (4) Accountability for those schools based on established benchmarks and goals
31 for student achievement and for support services provided by the local
32 school administrative unit based on metrics established by the innovation
33 zone office for effective and efficient delivery.
- 34 (5) Support for those schools by the innovation zone office to ensure priority in
35 services from the local school administrative unit, pursuit of outside funding,
36 and technical support, including support from external partners.

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

- 40 (1) Early termination of innovation zone based on performance. – If, during the
41 five-year period, the average of the annual percentage growth of the schools
42 within the innovation zone does not exceed the average annual percentage
43 growth of other continually low-performing schools for three consecutive
44 years, the State Board of Education, upon the recommendation of the ~~ASD~~
45 ISD Superintendent, may terminate the innovation zone at the conclusion of
46 the academic year.
- 47 (2) Nonrenewal of innovation zone based on performance. – If, by the end of the
48 five-year period, the average annual percentage growth of the schools within
49 the innovation zone over the five-year period does not exceed the average
50 annual percentage growth of other continually low-performing schools

1 during the same term, the State Board of Education shall not permit the local
2 board of education to continue the innovation zone.

- 3 (3) State Board of Education optional extension of innovation zone for three
4 years. – If, by the end of the five-year period, the schools within the
5 innovation zone remain continually low-performing schools but have
6 exceeded the average annual percentage growth of other continually
7 low-performing schools, the State Board of Education, upon the
8 recommendation of the ~~ASD-ISD~~ Superintendent in his or her discretion,
9 may allow continuation of the innovation zone for an additional three years.
- 10 (4) Local board of education option to extend innovation zone for three years. –
11 If, by the end of the five-year period, the schools within the innovation zone
12 receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of
13 education shall have the option to extend the innovation zone for another
14 three years.

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

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

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

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

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

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

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

- 33 (1) The ~~Achievement-Innovative~~ School District in turning around
34 low-performing schools beginning with the 2017-2018 school year through
35 the 2021-2022 school year, including the innovation zone established in
36 Section 4.5 of this act. The State Board of Education shall require ~~AS-IS~~
37 operators to provide the independent research organization with requested
38 data to conduct the evaluation. The independent research organization shall
39 include an analysis on the impact of public versus private funding in the
40 effectiveness of the ~~Achievement-Innovative~~ School District.
- 41 (2) Innovation zones in turning around low-performing schools beginning with
42 the 2016-2017 school year through the 2021-2022 school year. The State
43 Board of Education shall require local boards of education granted
44 innovation zones to provide the independent research organization with
45 requested data to conduct the evaluation.

46 The independent research organization shall report its interim findings to the State Board of
47 Education annually no later than February 15, beginning in 2017, and shall submit a final report
48 no later than February 15, 2023. The State Board of Education shall provide the report of the
49 independent research commission, along with any recommended legislative changes, to the
50 Joint Legislative Education Oversight Committee annually no later than March 1, beginning in
51 2017 until submission of the final report in 2023."

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

2 **"SECTION 6.** It is the intent of the General Assembly to appropriate to the Department of
3 Public Instruction four hundred fifty thousand dollars (\$450,000) for the 2017-2018 fiscal year
4 and annually thereafter for innovation zone model grants. Upon appropriation of funds, the
5 State Board of Education shall award innovation zone model grants of up to one hundred fifty
6 thousand dollars (\$150,000) per fiscal year for five years to local boards of education who (i)
7 have been authorized to adopt the innovation zone model by the State Board of Education for
8 up to three schools or for a local school administrative unit with more than thirty-five percent
9 (35%) of schools within the unit identified as low-performing and (ii) provide a
10 dollar-for-dollar match with non-State funding for the requested grant amount. Innovation zone
11 model grants shall be directed by local boards of educations to the innovation zone office to
12 address specific issues in innovation zone schools."

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

14 **"SECTION 8.** This act is effective when it becomes law and supervision of ~~achievement~~
15 innovative schools by the ~~Achievement-Innovative~~ School District shall begin with the
16 2017-2018 school year. In the discretion of the State Board of Education (i) the ~~ASD-ISD~~
17 Superintendent may not be required during the 2016-2017 school year to recommend
18 qualifying schools for inclusion in the ~~ASD-ISD~~ for the 2017-2018 school year and (ii) the time
19 line for selection of ~~achievement-innovative~~ schools for the 2017-2018 school year provided in
20 G.S. 115C-75.7 may be varied, but in no event may the local board of education's decision
21 occur later than April 1, 2017. The State Board of Education may select up to five qualifying
22 schools to transfer to the ~~ASD-ISD~~ beginning with the 2017-2018 school year but shall select at
23 least two qualifying schools to transfer to the ~~ASD-ISD~~ no later than the 2018-2019 school year
24 and shall have selected five qualifying schools for transfer to the ~~ASD-ISD~~ no later than the
25 2019-2020 school year."
26

27 **READ TO ACHIEVE DIAGNOSTIC CHANGES**

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

29 **"§ 115C-174.11. Components of the testing program.**

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

- 37 (1) Each approved assessment instrument shall provide initial assessments,
38 interim formative assessments, and progress monitoring capabilities.
39 (2) In determining which instruments to approve for use by local school
40 administrative units, the State Board shall also consider at least the following
41 factors:
42 a. The time required to conduct formative and diagnostic assessments
43 with the intention of minimizing the impact on instructional time.
44 b. The level of integration of assessment results with instructional
45 support for teachers and students.
46 c. The timeliness in reporting assessment results to teachers and
47 administrators.
48 d. The ability to provide timely assessment results to parents and
49 guardians.
50 (3) In no case shall an assessment instrument be approved for use by local
51 school administrative units if the cost of the assessment instrument,

1 including related instructional content, materials, and resources for teachers
 2 and students, exceeds the funds appropriated for this purpose divided by
 3 projected enrollment of students in kindergarten, first, second, and third
 4 grades.

5 (a1) Each local school administrative unit shall select one valid, reliable, formative, and
 6 diagnostic reading assessment from the three assessment instruments approved by the State
 7 Board under subsection (a) of this section. Local school administrative units shall use ~~these~~ the
 8 assessment instruments provided to them by the State Board for kindergarten, first, second, and
 9 third grade students to assess progress, diagnose difficulties, and inform instruction and
 10 remediation needs. Local school administrative units shall not use standardized tests for
 11 summative assessment of kindergarten, first, and second grade students except as required as a
 12 condition of receiving federal grants.

13"

14 **SECTION 7.27.(b)** This section applies beginning with the 2018-2019 school year.

16 REIMBURSE INITIAL TEACHER LICENSURE FEE FOR CERTAIN NC TEACHING 17 GRADUATES

18 **SECTION 7.28.(a)** G.S. 115C-296 is amended by adding a new subsection to read:

19 "(a4) Notwithstanding subsection (a2) of this section, to the extent funds are made
 20 available for this purpose, the State Board of Education shall reimburse the initial teacher
 21 licensure application fee for the first time an applicant submits an application for teacher
 22 licensure, if the applicant meets all of the following requirements:

23 (1) The applicant is a graduate of an approved educator preparation program
 24 located in North Carolina.

25 (2) The applicant has successfully earned an initial teaching license in North
 26 Carolina.

27 The State Board shall issue reimbursement to the applicant within 30 days of the date the
 28 applicant successfully earns an initial teaching license in North Carolina."

29 **SECTION 7.28.(b)** This section applies to applications for licensure received on or
 30 after July 1, 2017.

32 TESTING TRANSPARENCY

33 **SECTION 7.28A.(a)** The State Superintendent of Public Instruction shall study
 34 and make recommendations regarding the extent to which the SAT and ACT tests align with
 35 the English language arts and mathematics portions of the Standard Course of Study. By
 36 February 1, 2018, the Superintendent shall report findings and recommendations to the
 37 Governor, the President Pro Tempore of the Senate, the Speaker of the House of
 38 Representatives, and the Joint Legislative Education Oversight Committee.

39 **SECTION 7.28A.(b)** G.S. 115C-174.12 reads as rewritten:

40 "§ 115C-174.12. Responsibilities of agencies.

41 ...

42 (d) By ~~September 1~~October 1 of each year, each local board of education shall notify
 43 the State Board of Education of any local standardized testing to be administered to students by
 44 the local school administrative unit at the direction of the local board of education in its schools
 45 and the calendar for administering those tests. The local board of education shall include
 46 ~~information on the~~ the following information:

47 (1) The source of funds supporting the local testing program.

48 (2) The time allotted to administer each test.

49 (3) Whether the test is a computer-based test or a paper-based test.

50 (4) The grade level or subject area associated with the test.

51 (5) The date the test results are expected to be available to teachers and parents.

1 (6) The type of test, the purpose of the test, and the use of the test results.

2 (7) Estimates of average time for administering tests required by the local board
3 of education by grade level.

4 The local board of education shall meet the requirements of this subsection by inputting the
5 information into the uniform calendar published by the Department of Public Instruction
6 pursuant to subsection (e1) of this section.

7 (e) By ~~October 15~~ November 1 of each year, the State Board of Education shall submit a
8 report to the Joint Legislative Education Oversight Committee containing information
9 regarding the statewide administration of the testing program, including the number and type of
10 tests and the testing schedule, and a summary of any local testing programs reported by local
11 boards of education to the State Board of Education in accordance with subsection (d) of this
12 section.

13 (e1) By September 1 of each year, the Superintendent of Public Instruction shall publish
14 on the Web site of the Department of Public Instruction a uniform calendar that includes
15 schedules for State-required testing and reporting results of tests for at least the next two school
16 years, including estimates of the average time for administering State-required standardized
17 tests. The uniform calendar shall be provided to local boards of education in an electronic
18 format that allows each local board of education to populate the calendar with, at a minimum,
19 the information required by subsection (d) of this section. The uniform calendar shall be
20 searchable by local school administrative unit and denote whether a test on the calendar is
21 required by the State or required by a local board of education."

22 **SECTION 7.28A.(c)** Part 2 of Article 10A of Chapter 115C of the General Statutes
23 is amended by adding two new sections to read:

24 "**§ 115C-174.15. Report student performance on local standardized tests.**

25 (a) A local board of education shall provide a student's results on standardized tests
26 required by the local board, as reported pursuant to G.S. 115C-174.12(d), to the following
27 persons and according to the following time lines:

28 (1) To the student's teachers no later than one week after the standardized test is
29 administered.

30 (2) To the student's parents no later than 30 days after the standardized test is
31 administered.

32 (b) If the superintendent of the local school administrative unit determines in writing
33 that extenuating circumstances exist and reports those circumstances to the local board of
34 education, the local board may extend the above time lines in the discretion of the local board
35 of education.

36 "**§ 115C-174.16. Report student performance on statewide, standardized tests.**

37 The Department of Public Instruction shall make available to local boards of education a
38 student's results on all statewide, standardized tests in a timely manner and in an easy-to-read
39 and understandable format a minimum of two weeks prior to the first day of attendance of the
40 next school year. Local boards of education shall make those results available to both the
41 student's teacher of record and parent or guardian prior to the first day of student attendance of
42 the school year. These reports shall include all of the following information:

43 (1) A clear explanation of the student's performance on the applicable statewide,
44 standardized tests.

45 (2) Information identifying the student's areas of strength and areas in need of
46 improvement.

47 (3) Intervention strategies and appropriate resources based on the student's areas
48 of strength and areas in need of improvement, when available.

49 (4) Longitudinal information on the student's progress in each subject area based
50 on previous statewide, standardized test data, when available.

- 1 (5) Information showing the student's score compared to other students in the
 2 local school administrative unit, in the State, or, if available, in other states.
 3 (6) Predictive information showing the linkage between the scores attained by
 4 the student on the statewide, standardized tests and the scores he or she may
 5 potentially attain on nationally recognized college entrance examinations, if
 6 available. This information shall be provided in a timely manner as it
 7 becomes available to the Department of Public Instruction but may be
 8 provided later than the beginning of the school year."

9 **SECTION 7.28A.(d)** G.S. 115C-81(b) reads as rewritten:

10 "(b) The Basic Education Program shall include course requirements and descriptions
 11 similar in format to materials previously contained in the standard course of ~~study~~ study, and it
 12 shall ~~provide~~ provide all of the following:

- 13 (1) A core curriculum for all students that takes into account the special needs of
 14 ~~children~~ children.
 15 (2) A set of competencies, by grade level, for each curriculum ~~area~~ area.
 16 (3) A list of textbooks for use in providing the ~~curriculum~~ curriculum.
 17 (4) Standards for student performance and promotion based on the mastery of
 18 competencies, including standards for graduation, that take into account
 19 children with disabilities and, in particular, include appropriate
 20 ~~modifications~~ modifications.
 21 (4a) Standards for early promotion based on the mastery of competencies. These
 22 standards shall apply when early grade or course promotion based on the
 23 mastery of competencies is permitted in a school and shall include
 24 requirements for early promotion based on mastery of competencies, at a
 25 minimum, in the following subject areas and grade levels:
 26 a. For English language arts, at least grades three through 12.
 27 b. For mathematics, at least grades three through 12.
 28 (5) A program of remedial ~~education~~ education.
 29 (6) Required support ~~programs~~ programs.
 30 (7) A definition of the instructional ~~day~~ day.
 31 (8) Class size recommendations and ~~requirements~~ requirements.
 32 (9) Prescribed staffing allotment ~~ratios~~ ratios.
 33 (10) Material and equipment allotment ~~ratios~~ ratios.
 34 (11) Facilities guidelines that reflect educational program appropriateness,
 35 long-term cost efficiency, and safety ~~considerations~~ and considerations.
 36 (12) Any other information the Board considers appropriate and necessary.

37 The State Board shall not adopt or enforce any rule that requires Algebra I as a graduation
 38 standard or as a requirement for a high school diploma for any student whose individualized
 39 education program (i) identifies the student as learning disabled in the area of mathematics and
 40 (ii) states that this learning disability will prevent the student from mastering Algebra I.

41 The State Board shall not require any student to prepare a high school graduation project as
 42 a condition of graduation from high school; local boards of education may, however, require
 43 their students to complete a high school graduation project."

44 **SECTION 7.28A.(e)** This section applies beginning with the 2018-2019 school
 45 year.

47 PRIVATE ALTERNATIVE TEACHER PREPARATION

48 **SECTION 7.28B.(a)** G.S. 115C-296.12 reads as rewritten:

49 "**§ 115C-296.12. Lateral entry ~~teacher education~~ educator preparation programs.**

50 (a) It is the policy of the State of North Carolina to encourage lateral entry into the
 51 profession of teaching by skilled individuals from the private sector. Skilled individuals who

1 choose to enter the profession of teaching laterally may be granted an initial teaching license
2 for no more than three years and shall be required to obtain licensure required for those who
3 have taught more than three years before contracting for a fourth year of service with any local
4 school administrative unit in this State. The criteria and procedures for lateral entry shall
5 include preservice training in all of the following areas:

- 6 (1) The identification and education of children with disabilities.
- 7 (2) Positive management of student behavior.
- 8 (3) Effective communication for defusing and deescalating disruptive or
9 dangerous behavior.
- 10 (4) Safe and appropriate use of seclusion and restraint.

11 (a1) The State Board of Education shall approve at least one, but no more than four,
12 alternative, private, for-profit, or nonprofit lateral entry educator preparation programs if the
13 programs meet standards set by the State Board of Education. The standards shall include all of
14 the following requirements:

- 15 (1) The competency-based standards necessary to earn a teaching license
16 pursuant to subdivisions (1) through (4) of subsection (b) of this section.
- 17 (2) At least 80 instructional hours of classroom readiness training, including the
18 preservice training required pursuant to subsection (a) of this section, prior
19 to entering the classroom.
- 20 (3) A minimum of three educator coaching visits in the first year of teaching.
- 21 (4) All required pedagogy and subject-area content completed by the end of the
22 first year of teaching.

23 Alternative educator preparation program providers approved pursuant to this subsection
24 shall administer the training needed to meet the standards set by the State Board of Education.

25 (b) The State Board of Education, in consultation with the State Board of Community
26 Colleges and North Carolina Independent Colleges and Universities, Inc., may provide a
27 competency-based program of study for lateral entry teachers to complete the coursework
28 necessary to earn a teaching license. To this end, the State Board of Education, in consultation
29 with the State Board of Community Colleges and North Carolina Independent Colleges and
30 Universities, Inc., shall establish a competency-based program of study for lateral entry
31 teachers to be implemented within the Community College System and at approved educator
32 preparation programs at private, nonprofit two-year colleges. These programs shall meet
33 standards set by the State Board of Education. To ensure that programs of study for lateral
34 entry remain current and reflect a rigorous course of study that is aligned to State and national
35 standards, the State Board of Education shall do all of the following to ensure that lateral entry
36 personnel are prepared to teach:

- 37 (1) Provide adequate coursework in the teaching of reading and mathematics for
38 lateral entry teachers seeking certification in elementary education.
- 39 (2) Assess lateral entry teachers prior to licensure to determine that they possess
40 the requisite knowledge in scientifically based reading and mathematics
41 instruction that is aligned with the State Board's expectations.
- 42 (3) Prepare all lateral entry teachers to apply formative and summative
43 assessments within the school and classroom setting through
44 technology-based assessment systems available in North Carolina schools
45 that measure and predict expected student improvement.
- 46 (4) Require that lateral entry teachers demonstrate competencies in using digital
47 and other instructional technologies to provide high-quality, integrated
48 digital teaching and learning to all students.

49 (c) The State Board of Community Colleges and the State Board of Education shall
50 jointly identify the community college courses and the educator preparation program courses
51 that are necessary and appropriate for inclusion in the community college program of study for

1 lateral entry teachers. To the extent possible, any courses that must be completed through an
2 approved educator preparation program shall be taught on a community college campus or shall
3 be available through distance learning. The State Board of Education shall identify the
4 appropriate courses for a private, nonprofit two-year college to include in the program of study
5 for lateral entry teachers.

6 (d) In order to participate in ~~the community college or private, nonprofit two-year~~
7 ~~college~~ a lateral entry program of study for lateral entry teachers, ~~study~~, an individual must hold
8 at least a bachelor's degree from a regionally accredited institution of higher education.

9 (e) An individual who successfully completes ~~the~~ a lateral entry program of study and
10 meets all other lateral entry requirements of licensure set by the State Board of Education shall
11 be recommended for a North Carolina teaching license.

12 (f) It is further the policy of the State of North Carolina to ensure that local boards of
13 education can provide the strongest possible leadership for schools based upon the identified
14 and changing needs of individual schools. The State Board of Education shall carefully
15 consider a lateral entry program for school administrators to ensure that local boards of
16 education will have sufficient flexibility to attract able candidates.

17 (g) By December 15, 2019, and continuing each year thereafter, the State Board of
18 Education shall report to the Joint Legislative Education Oversight Committee on the
19 performance of teachers who attain a North Carolina teaching license through an alternative,
20 private, for-profit, or nonprofit lateral entry educator preparation program. The State Board
21 shall collect information on the performance of an individual teacher for each year, up to five
22 years, after that teacher attains a North Carolina teaching license. The report shall include
23 information on rates of retention of teachers who attain a teaching license pursuant to
24 subsection (a1) of this section and the performance of students learning under teachers who
25 attain a teaching license pursuant to subsection (a1) of this section."

26 **SECTION 7.28B.(b)** The Superintendent of Public Instruction shall request
27 participation applications from alternative, private, for-profit, or nonprofit lateral entry educator
28 preparation programs no later than August 1, 2017, and shall present those applications to the
29 State Board of Education no later than September 15, 2017. By November 15, 2017, the State
30 Board of Education shall approve a minimum of one program, but no more than a total of four
31 programs, if those programs meet the requirements of G.S. 115C-296.12(a1) and have at least
32 five years of experience providing educator preparation services. Approved programs may
33 begin operating as early as the 2018 spring academic term.

34 **SCHOOL CALENDAR FLEXIBILITY PILOT PROGRAM**

35 **SECTION 7.28C.(a)** Purpose. – The State Board of Education (State Board) shall
36 establish a School Calendar Flexibility Pilot Program (program). The purpose of the program is
37 to determine the impact of school calendar flexibility for opening and closing dates on student
38 achievement and summer internships and to identify and quantify the communities that can
39 support local school calendar control and those that cannot.

40 **SECTION 7.28C.(b)** Participation. – All local school administrative units in the
41 following counties, which collectively represent the geographic, economic, and social diversity
42 of the State, are authorized to participate in the program: Anson County, Bladen County,
43 Cabarrus County, Caldwell County, Cherokee County, Cleveland County, Davidson County,
44 Duplin County, Graham County, Greene County, Guilford County, Martin County, McDowell
45 County, Mitchell County, Northampton County, Robeson County, Rowan County, Warren
46 County, Washington County, and Wilson County.

47 Any local board of education of a local school administrative unit authorized to
48 participate in the program may elect not to participate. For each local school administrative unit
49 that elects not to participate in the program, the State Board may authorize one replacement
50 local school administrative unit to participate in the program. Together, the local school
51

1 administrative units participating in the program shall represent the geographic, economic, and
2 social diversity of the State.

3 **SECTION 7.28C.(c)** Implementation. – Each local school administrative unit
4 participating in the program shall do so for three school years, beginning in either the
5 2018-2019 school year or the 2019-2020 school year. The State Board shall provide the
6 Department of Commerce with a list of the participating local school administrative units no
7 later than February 1, 2018.

8 Notwithstanding G.S. 115C-84.2(d), local boards of education of participating local
9 school administrative units shall determine, for the duration of the program, the dates of
10 opening and closing the public schools under G.S. 115C-84.2(a)(1). Except for year-round
11 schools, the opening date for students shall be no earlier than the Monday closest to August 10
12 and the closing date for students shall be no later than the Friday closest to June 11. A local
13 board may revise the scheduled closing date if necessary in order to comply with the minimum
14 requirements for instructional days or instructional time.

15 The required opening and closing dates under this section shall not apply to any
16 school that a local board designated as having a modified calendar for the 2003-2004 school
17 year or to any school that was part of a planned program in the 2003-2004 school year for a
18 system of modified calendar schools, so long as the school operates under a modified calendar.

19 **SECTION 7.28C.(d)** Data Collection by Department of Public Instruction. – For
20 the duration of the program, the Department of Public Instruction shall contact each
21 participating local school administrative unit annually to determine (i) the actual dates for
22 opening and closing the public schools, (ii) the impact of the program on student achievement
23 and summer internships, and (iii) any other information the Department deems necessary for
24 purposes of the study. The Department of Public Instruction shall provide the Department of
25 Commerce with the actual dates for opening and closing the public schools in each
26 participating local school administrative unit.

27 **SECTION 7.28C.(e)** Department of Commerce Evaluation. – The Department of
28 Commerce shall study the effect of the program on the travel and tourism industry for all 100
29 counties of the State.

30 **SECTION 7.28C.(f)** Reports. – By November 15 of each year following the
31 operation of the program, the State Board and the Department of Commerce shall separately
32 report to the School of Government at the University of North Carolina at Chapel Hill on the
33 effects of the program. The State Board shall report on (i) implementation and administration
34 of the program; (ii) any impact of the program on student achievement; (iii) any effect of the
35 program on summer internships; and (iv) any recommendations on the modification,
36 continuation, and potential expansion of the program statewide. The State Board shall also
37 recommend any local school administrative units that should be assigned calendar flexibility on
38 an ongoing basis. The Department of Commerce shall report on any economic impact of the
39 program on the tourism industry in the State. The School of Government shall evaluate this
40 information and provide an aggregated report to the Joint Legislative Education Oversight
41 Committee by December 15 of the same year.

42 43 **WAIVE FEE FOR CAMBRIDGE AICE PROGRAM COURSE**

44 **SECTION 7.28D.(a)** G.S. 115C-174.26(a) reads as rewritten:

45 "(a) It is the intent of the State to enhance accessibility and encourage students to enroll
46 in and successfully complete more rigorous advanced courses to enable success in
47 postsecondary education for all students. For the purposes of this section, an advanced course is
48 an Advanced Placement ~~or~~ course, an International Baccalaureate Diploma Programme
49 course, or a Cambridge Advanced International Certificate of Education (AICE) course,
50 including an AS-Level or A-Level course. To attain this goal, to the extent funds are made
51 available for this purpose, students enrolled in public schools shall be exempt from paying any

1 fees for administration of examinations for advanced courses and registration fees for advanced
 2 courses in which the student is enrolled regardless of the score the student achieves on an
 3 examination."

4 **SECTION 7.28D.(b)** Section 8.27(d) of S.L. 2013-360, as amended by Section
 5 8.17 of S.L. 2014-100, reads as rewritten:

6 "SECTION 8.27.(d) Of the funds appropriated to the Department of Public Instruction to
 7 implement the requirements of this section, ten million eight hundred thirty-one thousand one
 8 hundred eighty-four dollars (\$10,831,184) for the 2014-2015 fiscal year shall be used to fund
 9 fees for testing in advanced courses and one million five hundred thousand dollars (\$1,500,000)
 10 for each fiscal year shall be used by the North Carolina Advanced Placement Partnership to
 11 carry out its responsibilities as set forth in this section. Funding appropriated for professional
 12 development may be used by the State Board of Education to contract with an independent
 13 evaluator to assess the implementation and impact of advanced course programs in North
 14 Carolina. For the purposes of this section, until June 30, 2017, the term "advanced courses"
 15 means an Advanced Placement or International Baccalaureate Diploma Programme course.
 16 Beginning with the 2017-2018 fiscal year, the term "advanced courses" means an Advanced
 17 Placement course, an International Baccalaureate Diploma Programme course, or a Cambridge
 18 Advanced International Certificate of Education (AICE) course, including an AS-Level or
 19 A-Level course.

20 If the funds appropriated for the 2014-2015 fiscal year and subsequent fiscal years are
 21 insufficient, the Department of Public Instruction may use other funds within the State Public
 22 School Fund for these purposes."
 23

24 **PART VIII. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

25 **TEACHER SALARY SCHEDULE**

26 **SECTION 8.1.(a)** The following monthly teacher salary schedule shall apply for
 27 the 2017-2018 fiscal year to licensed personnel of the public schools who are classified as
 28 teachers. The salary schedule is based on years of teaching experience.
 29

30 **2017-2018 Monthly Teacher Salary Schedule**

31 Years of Experience	"A" Teachers
32 0	\$3,530
33 1-2	\$3,630
34 3-4	\$3,730
35 5-6	\$3,830
36 7-8	\$3,930
37 9-10	\$4,055
38 11-12	\$4,205
39 13-14	\$4,355
40 15	\$4,555
41 16	\$4,630
42 17-18	\$4,730
43 19-20	\$4,830
44 21-22	\$4,930
45 23-24	\$5,030
46 25+	\$5,130.

47 **SECTION 8.1.(b)** Salary Supplements for Teachers Paid on This Salary Schedule.

- 48 -
- 49 (1) Licensed teachers who have NBPTS certification shall receive a salary
 50 supplement each month of twelve percent (12%) of their monthly salary on
 51 the "A" salary schedule.

- 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 8.1.(c)** 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, (iii) school audiologists who are licensed as audiologists at the master's degree
17 level or higher, and (iv) school counselors shall be equivalent to the sixth step of the "A" salary
18 schedule. These employees shall receive a salary supplement each month of ten percent (10%)
19 of their monthly salary and are eligible to receive salary supplements equivalent to those of
20 teachers for academic preparation at the six-year degree level or the doctoral degree level.

21 **SECTION 8.1.(d)** 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, (iii) school audiologists who are licensed as audiologists at the
24 master's degree level or higher, and (iv) school counselors shall be seven and one-half percent
25 (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the
26 salary schedule.

27 **SECTION 8.1.(e)** Beginning with the 2014-2015 fiscal year, in lieu of providing
28 annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those
29 longevity payments are included in the monthly amounts under the teacher salary schedule.

30 **SECTION 8.1.(f)** A teacher compensated in accordance with this salary schedule
31 for the 2017-2018 fiscal year shall receive an amount equal to the greater of the following:

- 32 (1) The applicable amount on the salary schedule for the applicable fiscal year.
- 33 (2) For teachers who were eligible for longevity for the 2013-2014 fiscal 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 fiscal 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 fiscal
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 8.1.(g)** A school counselor compensated in accordance with this salary
45 schedule for the 2017-2018 fiscal year shall receive an amount equal to the greater of the
46 following:

- 47 (1) The applicable amount on the salary schedule for the applicable fiscal year.
- 48 (2) The applicable amount the school counselor is entitled to receive pursuant to
49 subsection (f) of this section.
- 50 (3) The salary the school counselor received in the 2016-2017 fiscal year
51 pursuant to Section 9.1 of S.L. 2016-94.

1 **SECTION 8.1.(h)** As used in this section, the term "teacher" shall also include
 2 instructional support personnel.

3 **SECTION 8.1.(i)** Section 9.1(i) of S.L. 2016-94 is repealed.
 4

5 **PRINCIPAL SALARIES**

6 **SECTION 8.3.(a)** The following annual principal salary schedule is composed of
 7 two elements, the base schedule and the complementary schedule, and shall apply for the
 8 2017-2018 fiscal year, beginning July 1, 2017. The base schedule is calculated using a monthly
 9 rate of pay equivalent to the monthly rate of pay for teachers with 15 years of experience who
 10 are classified as "A" teachers, plus twelve percent (12%).

11 **2017-2018 Annual Principal Salary Schedule**

12 Base Schedule

Years of Experience	Base
0	\$61,219
1	\$62,227
2-3	\$63,571
4-5	\$64,915
6-7	\$66,259
8-9	\$67,603
10+	\$68,947

13 Complementary Schedule

14 ADM

Free or Reduced Lunch	0-149	150-700	701-1400	1401+
Up to 20%	Base	Base + 1.5%	Base + 3%	Base + 4.5%
Up to 50%	Base + 1.5%	Base + 3%	Base + 4.5%	Base + 6%
Up to 70%	Base + 3%	Base + 4.5%	Base + 6%	Base + 7.5%
Up to 95%	Base + 4.5%	Base + 6%	Base + 7.5%	Base + 9%
Up to 100%	Base + 6%	Base + 7.5%	Base + 9%	Base + 10.5%.

15 **SECTION 8.3.(b)** A principal's placement within the complementary schedule
 16 shall be determined according to the percentage of students in the school supervised by the
 17 principal who individually qualify for the federal free or reduced-price lunch program and the
 18 average daily membership (ADM) of the school supervised by the principal in the current
 19 school year. A principal shall be paid at the highest amount for which the principal qualifies.
 20

21 **SECTION 8.3.(b1)** It is the intent of the General Assembly that any base salary
 22 schedule for principals existing in subsequent fiscal years will be calculated using a monthly
 23 rate of pay equivalent in that fiscal year to one of the following:

- 24 (1) The then monthly rate of pay for teachers with 15 years of experience who
 25 are classified as "A" teachers, plus a minimum of twelve percent (12%).
- 26 (2) In the event the "A" Teachers salary schedule no longer exists, the then
 27 monthly rate of pay for teachers that most closely corresponds to the
 28 monthly rate of pay for teachers with 15 years of experience who are
 29 classified as "A" teachers, plus a minimum of twelve percent (12%).

30 **SECTION 8.3.(c)** A principal compensated in accordance with this section for the
 31 2017-2018 fiscal year shall receive an amount equal to the greater of the following:

- 32 (1) The applicable amount determined pursuant to subsections (a) and (b) of this
 33 section.
- 34 (2) For principals who were eligible for longevity in the 2016-2017 fiscal year,
 35 the sum of the following:
 - 36 a. The salary the principal received in the 2016-2017 fiscal year
 37 pursuant to Section 9.2 of S.L. 2016-94.

1 b. The longevity that the principal would have received as provided for
2 State employees under the North Carolina Human Resources Act for
3 the 2016-2017 fiscal year based on the principal's current years of
4 service.

5 (3) The salary the principal received in the 2016-2017 fiscal year pursuant to
6 Section 9.2 of S.L. 2016-94.

7 **SECTION 8.3.(d)** G.S. 115C-105.25(b)(5c) reads as rewritten:

8 "(5c) Funds allocated for school building administration may be converted for any
9 purpose authorized by the policies of the State Board of Education. For
10 funds related to principal positions, the salary transferred shall be based on
11 the first step of ~~the Principal III Salary Schedule~~ the base schedule element
12 of the Principal Salary Schedule. For funds related to assistant principal
13 months of employment, the salary transferred shall be based on the first step
14 of the ~~Assistant Principal Salary Schedule~~ "A" Teachers Salary Schedule at
15 the salary level for assistant principals. Certified position allotments shall
16 not be transferred to dollars to hire the same type of position."
17

18 **ASSISTANT PRINCIPAL SALARIES**

19 **SECTION 8.5.(a)** For the 2017-2018 fiscal year, commencing July 1, 2017,
20 assistant principals shall receive a monthly salary based on the salary schedule for teachers who
21 are classified as "A" teachers, plus twenty-two percent (22%). Years of experience for an
22 assistant principal on the salary schedule shall be measured by the total number of years the
23 assistant principal has spent as a teacher, an assistant principal, or both. For purposes of this
24 section, an administrator with a one-year provisional assistant principal's certificate shall be
25 considered equivalent to an assistant principal.

26 **SECTION 8.5.(b)** Longevity pay for assistant principals shall be as provided for
27 State employees under the North Carolina Human Resources Act.

28 **SECTION 8.5.(c)** Assistant principals with certification based on academic
29 preparation at the six-year degree level shall be paid a salary supplement of one hundred
30 twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a salary
31 supplement of two hundred fifty-three dollars (\$253.00) per month.

32 **SECTION 8.5.(d)** Participants in an approved full-time master's in-school
33 administration program shall receive up to a 10-month stipend at the beginning salary of an
34 assistant principal during the internship period of the master's program. The stipend shall not
35 exceed the difference between the beginning salary of an assistant principal plus the cost of
36 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
37 including awards of the Principal Fellows Program. The Principal Fellows Program or the
38 school of education where the intern participates in a full-time master's in-school administration
39 program shall supply the Department of Public Instruction with certification of eligible
40 full-time interns.

41 **SECTION 8.5.(e)** An assistant principal compensated in accordance with this
42 section for the 2017-2018 fiscal year shall receive an amount equal to the greater of the
43 following:

- 44 (1) The applicable amount determined pursuant to subsections (a) through (d) of
45 this section.
46 (2) The salary the assistant principal received in the 2016-2017 fiscal year
47 pursuant to Section 9.2 of S.L. 2016-94.

48 **CENTRAL OFFICE SALARIES**

49

1 based on academic preparation at the six-year degree level shall receive a salary supplement of
2 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
3 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
4 directors/coordinators, supervisors, and finance officers with certification based on academic
5 preparation at the doctoral degree level shall receive a salary supplement of two hundred
6 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
7 section.

8 **SECTION 8.6.(e)** The State Board of Education shall not permit local school
9 administrative units to transfer State funds from other funding categories for salaries for public
10 school central office administrators.

11 12 **NONCERTIFIED PERSONNEL SALARIES**

13 **SECTION 8.7.(a)** For the 2017-2018 fiscal year, the annual salary for permanent,
14 full-time noncertified public school employees whose salaries are supported from State funds
15 shall be increased by one thousand dollars (\$1,000).

16 **SECTION 8.7.(b)** For the 2018-2019 fiscal year, the annual salary for permanent,
17 full-time noncertified public school employees whose salaries are supported from State funds
18 shall be increased, in addition to any increase received pursuant to subsection (a) of this
19 section, by one thousand dollars (\$1,000).

20 **SECTION 8.7.(c)** For the 2017-2019 fiscal biennium, part-time, noncertified
21 public school employees whose salaries are supported from State funds shall receive the
22 increases authorized by subsections (a) and (b) of this section in the applicable fiscal year on a
23 prorated and equitable basis.

24 **SECTION 8.7.(d)** Notwithstanding subsection (c) of this section, of the funds
25 appropriated in this act for salary increases for noncertified personnel in the 2017-2019 fiscal
26 biennium, the sum of sixteen million eight hundred fifty-five thousand eighty-one dollars
27 (\$16,855,081) and the sum of thirty-three million seven hundred ten thousand one hundred
28 sixty-two dollars (\$33,710,162), in the 2017-2018 and 2018-2019 fiscal years, respectively,
29 shall be allocated to local boards of education to increase the average rates of pay for all school
30 bus drivers in the local school administrative unit on an equitable basis.

31 32 **VETERAN TEACHER RETENTION BONUS PROGRAM**

33 **SECTION 8.8A.(a)** Bonus Program. – The State Board of Education shall
34 establish the Veteran Teacher Retention Bonus Program (program) to reward eligible veteran
35 teachers who continue teaching in a local school administrative unit located in North Carolina
36 according to agreements entered into under subsection (b) of this section. As used in this
37 section, the following definitions apply:

- 38 (1) Bonus agreement. – A standard contract developed by the Department of
39 Public Instruction that contains all the terms and conditions required by this
40 section. The form shall be made available on the Department's Web site in a
41 form that can be downloaded.
- 42 (2) Eligible veteran teacher. – A teacher who, as of the applicable notification
43 date, is paid on a step of the State salary schedule for teachers corresponding
44 to at least 27 years of teaching experience.
- 45 (3) Qualifying veteran teacher. – An eligible veteran teacher who enters into a
46 bonus agreement pursuant to subdivisions (1) or (2) of subsection (b) of this
47 section.
- 48 (4) Notification date. – One of the following as applicable:
49 a. September 30, 2017, for an eligible teacher entering into a bonus
50 agreement pursuant to subdivision (1) of subsection (b) of this
51 section.

1 b. April 30, 2018, for an eligible teacher entering into a bonus
2 agreement pursuant to subdivision (2) of subsection (b) of this
3 section.

4 (5) Employing local school administrative unit. – The local school
5 administrative unit where a qualifying veteran teacher is employed.

6 **SECTION 8.8A.(b)** The Bonus Agreement. – An eligible veteran teacher qualifies
7 to receive a bonus of up to five thousand dollars (\$5,000) pursuant to this section if the teacher
8 does one of the following:

9 (1) Agrees in writing by the applicable notification date to continue teaching in
10 a local school administrative unit located in North Carolina for the
11 remainder of the 2017-2018 school year and all of the 2018-2019 school
12 year. The local school administrative unit shall pay the bonus to the teacher
13 in two installments of two thousand five hundred dollars (\$2,500) each. The
14 first installment shall be paid by October 31, 2017, and the second
15 installment shall be paid by October 31, 2018.

16 (2) Agrees in writing by the applicable notification date to continue teaching in
17 a local school administrative unit located in North Carolina for the
18 remainder of the 2017-2018 school year, all of the 2018-2019 school year,
19 and all of the 2019-2020 school year. The local school administrative unit
20 shall pay the bonus to the teacher in two installments of two thousand five
21 hundred dollars (\$2,500) each. The first installment shall be paid by October
22 31, 2018, and the second installment shall be paid by October 31, 2019.

23 **SECTION 8.8A.(c)** Additional Terms and Conditions. – The following additional
24 terms and conditions apply and shall be set out in the bonus agreement:

25 (1) An eligible veteran teacher seeking to qualify for a bonus must submit a
26 signed and notarized bonus agreement to the employing local school
27 administrative unit and one copy to the Department of Public Instruction.
28 The executed bonus agreement must be sent via registered or certified mail,
29 return receipt requested, and postmarked no later than the applicable
30 notification date.

31 (2) The employing local school administrative unit shall keep and maintain a list
32 of qualifying veteran teachers employed in the unit who are participating in
33 the program. The Department of Public Instruction shall keep and maintain a
34 list of qualifying veteran teachers employed in the State who are
35 participating in the program.

36 (3) If a veteran teacher participating in the program accepts full-time
37 employment outside the employing local school administrative unit, with the
38 intention of beginning that employment before the expiration of time
39 specified in the bonus agreement, the veteran teacher shall notify the
40 employing local school administrative unit within five days. The local
41 school administrative unit shall notify the Department of Public Instruction
42 within 30 days of receiving notification from the veteran teacher.

43 (4) If a qualifying veteran teacher participating in the program accepts a
44 full-time teaching position in a different local school administrative unit
45 located in North Carolina, the qualifying veteran teacher shall notify the
46 different local school administrative unit that the qualifying veteran teacher
47 is a participant in the program.

48 (5) If a veteran teacher fails to continue teaching in a local school administrative
49 unit located in North Carolina for the period of time specified in the bonus
50 agreement, the employing local school administrative unit shall withhold the
51 full bonus amount that has been paid, up to five thousand dollars (\$5,000),

- 1 from any wages due to the veteran teacher. The veteran teacher shall also
 2 forfeit any additional bonus installment the teacher might otherwise receive.
- 3 (6) If the local school administrative unit is unable to recover the unearned
 4 bonus amount pursuant to subdivision (5) of this subsection, the Department
 5 of Public Instruction shall have the authority to do any of the following:
- 6 a. Direct the State Treasurer to garnish the unearned bonus amount
 7 from payments made to the veteran teacher pursuant to the Teachers'
 8 and State Employees' Retirement System of North Carolina.
 9 G.S. 135-9 shall not apply to actions taken by the Department of
 10 Public Instruction under this subdivision.
- 11 b. Act as a claimant agency under Chapter 105A of the General Statutes
 12 for purposes of setoff debt collection as to the unearned bonus
 13 amount.
- 14 c. Bring a civil action in the General Court of Justice to collect the
 15 unearned bonus amount.
- 16 (7) A qualifying veteran teacher who fails to continue teaching in a local school
 17 administrative unit located in North Carolina for the period of time specified
 18 in the bonus agreement is exempted from repaying the unearned bonus
 19 amount if the qualifying veteran teacher is no longer able to continue
 20 teaching because of death, illness, or disability.

21 **SECTION 8.8A.(d) Maximum Bonus Amount.** – No qualifying veteran teacher
 22 shall receive more than five thousand dollars (\$5,000) in bonus funds under this section. The
 23 bonus or bonuses awarded to a qualifying veteran teacher under this section shall be in addition
 24 to any regular wage or other bonus the teacher receives or is scheduled to receive.

25 **SECTION 8.8A.(e) Bonus Not for Retirement.** – Notwithstanding G.S. 135-1(7a),
 26 the compensation bonus awarded pursuant to this section is not compensation under Article 1
 27 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

28 **SECTION 8.8A.(f) 2019-2020 Funds.** – For the 2019-2020 fiscal year only, the
 29 Director of the Budget shall also include in the base budget, as defined by
 30 G.S. 143C-1-1(d)(1c), the amount of nonrecurring funds needed to support the program.

31 32 **REVISE TEACHER BONUS PROGRAMS**

33 **SECTION 8.8B.(a)** Section 8.8 of S.L. 2016-94 reads as rewritten:

34 "**ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE**
 35 **BACCALAUREATE/CAMBRIDGE AICE TEACHER BONUS ~~PILOT-PROGRAM~~**

36 "**SECTION 8.8.(a)** The State Board of Education shall establish the Advanced
 37 Placement/International ~~Baccalaureate Pilot~~ Baccalaureate/Cambridge AICE Program (~~pilot~~
 38 ~~program~~)-(program) to reward advanced course teacher performance and to encourage student
 39 learning and improvement. To attain this goal, the Department of Public Instruction shall
 40 administer bonus pay ~~for two school years through the end of the 2017-2019 fiscal biennium to~~
 41 ~~licensed~~ teachers of advanced courses, courses in public schools, including charter schools,
 42 beginning with data from the 2015-2016 school year, in accordance with the following:

- 43 (1) A bonus in the amount of fifty dollars (\$50.00) for each student taught by an
 44 advanced course teacher in each advanced course who receives the following
 45 score:
- 46 a. For Advanced Placement courses, a score of three or higher on the
 47 College Board Advanced Placement Examination.
- 48 b. For International Baccalaureate Diploma Programme courses, a score
 49 of four or higher on the International Baccalaureate course
 50 examination.

1 c. For the Cambridge Advanced International Certificate of Education
2 (AICE) program, a score of "E" or higher on the Cambridge AICE
3 program examinations.

4 (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds
5 ~~two thousand dollars (\$2,000)~~three thousand five hundred dollars (\$3,500) in
6 any given school year. The bonus awarded to a teacher pursuant to this
7 subsection shall be in addition to any regular wage or other bonus the
8 teacher receives or is scheduled to receive.

9 (3) ~~For advanced course scores collected from the 2015-2016 school year and~~
10 ~~the 2016-2017 school year, bonuses~~ Bonuses awarded pursuant to this
11 subsection are payable in ~~January 2017 and January 2018,~~
12 ~~respectively,~~ January, based on data from the previous school year, to
13 qualifying advanced course teachers who remain employed teaching
14 advanced courses in the same local school administrative unit at least from
15 the school year the data is collected until the corresponding school year that
16 the bonus is paid.

17 **"SECTION 8.8.(b)** For the purposes of this section, an "advanced course" shall mean an
18 Advanced Placement ~~or course, an~~ International Baccalaureate Diploma Programme
19 ~~course, or a Cambridge AICE course.~~

20 **"SECTION 8.8.(c)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded
21 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,
22 the Teachers' and State Employees' Retirement System.

23 **"SECTION 8.8.(d)** The State Board of Education shall ~~report on and study the pilot~~
24 ~~program as follows:~~

25 (1) ~~The State Board shall report on study the effect of the program on advanced~~
26 ~~course teacher performance and retention. The State Board shall report the~~
27 ~~results of its findings and the amount of bonuses awarded to advanced~~
28 ~~course teachers, including the amount awarded for Advanced Placement~~
29 ~~courses and courses, the amount awarded for International Baccalaureate~~
30 ~~Diploma Programme courses, and the amount awarded for Cambridge AICE~~
31 ~~program courses, to the President Pro Tempore of the Senate, the Speaker of~~
32 ~~the House of Representatives, the Joint Legislative Education Oversight~~
33 ~~Committee, and the Fiscal Research Division by March 15, 2017, and again~~
34 ~~by March 15, 2018.~~ 15 of each year.

35 (2) ~~The State Board shall study the effect of the pilot program on advanced~~
36 ~~course teacher performance and retention. The State Board shall report the~~
37 ~~results of its findings to the President Pro Tempore of the Senate, the~~
38 ~~Speaker of the House of Representatives, the Fiscal Research Division, and~~
39 ~~the Joint Legislative Education Oversight Committee by March 15, 2018.~~

40 **"SECTION 8.8.(e)** For the 2017-2018 fiscal year only, the Director of the Budget shall
41 also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of
42 nonrecurring funds needed to support the ~~pilot~~ program.

43 ~~**"SECTION 8.8.(f)** This section expires June 30, 2018."~~

44 **SECTION 8.8B.(b)** Section 8.9 of S.L. 2016-94 reads as rewritten:

45 **"INDUSTRY CERTIFICATIONS AND CREDENTIALS TEACHER BONUS PILOT**
46 **PROGRAM**

47 **"SECTION 8.9.(a)** The State Board of Education, in collaboration with the Department of
48 Commerce, shall establish the Industry Certifications and Credentials Teacher Bonus ~~Pilot~~
49 Program (~~pilot program~~)(program) to reward the performance of teachers in public schools,
50 including charter schools, who teach students earning approved industry certifications or
51 credentials consistent with G.S. 115C-156.2 and to encourage student learning and

1 improvement. To attain this goal, the Department of Public Instruction shall administer bonus
 2 pay ~~for two school years through the end of the 2017-2019 fiscal biennium~~ to teachers in public
 3 schools, including charter schools, who teach students earning approved industry certifications
 4 or credentials, beginning with data from the 2015-2016 school year, in accordance with the
 5 following:

- 6 (1) For teachers who provide direct instruction to students, bonuses shall be
 7 provided in the following amounts:
 8 a. A bonus in the amount of twenty-five dollars (\$25.00) for each
 9 student taught by a teacher who provided instruction in a course that
 10 led to the attainment of an industry certification or credential with a
 11 twenty-five-dollar (\$25.00) value ranking as determined under
 12 subdivision (3) of this subsection.
 13 b. A bonus in the amount of fifty dollars (\$50.00) for each student
 14 taught by a teacher who provided instruction in a course that led to
 15 the attainment of an industry certification or credential with a
 16 fifty-dollar (\$50.00) value ranking as determined under subdivision
 17 (3) of this subsection.
- 18 (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds
 19 ~~two thousand dollars (\$2,000)~~ three thousand five hundred dollars (\$3,500) in
 20 any given school year. The bonus awarded to a teacher pursuant to this
 21 subsection shall be in addition to any regular wage or other bonus the
 22 teacher receives or is scheduled to receive.
- 23 (3) The Department of Commerce, in consultation with the State Board, shall
 24 assign a value ranking for each industry certification and credential based on
 25 academic rigor and employment value in accordance with this subdivision.
 26 Fifty percent (50%) of the ranking shall be based on academic rigor and the
 27 remaining fifty percent (50%) on employment value. Academic rigor and
 28 employment value shall be based on the following elements:
 29 a. Academic rigor shall be based on the number of instructional hours,
 30 including work experience or internship hours, required to earn the
 31 industry certification or credential, with extra weight given for
 32 coursework that also provides community college credit.
 33 b. Employment value shall be based on the entry wage, growth rate in
 34 employment for each occupational category, and average annual
 35 openings for the primary occupation linked with the industry
 36 certification or credential.
- 37 (4) ~~For data on courses leading to student attainment of industry certifications~~
 38 ~~and credentials collected from the 2015-2016 school year and the 2016-2017~~
 39 ~~school year, bonuses~~ Bonuses awarded pursuant to this subsection are
 40 payable in January ~~2017 and January 2018, respectively,~~ to qualifying
 41 teachers who remain employed teaching ~~students earning approved industry~~
 42 ~~certifications or credentials~~ in the same local school administrative unit at
 43 least from the school year the data is collected until the corresponding school
 44 year that the bonus is paid.

45 **"SECTION 8.9.(b)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded
 46 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,
 47 the Teachers' and State Employees' Retirement System.

48 **"SECTION 8.9.(c)** The State Board of Education shall ~~report on and study the pilot~~
 49 ~~program as follows:~~

- 50 (1) ~~The State Board shall study the effect of the program on teacher~~
 51 performance and retention. The State Board shall report on the results of its

1 findings, the amount of bonuses awarded to teachers who teach students
2 earning approved industry certifications or ~~eredentials~~-credentials, and the
3 type of industry certifications and credentials earned by their students to the
4 President Pro Tempore of the Senate, the Speaker of the House of
5 Representatives, the Joint Legislative Education Oversight Committee, and
6 the Fiscal Research Division by March ~~15, 2017~~, and again by March ~~15,~~
7 2018.15 of each year.

- 8 (2) ~~The State Board shall study the effect of the pilot program on teacher~~
9 ~~performance and retention. The State Board shall report the results of its~~
10 ~~findings to the President Pro Tempore of the Senate, the Speaker of the~~
11 ~~House of Representatives, the Fiscal Research Division, and the Joint~~
12 ~~Legislative Education Oversight Committee by March 15, 2018.~~

13 "SECTION 8.9.(d) For the 2017-2018 fiscal year only, the Director of the Budget shall
14 also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of
15 nonrecurring funds needed to support the ~~pilot~~ program.

16 "~~SECTION 8.9.(e) This section expires June 30, 2018.~~"

17 SECTION 8.8B.(c) Section 9.7 of S.L. 2016-94 reads as rewritten:

18 **"THIRD GRADE READING TEACHER PERFORMANCE PILOT PROGRAM**

19 "SECTION 9.7.(a) The State Board of Education shall establish the Third Grade Reading
20 Teacher Performance Pilot Program (program) to reward teacher performance and encourage
21 student learning and improvement. To attain this goal, the Department of Public Instruction
22 shall administer bonus pay to ~~licensed third grade~~ teachers who have an Education
23 Value-Added Assessment System (EVAAS) student growth index score for third grade reading
24 from the previous school year, beginning with the data from the 2015-2016 school year, as
25 follows:

- 26 (1) Of the funds appropriated for ~~this~~-the program, five million dollars
27 (\$5,000,000) shall be allocated for bonuses to ~~licensed third grade~~ teachers
28 who are in the top twenty-five percent (25%) of teachers in the State
29 according to the EVAAS student growth index score for third grade reading
30 from the previous year. These funds shall be allocated equally among
31 qualifying teachers.
- 32 (2) Of the funds appropriated for ~~this~~-the program, five million dollars
33 (\$5,000,000) shall be allocated to pay bonuses to ~~licensed third grade~~
34 teachers who are in the top twenty-five percent (25%) of teachers in their
35 respective local school administrative units according to the EVAAS student
36 growth index score for third grade reading from the previous year. These
37 funds shall be split proportionally based on average daily membership for
38 each local school administrative unit and then distributed equally among
39 qualifying teachers in each local school administrative unit, subject to the
40 following conditions:
- 41 a. Teachers employed in charter schools and regional schools are not
42 eligible to receive a bonus under this subdivision.
- 43 b. Any teacher working in a local school administrative unit that
44 employs three or fewer third grade teachers shall receive a bonus
45 under this subdivision if that teacher has an EVAAS student growth
46 index score for third grade reading from the previous school year that
47 exceeds expected growth.
- 48 (3) For EVAAS student growth index score data collected during the 2015-2016
49 school year and the 2016-2017 school year, bonuses awarded pursuant to
50 subdivisions (1) and (2) of this subsection are payable in January of 2017
51 and January of 2018, respectively, to qualifying ~~third grade~~ teachers who

1 remain employed teaching ~~third grade~~ in the same local school
 2 administrative unit at least from the school year the data is collected until the
 3 corresponding school year that the bonus is paid.

- 4 (4) A teacher who is eligible to receive a bonus under both subdivisions (1) and
 5 (2) of this subsection shall receive both bonuses. The bonus or bonuses
 6 awarded to a teacher pursuant to this subsection shall be in addition to any
 7 regular wage or other bonus the teacher receives or is scheduled to receive.

8 "SECTION 9.7.(b) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded
 9 by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the
 10 Teachers' and State Employees' Retirement System.

11 "SECTION 9.7.(c) The State Board of Education shall ~~report on and study the Third~~
 12 ~~Grade Reading Teacher Performance Pilot Program (Program) as follows:~~ study the effect of the
 13 program on teacher performance and retention. The State Board shall report the results of its
 14 findings,

- 15 (1) ~~The State Board of Education shall report on~~ the distribution of statewide
 16 bonuses as among local school administrative ~~units—units,~~ and the
 17 distribution of bonuses within local school administrative units as among
 18 individual schools to the President Pro Tempore of the Senate, the Speaker
 19 of the House of Representatives, the Joint Legislative Education Oversight
 20 Committee, and the Fiscal Research Division on March 1, 2017, ~~and again~~
 21 ~~on March 1, 2018.~~ 15 of each year bonuses are awarded.

- 22 (2) ~~The State Board of Education shall study the effect of the Program on~~
 23 ~~teacher performance and retention. The State Board of Education shall report~~
 24 ~~the results of its findings to the President Pro Tempore of the Senate, the~~
 25 ~~Speaker of the House of Representatives, the Fiscal Research Division, and~~
 26 ~~the Joint Legislative Education Oversight Committee no later than March 1,~~
 27 ~~2018.~~

28 "SECTION 9.7.(d) For the 2017-2018 fiscal year only, the Director of the Budget shall
 29 also include in the Base Budget, as defined by G.S. 143C-1-1(d)(1c), the amount of
 30 nonrecurring funds needed to support the ~~Program.~~ program.

31 "SECTION 9.7.(e) This section expires June 30, 2018."

32 SECTION 8.8B.(d) In addition to the bonuses payable in January 2018 pursuant to
 33 Sections 8.8(a), 8.9(a), 9.7(a)(1), and 9.7(a)(2) of S.L. 2016-94, as amended by this section, the
 34 Department of Public Instruction shall make payable no later than October 31, 2017, bonuses
 35 earned by qualifying teachers pursuant to data from the 2015-2016 school year, as follows:

- 36 (1) Bonuses earned pursuant to Section 8.8 or 8.9 of S.L. 2016-94, as amended
 37 by this section, that were not paid in January of 2017 because the teacher
 38 taught in a charter school.
 39 (2) Bonuses earned pursuant to Section 8.8, 8.9, 9.7(a)(1), or 9.7(a)(2) of S.L.
 40 2016-94, as amended by this section, that were not paid in January of 2017
 41 because the teacher did not continue teaching the same subject or grade
 42 level.
 43 (3) Bonuses earned pursuant to Section 8.8(a)(1)c., as amended by this section,
 44 because the teacher taught a Cambridge AICE program course.
 45

46 THIRD GRADE READING TEACHER BONUS PROGRAM FOR 2018-2019

47 SECTION 8.8C.(a) It is the intent of the State to reward teacher performance and
 48 encourage student learning and improvement. To attain this goal, the Department of Public
 49 Instruction shall administer the Third Grade Reading Teacher Bonus Program (program) for the
 50 2018-2019 fiscal year to qualifying teachers who have an Education Value-Added Assessment

1 System (EVAAS) student growth index score for third grade reading from the previous school
2 year, as follows:

- 3 (1) For purposes of this section, the following definitions shall apply:
- 4 a. Eligible Teacher. – A teacher who meets one or both of the following
5 criteria:
6 1. Is in the top twenty-five percent (25%) of teachers in the
7 State according to the EVAAS student growth index score for
8 third grade reading from the previous school year.
9 2. Is in the top twenty-five percent (25%) of teachers in the
10 teacher's respective local school administrative unit according
11 to the EVAAS student growth index score for third grade
12 reading from the previous school year.
- 13 b. Qualifying Teacher. – An eligible teacher who remains teaching in
14 the same local school administrative unit at least from the school
15 year the data for the EVAAS student growth index score for third
16 grade reading is collected until the school year a bonus provided
17 under this subsection is paid.
- 18 (2) Of the funds appropriated for this program, five million dollars (\$5,000,000)
19 shall be allocated for bonuses to eligible teachers under sub-sub-subdivision
20 (1)a.1. of this subsection. Funds appropriated for this purpose shall be
21 distributed equally among qualifying teachers.
- 22 (3) Of the funds appropriated for this program, five million dollars (\$5,000,000)
23 shall be allocated for bonuses to eligible teachers under sub-sub-subdivision
24 (1)a.2. of this subsection. Funds allocated for this bonus shall be divided
25 proportionally based on average daily membership in third grade for each
26 local school administrative unit and then distributed equally among
27 qualifying teachers in each local school administrative unit, subject to the
28 following conditions:
- 29 a. Teachers employed in charter schools, regional schools, and
30 University of North Carolina laboratory schools are not eligible to
31 receive a bonus under this subdivision.
- 32 b. Any teacher working in a local school administrative unit that
33 employs three or fewer third grade teachers shall receive a bonus
34 under this subdivision if that teacher has an EVAAS student growth
35 index score for third grade reading from the previous school year that
36 exceeds expected growth.
- 37 (4) Bonuses awarded pursuant to subdivisions (2) and (3) of this subsection are
38 payable in January to qualifying teachers based on EVAAS student growth
39 index score data from the previous school year.
- 40 (5) A qualifying teacher may receive a bonus under both subdivisions (2) and
41 (3) of this subsection.
- 42 (6) The bonus or bonuses awarded to a qualifying teacher pursuant to this
43 section shall be in addition to any regular wage or other bonus the teacher
44 receives or is scheduled to receive.
- 45 (7) A bonus awarded pursuant to either subdivision (2) or subdivision (3) of this
46 subsection shall not exceed three thousand five hundred dollars (\$3,500) in
47 any given school year. No teacher shall receive more than seven thousand
48 dollars (\$7,000) in total bonus compensation for any given school year.

49 **SECTION 8.8C.(b)** Notwithstanding G.S. 135-1(7a), the bonuses awarded by this
50 section are not compensation under Article 1 of Chapter 135 of the General Statutes, the
51 Teachers' and State Employees' Retirement System.

1 **SECTION 8.8C.(c)** The State Board of Education shall study the effect of the
2 bonuses awarded pursuant to this section on teacher performance and retention. The State
3 Board shall report the results of its findings, the distribution of statewide bonuses as among
4 local school administrative units, and the distribution of bonuses within local school
5 administrative units as among individual schools to the President Pro Tempore of the Senate,
6 the Speaker of the House of Representatives, the Joint Legislative Education Oversight
7 Committee, and the Fiscal Research Division by March 15, 2019.

8 9 **SCHOOL BUS DRIVER COMPENSATION AND EMPLOYMENT STUDY**

10 **SECTION 8.10.** The Department of Public Instruction shall study the
11 compensation of school bus drivers in the public schools and the challenges of recruiting and
12 retaining school bus drivers. No later than April 1, 2018, the Department shall submit to the
13 Joint Legislative Education Oversight Committee and the Fiscal Research Division a report
14 containing, at a minimum, all of the following information:

- 15 (1) A detailed explanation of how school bus drivers are compensated and
16 employed in the public schools, including, at a minimum, the following
17 information:
- 18 a. Average driving experience of school bus drivers.
 - 19 b. Rates of retention of school bus drivers in local school administrative
20 units.
 - 21 c. Average term of service for school bus drivers.
 - 22 d. Average hours worked by school bus drivers, per week.
 - 23 e. Career paths for school bus drivers within a local school
24 administrative unit.
 - 25 f. Percentage of school bus drivers who work in the local school
26 administrative unit in another capacity.
- 27 (2) The challenges of recruiting and retaining school bus drivers faced by local
28 school administrative units.
- 29 (3) Recommendations, including input from local school administrators, on
30 improving the process of recruiting and retaining school bus drivers.

31 32 **PART IX. COMMUNITY COLLEGES**

33 34 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

35 **SECTION 9.1.(a)** Notwithstanding any other provision of law and consistent with
36 the authority established in G.S. 115D-3, the President of the North Carolina Community
37 College System may reorganize the System Office in accordance with recommendations and
38 plans submitted to and approved by the State Board of Community Colleges.

39 **SECTION 9.1.(b)** This section expires June 30, 2018.

40 41 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

42 **SECTION 9.2.(a)** Of the funds appropriated to the Community Colleges System
43 Office for the 2017-2019 fiscal biennium for the College Information System, up to one million
44 two hundred fifty thousand dollars (\$1,250,000) shall not revert at the end of each fiscal year
45 but shall remain available until expended. These funds may be used only to purchase periodic
46 system upgrades and modernize the North Carolina Community College System's enterprise
47 resource planning (ERP) system.

48 **SECTION 9.2.(b)** The President of the North Carolina Community Colleges
49 System shall work with the Friday Institute for Educational Innovation at North Carolina State
50 University, the Government Data Analytics Center, and other State agencies to improve
51 communication between computer systems. The President shall ensure, to the extent

1 practicable, that its updated computer systems are able to share data with computer systems at
2 the Department of Public Instruction, other State agencies, and constituent institutions of The
3 University of North Carolina.
4

5 **COMMUNITY COLLEGE WORKFORCE STUDY**

6 **SECTION 9.3.(a)** The State Board of Community Colleges shall study the costs of
7 workforce training and related academic instruction delivered by the community colleges. The
8 study shall assess the various factors that affect instructional costs in workforce training
9 courses, including at a minimum, specialized equipment requirements and faculty salaries.

10 **SECTION 9.3.(b)** As a separate component of its study, the State Board of
11 Community Colleges shall contract with an independent research organization to conduct an
12 evaluation of the statewide Apprenticeship Program (Program), which, beginning with the
13 2017-2018 fiscal year, shall be transferred to and administered by the Community Colleges
14 System Office pursuant to Section 15.13 of this act. The State Board shall not contract with an
15 independent research organization that has contracted with the State Board or Community
16 Colleges System Office within five years preceding commencement of the evaluation and shall
17 not contract with the selected independent research organization within five years following
18 completion of the evaluation. The State Board shall direct the independent organization to
19 conduct a mixed method evaluation that examines the impact of the Program on at least the
20 following:

- 21 (1) Development of student skill levels.
- 22 (2) Student employability.
- 23 (3) Participation by business sponsors.

24 The evaluation shall include in its results recommendations for best practices to
25 enhance employer involvement in the Program and to increase student skill level and
26 employment acquisition resulting from participation in the Program.

27 **SECTION 9.3.(c)** The State Board of Community Colleges shall analyze the
28 results of its workforce training study and the independent research organization evaluation in
29 order to make recommendations on how to most effectively coordinate the joint delivery of the
30 Program and workforce training programs. By September 1, 2018, the State Board shall submit
31 a report to the Joint Legislative Education Oversight Committee on the results of its analysis,
32 including any recommendations on the alignment of tier funding with course costs and any
33 recommended legislative changes.
34

35 **START-UP FUNDS FOR HIGH-COST WORKFORCE COURSES**

36 **SECTION 9.5.(a)** The State Board of Community Colleges shall establish the
37 Community College High-Cost Workforce Program Grant to allocate funds to community
38 colleges to establish new high-cost workforce Tier 1A and Tier 1B courses that require
39 significant start-up funds. The State Board shall adopt an application process for community
40 colleges to apply for the award of funds to establish new courses beginning with the 2018-2019
41 fiscal year. To be eligible to receive the funds, community colleges shall submit to the State
42 Board a completed application, which shall include at least the following information:

- 43 (1) A description of the proposed program of study.
- 44 (2) An impact assessment of implementing the proposed course on existing
45 programs at contiguous colleges.
- 46 (3) Documentation of student interest in the course.
- 47 (4) Alignment of the course with the future employment needs within the area
48 served by the community college and the State.

49 **SECTION 9.5.(b)** The State Board of Community Colleges shall submit a report to
50 the Joint Legislative Education Oversight Committee by March 1, 2019, on the implementation

1 of the new high-cost workforce Tier 1A and Tier 1B courses, including at least the following
2 information:

- 3 (1) The use of funds by community colleges participating in the grant program,
4 including:
5 a. Start-up costs to establish new courses.
6 b. Costs associated with student instruction, including faculty salaries,
7 instructional supplies, and related instructional equipment.
8 (2) Evaluation of the success of the community college courses, including:
9 a. Student enrollment numbers.
10 b. Student outcomes, including job attainment and placement data and
11 completion of any certification, diploma, or associate degree
12 programs.
13

14 CC BOARD OF TRUSTEES TRAINING

15 **SECTION 9.6.(a)** Article 2 of Chapter 115D of the General Statutes is amended by
16 adding a new section to read:

17 **"§ 115D-18.5. Training of board of trustees members.**

18 All members of a board of trustees shall participate in, within six months of appointment,
19 an orientation session provided by the Community Colleges System Office. Members shall also
20 participate in an education session provided by the System Office every two years thereafter
21 while serving on the board of trustees. The System Office shall develop orientation and
22 education session content in consultation with community college representatives, including
23 community college presidents and members of boards of trustees. The State Board of
24 Community Colleges shall adopt rules to implement this section."

25 **SECTION 9.6.(b)** G.S. 115D-19(b) reads as rewritten:

26 "(b) A board of trustees may declare vacant the office of a member who does not attend
27 three consecutive, scheduled meetings without justifiable excuse. A board of trustees may also
28 declare vacant the office of a member who, without justifiable excuse, does not participate
29 ~~within six months of appointment in a trustee orientation and education session sponsored by~~
30 ~~the North Carolina Association of Community College Trustees.~~in the board of trustees training
31 required pursuant to G.S. 115D-18.5. The board of trustees shall notify the appropriate
32 appointing authority of any vacancy."

33 **SECTION 9.6.(c)** The Community Colleges System Office shall make the
34 orientation session required by G.S. 115D-18.5, as enacted by this section, available no later
35 than January 1, 2018. Members of boards of trustees appointed between the date this act
36 becomes law and January 1, 2018, shall have until June 30, 2018, to participate in an
37 orientation session. Members of boards of trustees who were appointed prior to the date this act
38 becomes law shall participate in an initial education session pursuant to G.S. 115D-18.5 by
39 December 31, 2018.

40 **SECTION 9.6.(d)** Subsection (b) of this section becomes effective January 1,
41 2019.
42

43 CLARIFY YOUTH APPRENTICESHIP PROGRAM

44 **SECTION 9.8.(a)** G.S. 115D-5(b)(16) reads as rewritten:

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

48 a. Meets one of the following:

- 49 1. Is a registered apprenticeship program recognized by the
50 United States Department of Labor.

1 industry-recognized credential and academic transition
2 pathways for qualified freshmen and sophomore high school
3 students that lead to a career technical education certificate or
4 diploma in (i) industrial and engineering technologies, (ii)
5 agriculture and natural resources, or (iii) transportation
6 technology."

7 **SECTION 9.10.(c)** G.S. 115D-5 is amended by adding a new subsection to read:

8 "(b2) Beginning February 1, 2018, and annually thereafter, the State Board of Community
9 Colleges shall report to the Joint Legislative Education Oversight Committee on the number
10 and type of waivers granted pursuant to subsection (b) of this section."

11 **SECTION 9.10.(d)** This section applies beginning with the 2017-2018 academic
12 year.

13 **ESTABLISH BOARD OF POSTSECONDARY EDUCATION CREDENTIALS**

14 **SECTION 9.11.(a)** Chapter 115D of the General Statutes is amended by adding a
15 new Article to read:

16 "Article 9.

17 "Postsecondary Education Credentials.

18 **"§ 115D-100. Board of Postsecondary Education Credentials.**

19 (a) Findings. – The General Assembly finds that, in today's economy, opportunities for
20 North Carolina's citizens to reach the middle class with a high school level education or even
21 less have significantly decreased. To be competitive and obtain better paying jobs that lead to a
22 better quality of life in the State's current and future economy, most citizens will need some
23 type of postsecondary education that qualifies them for employment. The General Assembly
24 recognizes the importance of bringing together potential employers and providers of
25 postsecondary education for the purpose of identifying workforce skills and training needs and
26 developing courses of study and vocational training that meet the standards expected and
27 required by industries, corporations, and other employers. The General Assembly further finds
28 that the establishment of a permanent board with members who are knowledgeable about
29 postsecondary education and workforce training needs will enable providers of postsecondary
30 education to prepare and design training programs that are responsive to workforce needs and
31 that will assist the State's citizens in securing the credentials required to obtain better paying
32 jobs.

33 The General Assembly recognizes that postsecondary education opportunities should be
34 easily available and accessible to all citizens. Therefore, the General Assembly encourages
35 State educators, when designing the method and manner for delivering postsecondary
36 educational programs, to take into account the varying income levels and economic
37 circumstances of the State's citizens, transportation needs, and other unique challenges in both
38 urban and rural areas of the State that affect accessibility to postsecondary education
39 opportunities and to make genuine efforts to accommodate and address those factors.

40 The General Assembly also finds that most employers consider postsecondary credentials
41 such as academic degrees and high-quality, nondegree certifications awarded by institutions of
42 higher education when determining whether a person has the expertise and skills required for a
43 job. However, high-quality credentials may also be obtained through other alternative models
44 such as open-source online programs, on-the-job training, and military experience. Therefore, it
45 is essential that a system also be devised in which the meaning and validity of postsecondary
46 credentials is clear and understandable to educators, employers, and students and that
47 accurately conveys the knowledge, skills, and training obtained by an individual however and
48 wherever it is obtained.

49 (b) Board Established. – There is established the Board of Postsecondary Education
50 Credentials to be located administratively under the Community Colleges System Office;
51

1 however, the Board shall exercise all its prescribed powers independently of the Community
2 Colleges System Office. The Board shall consist of the following members:

- 3 (1) The Lieutenant Governor or the Lieutenant Governor's designee.
- 4 (2) The President of The University of North Carolina or the President's
5 designee.
- 6 (3) The President of the North Carolina Community College System or the
7 President's designee.
- 8 (4) The Superintendent of Public Instruction or the Superintendent's designee.
- 9 (5) The Commissioner of Labor or the Commissioner's designee.
- 10 (6) The Secretary of Commerce or the Secretary's designee.
- 11 (7) The President of North Carolina Independent Colleges and Universities or
12 the President's designee.
- 13 (8) The Executive Director of the Office of Proprietary Schools or the Executive
14 Director's designee.
- 15 (9) The President of the North Carolina Hospital Association or the President's
16 designee.

17 (c) Purpose. – The purpose of the Board is to review and make recommendations for
18 the development of a statewide system of postsecondary education that links industry,
19 corporations, and businesses in this State with educators, government, and community
20 organizations to identify workforce skills and training needs and to ensure that appropriate
21 courses of study and vocational training are available to North Carolinians, including those
22 preparing to pursue postsecondary education, entering the workforce, or seeking to update
23 skills and training for purposes of retaining employment and advancing in the workforce.

24 In addition, the Board shall identify alternative ways in which people gain valuable
25 workforce skills and experience, such as on-the-job training, that are not represented by
26 four-year or two-year degrees and the types of credentials used to signify competence of a
27 certain level upon successful completion of the alternative training experience. The Board shall
28 review and make recommendations on those criteria to be used to determine the value of a
29 nondegree credential, the competencies that it represents, and how it should be compared and
30 valued with regard to other types of postsecondary credentials.

31 (d) Duties. – The duties of the Board include the following:

- 32 (1) Recommend State goals and a framework for achieving those goals among
33 educators to ensure that, by 2025, the appropriate percentage, as
34 recommended by the Board, of the State's adult citizens will hold degrees,
35 certificates, or other high-quality postsecondary credentials. The Board shall
36 recommend a division of responsibility among The University of North
37 Carolina System, the State's Community College System, and any other
38 providers of postsecondary education credentials for achieving the goals
39 recommended by the Board. The Board shall periodically review the
40 progress made toward the recommended goals, evaluate the strategies
41 developed and used toward attaining those goals, and may make additional
42 recommendations.
- 43 (2) Identify the credentials that are acceptable for meeting those recommended
44 goals and recommend how the responsibility for providing the courses of
45 study and training for those credentials should be assigned among the State's
46 educators and others. In making these recommendations, consideration shall
47 be given to the fact that the individuals who need these courses of study and
48 training are of various economic levels and are also located in rural areas
49 and metropolitan areas across the State. These factors shall be taken into
50 account with regard to the location and delivery of the courses of study and
51 training programs.

1 (3) Address the issue of postsecondary credentials, the various levels of skill and
2 knowledge those credentials signify, and how to accurately convey that
3 information to employers, students and trainees, and providers of
4 postsecondary education. The Board shall consider procedures and methods
5 for recognizing skills and training needed in the workforce that an individual
6 may have obtained through military experience, through on-the-job and
7 employee-proved training, or through other life experiences.

8 (e) Chair. – The Board shall elect from the members a chair and a vice-chair for terms
9 of two years. A chair or vice-chair may serve no more than two consecutive terms in that role.

10 (f) Hire Staff and Consultants. – To the extent of funds available, the Chair of the
11 Board may, with the approval of the Board, hire staff or consultants to assist the Board in
12 carrying out its purpose and duties.

13 (g) Travel and Subsistence. – Members, staff, and consultants of the Board shall receive
14 travel and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6,
15 as appropriate.

16 (h) Meeting Space. – With the approval of the Legislative Services Commission, space
17 in the Legislative Building and the Legislative Office Building may be made available to the
18 Board.

19 (i) Frequency of Meetings and Quorum. – The Board shall meet upon the call of the
20 Chair and shall have its first meeting no later than October 1, 2017. The Board shall meet at
21 least quarterly. A majority of the members of the Board shall constitute a quorum for the
22 transaction of business.

23 (j) Reporting Requirement. – The Board shall report initially no later than March 1,
24 2018, to the Joint Legislative Education Oversight Committee regarding the goals
25 recommended by the Board pursuant to this section and the progress in meeting those goals and
26 shall report annually thereafter. The report shall include any recommendations by the Board
27 regarding legislation needed to implement this section."

28 **SECTION 9.11.(b)** Of the funds appropriated by this act for the 2017-2019 fiscal
29 biennium to the Community Colleges System Office, the sum of three hundred fifty thousand
30 dollars (\$350,000) for the 2017-2018 fiscal year and the sum of three hundred fifty thousand
31 dollars (\$350,000) for the 2018-2019 fiscal year shall be allocated to the Board of
32 Postsecondary Education Credentials to be used to cover operating expenses of the Board,
33 including expenses for staff and consultants to assist the Board in carrying out its purpose and
34 duties.

36 **CC ENROLLMENT IMPACTED BY HURRICANE MATTHEW/HOLD HARMLESS**

37 **SECTION 9.12.(a)** Of the funds appropriated by this act to the Community
38 College System Office for the 2017-2018 fiscal year, the Community College System Office
39 shall transfer the sum of two million seven hundred sixty-two thousand four hundred eighteen
40 dollars (\$2,762,418) into a budget stabilization reserve in Budget Code 16800 to be used to
41 offset the decline in community college enrollment at certain campuses for the Fall 2016 and
42 Spring 2017 semesters due to the impact of Hurricane Matthew.

43 **SECTION 9.12.(b)** Notwithstanding any other provision of law, when calculating
44 the enrollment growth budget request for the Community College System to the Director of the
45 Budget for the 2018-2019 fiscal year, the Community College System Office shall adjust
46 full-time equivalent (FTE) enrollment to reflect the 526 FTE lost due to the impact of
47 Hurricane Matthew.

49 **HIGH ACHIEVING SCHOLARSHIPS FOR TOP-PERFORMING HIGH SCHOOL** 50 **STUDENTS**

1 **SECTION 9.13.(a)** Purpose of Program. – There is created the High Achieving
2 Tuition Scholarship Program. The purposes of the High Achieving Tuition Scholarship
3 Program include the following:

- 4 (1) Encourage higher-performing students at community colleges.
- 5 (2) Utilize the State's educational resources to the fullest.
- 6 (3) Create more educational and career options for students.
- 7 (4) Realize significant cost savings to the State.
- 8 (5) Develop a more competitive workforce.

9 **SECTION 9.13.(b)** Scholarship Eligibility. – A student shall be eligible to receive
10 a High Achieving Tuition Scholarship if the student meets all of the following requirements:

- 11 (1) In the academic semester prior to enrolling in a community college,
12 graduates with at least a 3.5 unweighted grade point average from either (i) a
13 public high school located in this State or (ii) a nonpublic high school or
14 home school, as defined in Article 39 of Chapter 115C of the General
15 Statutes, located in this State.
- 16 (2) Presents evidence the student is either a United States citizen or eligible
17 noncitizen.
- 18 (3) Qualifies as a resident of this State for tuition purposes, as provided in
19 Article 14 of Chapter 116 of the General Statutes.
- 20 (4) Gains admission as a student at a North Carolina community college in a
21 curriculum program.
- 22 (5) Complies with Selective Service registration requirements.
- 23 (6) Affirmatively states the student does not have a felony conviction for a
24 controlled substance offense under Article 5 of Chapter 90 of the General
25 Statutes.

26 **SECTION 9.13.(c)** Award of Scholarships. – The Community Colleges System
27 Office shall annually award High Achieving Tuition Scholarships to all eligible students in an
28 amount not to exceed the cost of 16 credit hours of tuition per fall or spring academic semester
29 for a maximum of four academic semesters. The System Office shall contract with the State
30 Education Assistance Authority (Authority) for administration of the scholarship program. The
31 Authority shall require students to complete a Free Application for Federal Student Aid
32 (FAFSA) to be eligible for a scholarship award and shall reduce the amount of the scholarship
33 award for any student by the amount of grants or scholarships received by that student from
34 other State or federal sources. The Authority shall award scholarships to eligible students in the
35 order in which they are received. The Authority shall award scholarships beginning with the
36 fall semester of the 2018-2019 academic year to students graduating from high school in the
37 2017-2018 school year.

38 **SECTION 9.13.(d)** Scholarship Renewal. – A scholarship awarded to an eligible
39 student shall be annually renewed if the student demonstrates all of the following:

- 40 (1) A cumulative 3.0 grade point average.
- 41 (2) Completion of a minimum of 30 semester credit hours by the end of the
42 academic year.
- 43 (3) An affirmative statement the student does not have a felony conviction for a
44 controlled substance offense under Article 5 of Chapter 90 of the General
45 Statutes.

46 **SECTION 9.13.(e)** Scholarship Revocation. – A scholarship awarded to an eligible
47 student shall be revoked at the conclusion of the first semester of an academic year for any of
48 the following:

- 49 (1) Failure to maintain a course load of at least 12 credit hours.
- 50 (2) Default or unpaid refund on a student financial aid program.

1 **SECTION 9.13.(f)** Scholarship Administration. – The State Board of Community
2 Colleges and the Authority shall adopt rules for administration of the High Achieving Tuition
3 Scholarship Program.

4 **SECTION 9.13.(g)** Course Counseling and Transfer. – Community colleges shall
5 ensure that scholarship recipients are provided counseling and assistance in maintaining the
6 necessary grade point averages and selecting coursework that reflects their educational and
7 career goals. For students planning to enter a constituent institution of The University of North
8 Carolina, the State Board of Community Colleges shall ensure that credits earned by those
9 students participating in the program are transferable.

10 **SECTION 9.13.(h)** Of the funds appropriated by this act to the Community
11 Colleges System Office for the 2017-2018 fiscal year, the System Office shall use the sum of
12 fifty thousand dollars (\$50,000) for the 2017-2018 fiscal year for administrative costs related to
13 the implementation of the High Achieving Tuition Scholarship Program, including contracting
14 with the Authority for this purpose. Of the funds appropriated by this act to the Community
15 Colleges System Office for the 2018-2019 fiscal year, the System Office shall use the sum of
16 two million dollars (\$2,000,000) for the 2018-2019 fiscal year for administrative costs and
17 award of scholarships, including contracting with the Authority for this purpose. Beginning
18 with the 2018-2019 fiscal year, the System Office may use up to five percent (5%) of the
19 appropriated funds for administrative costs associated with the Program. Any unexpended
20 funds for the purposes set forth in this section shall not revert at the end of each fiscal year but
21 shall remain available to award scholarships to eligible students.

22 **SECTION 9.13.(i)** The Board of Governors of The University of North Carolina
23 shall adopt a policy to permit any student admitted to a constituent institution who receives a
24 High Achieving Tuition Scholarship to defer admission to the constituent institution for two
25 years, beginning with the 2018-2019 academic year. Deferred admission shall be contingent
26 upon the successful completion of an associate's degree and remaining in good standing in the
27 Scholarship Program while enrolled in the community college.

28 **SECTION 9.13.(j)** For the 2017-2018 school year, the State Board of Education
29 shall direct local boards of education to survey high school students in their senior year who
30 meet the eligibility requirements of the High Achieving Tuition Scholarship Program to
31 determine interest in the program, including numbers of students who intend to apply for the
32 scholarship, and reasons that eligible students may choose not to apply for the scholarship. The
33 State Board of Education shall report to the Joint Legislative Education Oversight Committee
34 no later than December 15, 2017, on the results of this survey.

35 **SECTION 9.13.(k)** The Board of Governors of The University of North Carolina
36 and the State Board of Community Colleges shall jointly identify and report to the Joint
37 Legislative Education Oversight Committee by April 1, 2020, on potential issues related to the
38 transition of High Achieving Tuition Scholarship recipients from community college to
39 university enrollment and other recommendations to improve and expand the High Achieving
40 Tuition Scholarship Program.

41 **SECTION 9.13.(l)** The State Education Assistance Authority shall report annually
42 on or before September 1, beginning in 2019, to the Joint Legislative Education Oversight
43 Committee on the implementation of the High Achieving Tuition Scholarship Program. The
44 report shall include at least the following information:

- 45 (1) Number of students applying for the scholarship, including information
46 about student demographics and geographic location.
- 47 (2) Number of students awarded the scholarship, including information about
48 student demographics and geographic location, and community college
49 attended.
- 50 (3) Amount of funds expended for scholarships.

- 1 (4) Number of students whose scholarships were revoked and reasons for
2 revocation.
3 (5) Other relevant information as determined by the Authority.
4

5 **INVEST IN SHORT-TERM WORKFORCE TRAINING**

6 **SECTION 9.14.(a)** Of the funds appropriated by this act to the Community
7 Colleges System Office for the 2017-2018 fiscal year, the System Office shall allocate funds to
8 community colleges to support short-term workforce training courses leading to industry
9 credentials. The State Board of Community Colleges shall adopt an application process for
10 community colleges to apply to receive these funds. These funds shall be allocated at the same
11 full-time equivalent (FTE) value as curriculum courses.

12 **SECTION 9.14.(b)** By April 1, 2018, the State Board of Community Colleges
13 shall submit a report on the implementation of this section to the Joint Legislative Education
14 Oversight Committee, the House Education Appropriations Committee, the Senate
15 Education/Higher Education Committee, the Fiscal Research Division, and the Office of State
16 Budget and Management.
17

18 **PART X. UNIVERSITIES**

19 **ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS** 20 **REPORT**

21 **SECTION 10.2.** The President of The University of North Carolina shall report
22 each quarter of the 2017-2019 fiscal biennium to the Office of State Budget and Management
23 and the Fiscal Research Division of the General Assembly on the status of budget stabilization
24 funds appropriated to Elizabeth City State University by this act for the purpose of supporting
25 temporary faculty, aviation science programs, and student success initiatives. The reports shall
26 provide detailed descriptions of the scope of work that has been completed to date, anticipated
27 activities for the next quarter, and a plan with time lines to complete the full scope of work. The
28 reports shall also include outcomes achieved from improvements implemented using these
29 funds. The first quarterly report required by this section shall be made no later than January 1,
30 2018.
31

32 **WESTERN SCHOOL OF ENGINEERING AND TECHNOLOGY FUNDS**

33 **SECTION 10.5.(a)** Funds appropriated for project management and curriculum
34 development at the Western School of Engineering and Technology which was funded in the
35 Connect NC Bond for the 2016-2017 fiscal year shall not revert and shall remain available for
36 the 2017-2019 fiscal biennium for the purpose of project management and curriculum
37 development.
38

39 **SECTION 10.5.(b)** This section becomes effective June 30, 2017.
40

41 **ENHANCE UNC DATA SYSTEMS TO IMPROVE INSTITUTIONAL** 42 **PERFORMANCE AND STUDENT SUCCESS**

43 **SECTION 10.6.(a)** The Board of Governors of The University of North Carolina
44 shall use funds appropriated by this act to modernize business processes, increase
45 standardization, and maximize State resources. The investment will enable better financial
46 management of The University of North Carolina and should yield, at a minimum, but not
47 limited to, cost-per-unit analysis, predictive modeling, and more timely access to actionable
48 information. Funds shall also be used to enhance data systems for the following purposes:
49 integrating financial, human resource, and student account systems across The University of
50 North Carolina System; developing new data collections systems that track faculty and staff
51 retention rates and post-graduation student outcomes; expanding "Know Before You Go" data

1 reporting; and implementing a Web-based student advising tool as part of a pilot program to be
2 known as "Finish in Four."

3 **SECTION 10.6.(b)** The President of The University of North Carolina shall report
4 on implementation of this section to the Joint Legislative Education Oversight Committee on or
5 before March 1 of each fiscal year of the 2017-2019 fiscal biennium. The report shall identify
6 specific improvements to data access, analytics, and transparency available to the public and
7 legislative and executive branch decision-makers resulting from this project.

8 9 **UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS**

10 **SECTION 10.7.(a)** The funds appropriated by this act from the Escheat Fund for
11 the 2017-2019 fiscal biennium for student financial aid shall be allocated in accordance with
12 G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if
13 the interest income generated from the Escheat Fund is less than the amounts referenced in this
14 act, the difference may be taken from the Escheat Fund principal to reach the appropriations
15 referenced in this act; however, under no circumstances shall the Escheat Fund principal be
16 reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat
17 Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year,
18 the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the
19 amount of the Escheat Fund income for that fiscal year.

20 **SECTION 10.7.(b)** The State Education Assistance Authority (SEAA) shall
21 conduct periodic evaluations of expenditures of the student financial aid programs administered
22 by SEAA to determine if allocations are utilized to ensure access to institutions of higher
23 learning and to meet the goals of the respective programs. The SEAA may make
24 recommendations for redistribution of funds to the President of The University of North
25 Carolina and the President of the Community College System regarding their respective student
26 financial aid programs, who then may authorize redistribution of unutilized funds for a
27 particular fiscal year.

28 29 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

30 **SECTION 10.8.(a)** The Board of Governors shall develop a new plan for
31 implementing the management flexibility reduction for The University of North Carolina that is
32 more inclusive of all of the constituent institutions, departments, services, and other entities of
33 the University of North Carolina System. In allocating the management flexibility reduction, no
34 constituent institution shall be disproportionately singled out. The constituent institutions and
35 other entities listed in subsection (b) of this section shall be excluded from the management
36 flexibility reduction.

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

- 39 (1) Reducing State funding for centers and institutes, speaker series, and other
40 nonacademic activities.
- 41 (2) Faculty workload adjustments.
- 42 (3) Restructuring of research activities.
- 43 (4) Implementing cost-saving span of control measures.
- 44 (5) Reducing the number of senior and middle management positions.
- 45 (6) Eliminating low-performing, redundant, or low-enrollment programs.
- 46 (7) Using alternative funding sources.
- 47 (8) Protecting direct classroom services.

48 The Board of Governors and the campuses of the constituent institutions also shall
49 review the institutional trust funds and the special funds held by or on behalf of The University
50 of North Carolina and its constituent institutions to determine whether there are monies
51 available in those funds that can be used to assist with operating costs. In addition, the

1 campuses of the constituent institutions also shall require their faculty to have a teaching
2 workload equal to the national average in their Carnegie classification.

3 **SECTION 10.8.(b)** In allocating the management flexibility reduction, no
4 reduction in State funds shall be allocated to any of the following:

- 5 (1) NC School of Science and Mathematics.
- 6 (2) University of North Carolina School of the Arts.
- 7 (3) Any entity receiving less than one and one-half percent (1.5%) of the annual
8 net General Fund appropriation for The University of North Carolina.
- 9 (4) Any need-based financial aid.

10 **SECTION 10.8.(c)** The Board of Governors shall submit its management
11 flexibility reduction plan revised pursuant to subsections (a) and (b) of this section for the
12 2017-2019 fiscal biennium to the 2017 General Assembly within 60 days of the date this
13 section becomes effective.

14 **IN-STATE TUITION FOR VETERANS/COMPLIANCE WITH FEDERAL LAW**

15 **SECTION 10.11.** G.S. 116-143.3A reads as rewritten:

16 **"§ 116-143.3A. Waiver of 12-month residency requirement for certain veterans and other**
17 **individuals entitled to federal education benefits under 38 U.S.C. Chapter 30 or**
18 **38 U.S.C. Chapter 33.**

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

- 20 (1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).
- 21 (2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).
- 22 (3) Veteran. – A person who served active duty for not less than 90 days in the
23 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,
24 or the National Oceanic and Atmospheric Administration and who was
25 discharged or released from such service.

26 (b) Waiver of 12-Month Residency Requirement for Veteran. – Any veteran who
27 qualifies for admission to an institution of higher education as defined in G.S. 116-143.1(a)(3)
28 is eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment
29 without satisfying the 12-month residency requirement under G.S. 116-143.1, provided the
30 veteran meets all of the following criteria:

- 31 (1) The veteran applies for admission to the institution of higher education and
32 enrolls within three years of the veteran's discharge or release from the
33 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,
34 or the National Oceanic and Atmospheric Administration.
- 35 (2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C.
36 Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance
37 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as
38 administered by the U.S. Department of Veterans Affairs.
- 39 (3) The veteran's abode is North Carolina.
- 40 (4) The veteran provides the institution of higher education at which the veteran
41 intends to enroll a letter of intent to establish residence in North Carolina.

42 (c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38
43 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational
44 benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the
45 in-State tuition rate and applicable mandatory fees for enrollment without satisfying the
46 12-month residency requirement under G.S. 116-143.1, if the person meets all of the following
47 criteria:

- 48 (1) The person qualifies for admission to the institution of higher education as
49 defined in G.S. 116-143.1(a)(3) ~~and~~ and, with the exception of individuals
50 described in subsections (c1) and (c2) of this section, enrolls in the
51

1 institution of higher education within three years of the veteran's discharge
2 or release from the Armed Forces, the Commissioned Corps of the U.S.
3 Public Health Service, or the National Oceanic and Atmospheric
4 Administration.

5 (2) The person is the recipient of federal educational benefits pursuant to 38
6 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance
7 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as
8 administered by the U.S. Department of Veterans Affairs.

9 (3) The person's abode is North Carolina.

10 (4) The person provides the institution of higher education at which the person
11 intends to enroll a letter of intent to establish residence in North Carolina.

12 (c1) Recipients using transferred Post-9/11 GI Bill benefits (38 U.S.C. § 3319) while the
13 transferor is on active duty in the Armed Forces, the commissioned corps of the U.S. Public
14 Health Service, or the National Oceanic and Atmospheric Administration are eligible for the
15 in-State tuition rate, provided the recipient's abode is in North Carolina and the recipient
16 provides the institution of higher education a letter of intent to establish residency in North
17 Carolina.

18 (c2) Recipients of the Marine Gunnery Sergeant John David Fry Scholarship (38 U.S.C.
19 § 3311(b)(9)), whose parent or spouse died in the line of duty, without regard as to whether the
20 death in the line of duty followed a period of active duty service of 90 days or more, are
21 eligible to receive in-State tuition under this section, provided the recipient's abode is in North
22 Carolina and the recipient provides the institution of higher education a letter of intent to
23 establish residency in North Carolina.

24 (d) After the expiration of the three-year period following discharge ~~or death~~ as
25 described in 38 U.S.C. § 3679(c), any enrolled veteran entitled to federal educational benefits
26 under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other enrolled individual
27 described in subsection (c) of this section entitled to federal educational benefits under 38
28 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who is eligible for in-State tuition under this section
29 shall continue to be eligible for the in-State tuition rate so long as the covered individual
30 remains continuously enrolled (other than during regularly scheduled breaks between courses,
31 quarters, terms, or semesters) at that institution of higher education."
32

33 SENIOR CITIZENS MAY AUDIT COURSES AT UNC AND COMMUNITY 34 COLLEGES

35 SECTION 10.12.(a) Chapter 115B of the General Statutes is amended by adding a
36 new section to read:

37 "§ 115B-2B. Senior citizens may audit classes.

38 Any person who is at least 65 years old may audit courses offered at the constituent
39 institutions of The University of North Carolina and the Community Colleges as defined in
40 G.S. 115D-2(2) without payment of any required registration or enrollment fee for the audit
41 provided the audit is approved by the instructor of the class and there is no cost to the State. A
42 person shall be allowed to audit a class under this section only on a space available basis.
43 Persons auditing classes under this section shall not be counted in the computation of
44 enrollment for funding purposes."

45 SECTION 10.12.(b) G.S. 115B-4 reads as rewritten:

46 "§ 115B-4. Enrollment computation for funding purposes.

47 Persons—Except as provided in G.S. 115B-2B, persons attending classes under the
48 provisions of this Chapter, without payment of tuition, shall be counted in the computation of
49 enrollment for funding purposes."

50 SECTION 10.12.(c) This section becomes effective July 1, 2017, and applies
51 beginning with the 2017 fall academic semester.

1
2 **BOARD OF GOVERNORS STUDIES/ESTABLISH SCHOOL OF HEALTH SCIENCES**
3 **AND HEALTH CARE AT UNC-PEMBROKE AND ESTABLISH PHYSICIAN**
4 **ASSISTANT PROGRAM, CHIROPRACTIC MEDICINE PROGRAM, AND A**
5 **PILOT PROGRAM FOR BASIC LAW ENFORCEMENT TRAINING AT WSSU**

6 **SECTION 10.14.(a)** The Board of Governors of The University of North Carolina
7 shall study the feasibility of establishing a School of Health Sciences and Health Care at the
8 University of North Carolina at Pembroke. In its study, the Board of Governors shall consider
9 the health care needs of the region and what health science and health care programs would
10 best serve the region and meet its health care needs. The Board of Governors shall also
11 consider the costs and financial benefits of establishing a School of Health Sciences and Health
12 Care.

13 The Board of Governors shall submit a report on the study, including its findings
14 and recommendations, by March 1, 2018, to the members of the Senate and the House of
15 Representatives, by filing a copy of the report with the Office of the President Pro Tempore of
16 the Senate, the Office of the Speaker of the House of Representatives, and the Legislative
17 Library.

18 **SECTION 10.14.(b)** Of the funds appropriated by this act to the Board of
19 Governors of The University of North Carolina for the 2017-2018 fiscal year, the Board may
20 use up to one hundred thousand dollars (\$100,000) to cover the costs of the study required by
21 subsection (a) of this section.

22 **SECTION 10.14.(c)** The Board of Governors of The University of North Carolina
23 shall study the feasibility of establishing the following programs at Winston-Salem State
24 University: a Physician Assistant Program, a Chiropractic Medicine Program, and a pilot
25 program for Basic Law Enforcement Training. In its study, the Board of Governors shall
26 consider the costs and financial benefits of establishing these programs at Winston-Salem State
27 University.

28 The Board of Governors shall submit a report on the study, including its findings
29 and recommendations, by March 1, 2018, to the members of the Senate and the House of
30 Representatives, by filing a copy of the report with the Office of the President Pro Tempore of
31 the Senate, the Office of the Speaker of the House of Representatives, and the Legislative
32 Library.

33
34 **UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS**

35 **SECTION 10.15.** Of the funds appropriated by this act to the Board of Governors
36 of The University of North Carolina, the Board of Governors shall use twenty-nine million
37 dollars (\$29,000,000) for the 2017-2018 fiscal year and twenty-nine million dollars
38 (\$29,000,000) for the 2018-2019 fiscal year to support UNC-related activities at the North
39 Carolina Research Campus at Kannapolis.

40
41 **CERTAIN EMPLOYMENT AUTHORITY**

42 **SECTION 10.17.** G.S. 116-11 is amended by adding a new subdivision to read:

43 **"§ 116-11. Powers and duties generally.**

44 The powers and duties of the Board of Governors shall include the following:

45 ...

46 (13b) The Board may authorize the hiring of private counsel to represent the
47 Board, The University of North Carolina, and any constituent institution.
48 G.S. 114-2.3 and G.S. 147-17 shall not apply to these actions.

49"

50
51 **LIMIT NC PROMISE TUITION RATE TO NC RESIDENTS**

1 **SECTION 10.18.(a)** G.S. 116-143.11(a) reads as rewritten:

2 "(a) The NC Promise Tuition Plan shall be established and implemented as provided by
3 this section. Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The
4 University of North Carolina shall set the rate of undergraduate tuition for Elizabeth City State
5 University, the University of North Carolina at Pembroke, and Western Carolina University as
6 follows: beginning with the 2018 fall academic semester, the rate of tuition for students deemed
7 to be North Carolina residents for purposes of tuition shall be five hundred dollars (\$500.00)
8 per academic semester and the rate of tuition for nonresident students shall be two thousand
9 five hundred dollars (\$2,500) per academic semester. The rate of tuition for
10 nonresident students shall be fixed pursuant to G.S. 116-144."

11 **SECTION 10.18.(b)** G.S. 116-144 reads as rewritten:

12 "**§ 116-144. Higher tuition to be charged nonresidents.**

13 ~~Unless provided otherwise by law, the~~ The Board of Governors shall fix the tuition and
14 required fees charged nonresidents of North Carolina who attend the institutions enumerated in
15 G.S. 116-4 at rates higher than the rates charged residents of North Carolina and comparable to
16 the rates charged nonresident students by comparable public institutions nationwide, except that
17 a person who serves as a graduate teaching assistant or graduate research assistant or in a
18 similar instructional or research assignment and is at the same time enrolled as a graduate
19 student in the same institution may, in the discretion of the Board of Governors, be charged a
20 lower rate fixed by the Board, provided the rate is not lower than the North Carolina resident
21 rate."
22

23 **"FINISH IN FOUR" AND "STUDENT SUCCESS INITIATIVES" REPORTING** 24 **REQUIREMENTS**

25 **SECTION 10.19.(a)** The University of North Carolina General Administration
26 shall report to the Joint Legislative Education Oversight Committee regarding "Finish in Four"
27 which is a pilot program for the implementation of a particular type of software that functions
28 as a digital advising tool and is designed to help a student select the right academic courses at
29 the right time to ensure the timely completion of a degree. The initial report shall be submitted
30 by December 1, 2017, and shall include the institutions selected to participate in the pilot
31 program and the vendor selected for the software. A progress report shall be submitted no later
32 than May 1, 2019, and shall include an evaluation of the utilization of the software and the
33 success of the program.

34 **SECTION 10.19.(b)** The University of North Carolina General Administration
35 shall report to the Joint Legislative Education Oversight Committee regarding the "Student
36 Success Innovation Initiative" which is a competitive grant program that awards grants to
37 institutions to implement or scale a strategy designed to do the following: enhance student
38 advising and coaching, leverage technology to redesign courses with high withdrawal and
39 failure rates, and provide peer-to-peer tutoring and academic support. The initial report shall be
40 submitted by March 15, 2018, and shall include the institutions selected to receive grants and
41 the vendor selected for the software. A final report shall be submitted by March 15, 2019, and
42 shall include the strategies implemented, the amount of funds awarded to each recipient, and
43 the progress made with regard to students' academic success.
44

45 **UNC COMPUTER COMPATIBILITY**

46 **SECTION 10.20.** The President of The University of North Carolina shall work
47 with the Department of Information Technology to ensure, to the extent practicable, that The
48 University of North Carolina computer systems are able to share data among computer systems
49 at the constituent institutions, community colleges, Department of Public Instruction, and other
50 State agencies.
51

UNC CYBERSECURITY

SECTION 10.21.(a) The President of The University of North Carolina, in collaboration with the Department of Information Technology or other cybersecurity consultant selected by the President, shall review the existing security for the information technology systems and associated data of The University of North Carolina System to determine whether the cybersecurity and risk management services supporting the System's network are sufficient or whether expansion is needed. The review shall include an evaluation of all of the following: (i) continuous monitoring and risk assessment; (ii) security policy, implementation of security programs and effective security controls, and ongoing support for operating security governance; and (iii) security training and education services for faculty, staff, and administrators. The President shall take appropriate measures to address any potential problems or issues identified by the review.

SECTION 10.21.(b) Each constituent institution shall conduct a review of the existing security for the information technology systems and associated data of the constituent institution to determine whether the cybersecurity and risk management services supporting the System's network are sufficient or whether expansion is needed. The review shall include an evaluation of (i) continuous monitoring and risk assessment; (ii) security policy, implementation of security programs and effective security controls, and ongoing support for operating security governance; and (iii) security training and education services for faculty, staff, and administrators. The Chancellor of the constituent institution shall take appropriate measures to address any potential problems or issues identified by the review.

SUBPART X-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY**SOFTWARE FOR ADMINISTRATION OF THE OPPORTUNITY SCHOLARSHIP AND SPECIAL EDUCATION SCHOLARSHIP PROGRAMS**

SECTION 10A.1.(a) Notwithstanding G.S. 115C-562.8, of the funds appropriated by this act for the Opportunity Scholarship Grant Fund Reserve for the 2017-2018 fiscal year, the North Carolina State Education Assistance Authority (Authority) may use up to one million eight hundred thousand dollars (\$1,800,000) in nonrecurring funds for the 2017-2018 fiscal year to purchase software necessary to support the administration of the Opportunity Scholarship Grant Program and the Special Education Scholarships for Children with Disabilities Program. These funds may also be used for customization of the software, development of interfaces with other internal systems, conversion of data, and training for staff on the new software system.

SECTION 10A.1.(a1) The Authority shall work with the Department of Information Technology to ensure, to the extent practicable, that the Authority's computer systems are able to share data among computer systems at The University of North Carolina and constituent institutions, the North Carolina Community College System, the Department of Public Instruction, and other State agencies.

SECTION 10A.1.(b) The Authority shall report by October 1 of each year, beginning October 1, 2017, and ending October 1, 2018, to the Fiscal Research Division and the Joint Legislative Education Oversight Committee on the acquisition of software for administration of the program and all aspects of implementation of the software system and the expenditure of funds.

ELIMINATE SCHOOL SITE SCHOLARSHIP ENDORSEMENT REQUIREMENT

SECTION 10A.2.(a) G.S. 115C-112.6(b1)(1)a. reads as rewritten:

- "a. Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's

1 parents or guardians for tuition to attend a nonpublic school that
 2 meets the requirements of Part 1 or Part 2 of Article 39 of this
 3 Chapter as identified by the Department of Administration, Division
 4 of Nonpublic Education, is deemed eligible by the Division, and is
 5 subject to the requirements of G.S. 115C-562.5. The parent or
 6 guardian shall restrictively endorse the scholarship funds awarded to
 7 the eligible student ~~to the school~~ for deposit into the account of the
 8 ~~school~~ nonpublic school to the credit of the eligible student. The
 9 parent or guardian shall not designate any entity or individual
 10 associated with the school as the parent's attorney-in-fact to endorse
 11 the scholarship funds ~~but shall endorse the scholarship funds in~~
 12 ~~person at the site of the school funds.~~ A parent's or guardian's failure
 13 to comply with this section shall result in forfeiture of the scholarship
 14 funds. A scholarship forfeited for failure to comply with this section
 15 shall be returned to the Authority to be awarded to another student."

16 **SECTION 10A.2.(b)** G.S. 115C-562.6 reads as rewritten:

17 **"§ 115C-562.6. Scholarship endorsement.**

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

29 **SECTION 10A.2.(c)** This section applies to scholarship funds awarded beginning
 30 with the 2017-2018 school year.

31
 32 **NORTH CAROLINA TEACHING FELLOWS**

33 **SECTION 10A.3.(a)** Article 23 of Chapter 116 of the General Statutes is amended
 34 by adding a new Part to read:

35 "Part 3. North Carolina Teaching Fellows Program.

36 **"§ 116-209.60. Definitions.**

37 The following definitions apply in this Part:

- 38 (1) Commission. – The North Carolina Teaching Fellows Commission.
- 39 (2) Director. – The Director of the North Carolina Teaching Fellows Program.
- 40 (3) Forgivable loan. – A forgivable loan made under the Program.
- 41 (4) Program. – The North Carolina Teaching Fellows Program.
- 42 (5) Public school. – An elementary or secondary school located in North
 43 Carolina that is governed by a local board of education, charter school board
 44 of directors, regional school board of directors, or University of North
 45 Carolina laboratory school board of trustees.
- 46 (6) STEM. – Science, technology, engineering, and mathematics.
- 47 (7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund.

48 **"§ 116-209.61. North Carolina Teaching Fellows Commission established; membership.**

49 (a) Commission Established. – There is established the North Carolina Teaching
 50 Fellows Commission. The Commission shall determine program and forgivable loan recipient
 51 selection criteria and selection procedures and shall select the recipients to receive forgivable

1 loans under the North Carolina Teaching Fellows Program in accordance with the requirements
2 of this Part. The Director of the North Carolina Teaching Fellows Program shall appoint staff to
3 the Commission.

4 (b) Membership. – The Commission shall consist of 14 members who shall be
5 appointed or serve as ex officio members as follows:

6 (1) The Board of Governors of The University of North Carolina shall appoint
7 seven members to the Commission as follows:

8 a. Two deans of approved schools of education at postsecondary
9 constituent institutions of The University of North Carolina.

10 b. The president of a North Carolina community college.

11 c. A teacher who graduated from an approved educator preparation
12 program located in the State within three years of appointment to
13 serve on the Commission.

14 d. A principal who graduated from an approved educator preparation
15 program located in the State.

16 e. A local board of education member.

17 f. A member to represent business and industry in North Carolina.

18 (2) The General Assembly shall appoint two members to the Commission in
19 accordance with G.S. 120-121 as follows:

20 a. One dean of an approved school of education at a private
21 postsecondary institution operating in the State upon the
22 recommendation of the Speaker of the House of Representatives.

23 b. One dean of an approved school of education at a private
24 postsecondary institution operating in the State upon the
25 recommendation of the President Pro Tempore of the Senate.

26 (3) The following five members shall serve as ex officio members to the
27 Commission:

28 a. The North Carolina Teacher of the Year.

29 b. The North Carolina Principal of the Year.

30 c. The North Carolina Superintendent of the Year.

31 d. The chair of the Board of the State Education Assistance Authority.

32 e. The Director of the North Carolina Teaching Fellows Program.

33 (c) Terms of Office. – Appointments to the Commission shall be for two-year terms,
34 expiring on July 1 in odd-numbered years. Members serving ex officio, other than the chair of
35 the Board of the State Education Assistance Authority and Director of the North Carolina
36 Teaching Fellows Program, who have otherwise completed their term of service, shall continue
37 to serve on the Commission until July 1, annually.

38 (d) Vacancies. – Except as otherwise provided, if a vacancy occurs in the membership
39 of the Commission, the appointing authority shall appoint another person meeting the same
40 qualifications to serve for the balance of the unexpired term.

41 (e) Chair; Meetings. – The Director of the Program shall call the first meeting of the
42 Commission. The Commission members shall elect a chair and a vice-chair from the
43 membership of the Commission to serve one-year terms. The Commission shall meet regularly
44 at times and places deemed necessary by the chair or, in the absence of the chair, by the
45 vice-chair.

46 (f) Conflict of Interest. – A member of the Commission shall abstain from voting on
47 the selection of an educator preparation program of a postsecondary constituent institution of
48 The University of North Carolina or a private postsecondary institution operating in the State
49 under G.S. 116-209.62(f) if the member is an officer or employee of the institution or sits as a
50 member of the institution's board of directors.

1 (g) Expenses. – Commission members shall receive per diem, subsistence, and travel
2 allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

3 **"§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

4 (a) Program. – There is established the North Carolina Teaching Fellows Program to be
5 administered by the General Administration of The University of North Carolina, in
6 conjunction with the Authority and the Commission. The purpose of the Program is to recruit,
7 prepare, and support students residing in or attending institutions of higher education located in
8 North Carolina for preparation as highly effective STEM or special education teachers in the
9 State's public schools. The Program shall be used to provide a forgivable loan to individuals
10 interested in preparing to teach in the public schools of the State in STEM or special education
11 licensure areas.

12 (b) Trust Fund. – There is established the North Carolina Teaching Fellows Program
13 Trust Fund to be administered by the Authority, in conjunction with the General Administration
14 of The University of North Carolina. All funds (i) appropriated to, or otherwise received by, the
15 Program for forgivable loans, (ii) received as repayment of forgivable loans, and (iii) earned as
16 interest on these funds shall be placed in the Trust Fund. The purpose of the Trust Fund is to
17 provide financial assistance to qualified students for completion of teacher education and
18 licensure programs to fill STEM or special education licensure areas in the public schools of
19 the State.

20 (c) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only
21 for (i) forgivable loans granted under the Program, (ii) administrative costs associated with the
22 Program, including recruitment and recovery of funds advanced under the Program, and (iii)
23 extracurricular enhancement activities of the Program. The Authority may use up to six
24 hundred thousand dollars (\$600,000) from the Trust Fund in each fiscal year for its
25 administrative costs, the salary of the Director of the Program, expenses of the Commission,
26 and to provide the Commission with funds to use for the extracurricular enhancement activities
27 of the Program.

28 (d) Director of the Program. – The Board of Governors of The University of North
29 Carolina shall appoint a Director of the Program. The Director shall appoint staff to the
30 Commission and shall be responsible for recruitment and coordination of the Program,
31 including proactive, aggressive, and strategic recruitment of potential recipients. Recruitment
32 activities shall include (i) targeting regions of the State with the highest teacher attrition rates
33 and teacher recruitment challenges, (ii) actively engaging with educators, business leaders,
34 experts in human resources, elected officials, and other community leaders throughout the
35 State, and (iii) attracting candidates in STEM and special education licensure areas to the
36 Program. The Director shall report to the President of The University of North Carolina. The
37 Authority shall provide office space and clerical support staff, as necessary, to the Director for
38 the Program.

39 (e) Student Selection Criteria for Forgivable Loans. – The Commission shall adopt
40 stringent standards for awarding forgivable loans based on multiple measures to ensure that
41 only the strongest applicants receive them, including the following:

42 (1) Grade point averages.

43 (2) Performance on relevant career and college readiness assessments.

44 (3) Experience, accomplishments, and other criteria demonstrating qualities
45 positively correlated with highly effective teachers, including excellent
46 verbal and communication skills.

47 (4) Demonstrated commitment to serve in a STEM or special education
48 licensure area in North Carolina public schools.

49 (f) Program Selection Criteria. – The Authority shall administer the Program in
50 cooperation with five institutions of higher education with approved educator preparation
51 programs selected by the Commission that represent both postsecondary constituent institutions

1 of The University of North Carolina and private postsecondary institutions operating in the
2 State. The Commission shall adopt stringent standards for selection of the most effective
3 educator preparation programs, including the following:

- 4 (1) Demonstrates high rates of educator effectiveness on value-added models
5 and teacher evaluations, including using performance-based, subject-specific
6 assessment and support systems, such as edTPA or other metrics of
7 evaluating candidate effectiveness that have predictive validity.
- 8 (2) Demonstrates measurable impact of prior graduates on student learning,
9 including impact of graduates teaching in STEM or special education
10 licensure areas.
- 11 (3) Demonstrates high rates of graduates passing exams required for teacher
12 licensure.
- 13 (4) Provides curricular and co-curricular enhancements in leadership, facilitates
14 learning for diverse learners, and promotes community engagement,
15 classroom management, and reflection and assessment.
- 16 (5) Requires at least a minor concentration of study in the subject area that the
17 candidate may teach.
- 18 (6) Provides early and frequent internship or practical experiences, including the
19 opportunity for participants to perform practicums in diverse school
20 environments.
- 21 (7) Is approved by the State Board of Education as an educator preparation
22 program.

23 (g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to
24 selected students to be used at the five selected institutions for completion of a program leading
25 to teacher licensure as follows:

- 26 (1) North Carolina high school seniors. – Forgivable loans of up to eight
27 thousand two hundred fifty dollars (\$8,250) per year for up to four years.
- 28 (2) Students applying for transfer to a selected educator preparation program at
29 an institution of higher education. – Forgivable loans of up to eight thousand
30 two hundred fifty dollars (\$8,250) per year for up to three years.
- 31 (3) Individuals currently holding a bachelor's degree seeking preparation for
32 teacher licensure. – Forgivable loans of up to eight thousand two hundred
33 fifty dollars (\$8,250) per year for up to two years.
- 34 (4) Students matriculating at institutions of higher education who are changing
35 to enrollment in a selected educator preparation program. – Forgivable loans
36 of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to
37 two years.

38 Forgivable loans may be used for tuition, fees, and the cost of books.

39 (h) Identification of STEM and Special Education Licensure Areas. – The
40 Superintendent of Public Instruction shall identify and provide to the Commission and the
41 Authority a list of STEM and special education licensure areas and shall annually provide to
42 the Commission the number of available positions in each licensure area relative to the number
43 of current and anticipated teachers in that area of licensure. The Commission shall make the list
44 of STEM and special education licensure areas readily available to applicants.

45 (i) Administration of Forgivable Loan Awards. – Upon the naming of recipients of the
46 forgivable loans by the Commission, the Commission shall transfer to the Authority its
47 decisions. The Authority, in coordination with the Director, shall perform all of the
48 administrative functions necessary to implement this Part, which functions shall include rule
49 making, disseminating information, acting as a liaison with participating institutions of higher
50 education, implementing forgivable loan agreements, loan monitoring, loan cancelling through
51 service and collection, determining the acceptability of service repayment agreements,

1 enforcing the agreements, and all other functions necessary for the execution, payment, and
2 enforcement of promissory notes required under this Part.

3 (j) Annual Report. – The Commission, in coordination with the Authority, shall report
4 no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education
5 Oversight Committee regarding the following:

6 (1) Forgivable loans awarded from the Trust Fund, including the following:

7 a. Demographic information regarding recipients.

8 b. Number of recipients by institution of higher education and program.

9 c. Information on number of recipients by anticipated STEM and
10 special education licensure area.

11 (2) Placement and repayment rates, including the following:

12 a. Number of graduates who have been employed in a STEM or special
13 education licensure area within two years of program completion.

14 b. Number of graduates who accepted employment at a low-performing
15 school identified under G.S. 115C-105.37 as part of their years of
16 service.

17 c. Number of graduates who have elected to do loan repayment and
18 their years of service, if any, prior to beginning loan repayment.

19 d. Number of graduates employed in a STEM or special education
20 licensure area who have received an overall rating of at least
21 accomplished and have met expected growth on applicable standards
22 of the teacher evaluation instrument.

23 e. Aggregate information on student growth and proficiency in courses
24 taught by graduates who have fulfilled service requirements through
25 employment in a STEM or special education licensure area.

26 (3) Selected school outcomes by program, including the following:

27 a. Turnover rate for forgivable loan graduates.

28 b. Aggregate information on student growth and proficiency as
29 provided annually by the State Board of Education to the
30 Commission in courses taught by forgivable loan graduates.

31 c. Fulfillment rate of forgivable loan graduates.

32 **§ 116-209.63. Terms of forgivable loans; receipt and disbursement of funds.**

33 (a) Notes. – All forgivable loans shall be evidenced by notes made payable to the
34 Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the
35 Authority and beginning on the first day of September after the completion of the program
36 leading to teacher licensure or 90 days after termination of the forgivable loan, whichever is
37 earlier. The forgivable loan may be terminated upon the recipient's withdrawal from school or
38 by the recipient's failure to meet the standards set by the Commission.

39 (b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the
40 loan if, within 10 years after graduation from a program leading to teacher licensure, exclusive
41 of any authorized deferment for extenuating circumstances, the recipient serves as a teacher in a
42 STEM or special education licensure area, as provided in G.S. 116-209.62(h), for every year
43 the teacher was awarded the forgivable loan, in any combination of the following:

44 (1) One year at a North Carolina public school identified as low-performing
45 under G.S. 115C-105.37 at the time the teacher accepts employment at the
46 school or, if the teacher changes employment during this period, at another
47 school identified as low-performing.

48 (2) Two years at a North Carolina public school not identified as
49 low-performing under G.S. 115C-105.37.

50 The Authority shall also forgive the loan if it finds that it is impossible for the recipient to
51 work for up to eight years, within 10 years after completion of the program leading to teacher

1 licensure, at a North Carolina public school because of the death or permanent disability of the
2 recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be
3 repaid within 10 years after completion of the program leading to teacher licensure supported
4 by the forgivable loan. If the recipient completes a program leading to teacher licensure,
5 payment of principal and interest shall begin no later than the first day of September after the
6 completion of the program. Should a recipient present extenuating circumstances, the Authority
7 may extend the period to repay the loan in cash to no more than a total of 12 years."

8 **SECTION 10A.3.(b)** Initial appointments to the North Carolina Teaching Fellows
9 Commission shall be made no later than August 15, 2017. Initial appointments to the
10 Commission shall expire July 1, 2019.

11 **SECTION 10A.3.(c)** The Commission shall establish initial selection criteria for
12 recipients and select the five institutions of higher education with approved educator
13 preparation programs at which a recipient may use a forgivable loan no later than November
14 15, 2017, and shall make available applications to prospective students no later than December
15 31, 2017.

16 **SECTION 10A.3.(d)** The Superintendent of Public Instruction shall establish the
17 list of STEM and special education licensure areas and provide that information to the
18 Commission and Authority no later than October 1, 2017.

19 **SECTION 10A.3.(e)** The Commission shall select recipients and award the initial
20 forgivable loans for the 2018-2019 academic year no later than April 1, 2018.

21 **SECTION 10A.3.(f)** G.S. 115C-472.16(b) reads as rewritten:

22 "(b) The General Assembly shall only appropriate moneys in the North Carolina
23 Education Endowment Fund for ~~teacher compensation that is related directly to improving~~
24 ~~student academic outcomes in the public schools of the State.~~ the forgivable loans for the North
25 Carolina Teaching Fellows Program and administration of the North Carolina Teaching
26 Fellows Program under Part 3 of Article 23 of Chapter 116 of the General Statutes."

27 **SECTION 10A.3.(g)** G.S. 116-209.27(a) reads as rewritten:

28 "(a) The Authority shall, as of March 1, 2015, administer all outstanding scholarship
29 loans previously awarded by the former North Carolina Teaching Fellows Commission and
30 subject to repayment under the former Teaching Fellows ~~Program~~ Program administered
31 pursuant to Part 2 of Article 24C of Chapter 115C of the General Statutes."

32 **SECTION 10A.3.(h)** For the 2017-2018 fiscal year, the Department of Public
33 Instruction shall transfer the sum of four hundred fifty thousand dollars (\$450,000) in
34 nonrecurring funds from the North Carolina Education Endowment Fund to the Board of
35 Governors of The University of North Carolina to allocate to the Authority to be used to
36 implement the North Carolina Teaching Fellows Program (Program), as established by this
37 section. Beginning with the 2018-2019 fiscal year, the Department of Public Instruction shall
38 transfer the sum of six million dollars (\$6,000,000) in recurring funds from the North Carolina
39 Education Endowment Fund to the Board of Governors to be allocated to the Authority for the
40 operation of the Program and for the award of forgivable loans to selected recipients beginning
41 with the 2018-2019 academic year.

42 **SECTION 10A.3.(i)** Notwithstanding G.S. 115C-472.16, of the funds available in
43 the North Carolina Education Endowment Fund (Fund) for the 2017-2018 fiscal year, the sum
44 of six million one hundred forty-five thousand four hundred sixty-one dollars (\$6,145,461) in
45 nonrecurring funds for the 2017-2018 fiscal year shall be transferred from the Fund to the
46 Department of Public Instruction to be used to support the supervision and administration of the
47 public school system.

49 **AMEND TRANSFORMING PRINCIPAL PREPARATION**

50 **SECTION 10A.5.** Section 11.9 of S.L. 2015-241, as amended by Section 11A.4 of
51 S.L. 2016-94 and by Section 4.3 of S.L. 2016-123, reads as rewritten:

1 **"SECTION 11.9.(a)** Purpose. – The purpose of this section is to establish a competitive
2 grant program for eligible entities to elevate educators in North Carolina public schools by
3 transforming the preparation of principals across the State. The State Education Assistance
4 Authority (Authority) shall administer this grant program through a cooperative agreement with
5 a private, nonprofit corporation to provide funds for the preparation and support of highly
6 effective future school principals in North Carolina.

7 **"SECTION 11.9.(b)** Definitions. – For the purposes of this section, the following
8 definitions apply:

9 (1) Eligible entity. – A for-profit or nonprofit organization or an institution of
10 higher education that has an evidence-based plan for preparing school
11 leaders who implement school leadership practices linked to increased
12 student achievement.

13 (2) High-need school. – A public school, including a charter school, that meets
14 one or more of the following criteria:

15 a. Is a school identified under Part A of Title I of the Elementary and
16 Secondary Education Act of 1965, as amended.

17 b. Is a persistently low-achieving school, as identified by the
18 Department of Public Instruction for purposes of federal
19 accountability.

20 c. A middle school containing any of grades five through eight that
21 feeds into a high school with less than a sixty percent (60%)
22 four-year cohort graduation rate.

23 d. A high school with less than a sixty percent (60%) four-year cohort
24 graduation rate.

25 (3) Principal. – The highest administrative official in a public school building
26 with primary responsibility for the instructional leadership, talent
27 management, and organizational development of the school.

28 (4) School leader. – An individual employed in a school leadership role,
29 including principal or assistant principal roles.

30 (5) Student achievement. – At the whole school level, after three years of
31 leading a school, consistent and methodologically sound measures of:

32 a. Student academic achievement.

33 b. Aggregated individual student academic growth.

34 c. Additional outcomes, such as high school graduation rates, the
35 percentage of students taking advanced-level coursework, or the
36 percentage of students who obtain a career-related credential through
37 a national business certification exam.

38 **"SECTION 11.9.(c)** Program Authorized. – The Authority shall award grants to eligible
39 entities to support programs that develop well-prepared school leaders in accordance with the
40 provisions of this section. The Authority shall establish any necessary rules to administer the
41 grant program.

42 **"SECTION 11.9.(d)** Contract With a Nonprofit for Administration. – By November 1,
43 2015, the Authority shall issue a Request for Proposal (RFP) for a private, nonprofit
44 corporation to contract with the Authority for the administration of the program, including
45 making recommendations to the Authority for the award of grants, as authorized by this
46 section. The nonprofit corporation applying to the Authority shall meet at least the following
47 requirements:

48 (1) The nonprofit corporation shall be a nonprofit corporation organized
49 pursuant to Chapter 55A of the General Statutes and shall comply at all
50 times with the provisions of section 501(c)(3) of the Internal Revenue Code.

- 1 (2) The nonprofit corporation shall employ sufficient staff who have
2 demonstrated a capacity for the development and implementation of grant
3 selection criteria and a selection process to promote innovative school leader
4 education programs, including:
5 a. Focus on school leader talent.
6 b. Expertise supporting judgments about grant renewal based on
7 achievement of or substantial school leader progress toward
8 measurable results in student achievement.
9 c. Expectation of creating positive experiences working with the
10 educational community in North Carolina to establish the foundation
11 for successfully administering the programs set forth in this section.
12 (3) The nonprofit corporation shall comply with the limitations on lobbying set
13 forth in section 501(c)(3) of the Internal Revenue Code.
14 (4) No State officer or employee may serve on the board of the nonprofit
15 corporation.
16 (5) The board of the nonprofit corporation shall meet at least quarterly at the call
17 of its chair.

18 **"SECTION 11.9.(e)** Report on Selection of the Nonprofit. – The Authority shall select a
19 nonprofit corporation to enter into a contract with to administer the program by January 15,
20 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on the
21 selection of the nonprofit corporation by February 1, 2016.

22 **"SECTION 11.9.(f)** Application Requirements. – The nonprofit corporation entering into a
23 contract with the Authority under subsection (d) of this section shall issue an initial RFP with
24 guidelines and criteria for the grants no later than March 1, 2016. The nonprofit corporation
25 may issue additional RFPs for grant applicants as it may deem necessary, subject to available
26 funds. An eligible entity that seeks a grant under the program authorized by this section shall
27 submit to the nonprofit corporation an application at such time, in such manner, and
28 accompanied by such information as the nonprofit may require. An applicant shall include at
29 least the following information in its response to the RFP for consideration by the nonprofit
30 corporation:

- 31 (1) The extent to which the entity has a demonstrated record of preparing school
32 leaders who implement school leadership practices linked to increased
33 student achievement.
34 (2) The extent to which the entity has a rigorous school leader preparation
35 program design that includes the following research-based programmatic
36 elements:
37 a. A proactive, aggressive, and intentional recruitment strategy.
38 b. Rigorous selection criteria based on competencies that are predictive
39 of success as a school leader, including, but not limited to, evidence
40 of significant positive effect on student learning growth in the
41 classroom, at the school-level, and the local school administrative
42 unit-level, professional recommendations, evidence of problem
43 solving and critical thinking skills, achievement drive, and leadership
44 of adults.
45 c. Alignment to high-quality national standards for school leadership
46 development.
47 d. Rigorous coursework that effectively links theory with practice
48 through the use of field experiences and problem-based learning.
49 e. Full-time paid clinical practice of at least five months and 750 hours
50 in duration in an authentic setting, including substantial leadership

responsibilities where candidates are evaluated on leadership skills and effect on student outcomes as part of program completion.

- f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.
- g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.
- h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.
- i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.
- j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs.

"SECTION 11.9.(g) Priorities. – The nonprofit corporation shall evaluate the applicants for grants by giving priority to an eligible entity with a record of preparing principals demonstrating the following:

- (1) Improvement in student achievement.
- (2) Placement as school leaders in eligible schools.
- (3) A proposed focus on and, if applicable, a record of serving high-need schools, high-need local school administrative units, or both.
- (4) A detailed plan and commitment to share lessons learned and to improve the capacity of other entities in reaching similar outcomes.
- (5) A service area that is underserved by existing principal preparation programs or demonstrates unmet need despite current available programs.

"SECTION 11.9.(h) Uses of Funds. – By June 1, 2016, the nonprofit corporation shall recommend to the Authority the recipients of grants under the program. Each eligible entity that receives grant funds shall use those funds to carry out the following:

- (1) Recruiting and selecting, based on a rigorous evaluation of the competencies of the school leader candidates participating in the program and their potential and desire to become effective school leaders.
- (2) Operating a school leader preparation program that provides the opportunity for all candidates to earn a master's degree, if they do not already have one, and subsequent principal licensure by doing the following:
 - a. Utilizing a research-based content and curriculum, including embedded participant assessments to evaluate candidates before program completion, that prepares candidates to do the following:
 1. Provide instructional leadership, such as developing teachers' instructional practices and analyzing classroom and school-wide data to support teachers.
 2. Manage talent, such as developing a high-performing team.
 3. Build a positive school culture, such as building a strong school culture focused on high academic achievement for all students, including gifted and talented students, students with disabilities, and English learners, maintaining active engagement with family and community members, and ensuring student safety.
 4. Develop organizational practices, such as aligning staff, budget, and time to the instructional priorities of the school.

1 b. Providing opportunities for sustained and high-quality job-embedded
2 practice in an authentic setting where candidates are responsible for
3 moving the practice and performance of a subset of teachers or for
4 school-wide performance as principal-in-planning or interim school
5 leaders.

6 (3) Collecting data on program implementation and program completer
7 outcomes for continuous program improvement.

8 **"SECTION 11.9.(i)** Duration of Grants. – The nonprofit corporation shall also recommend
9 to the Authority the duration and renewal of grants to eligible entities according to the
10 following:

11 (1) The duration of grants shall be as follows:

12 a. Grants shall be no more than five years in duration.

13 b. The nonprofit corporation may recommend renewal of a grant based
14 on performance, including allowing the grantee to scale up or
15 replicate the successful program as provided in subdivision (2) of this
16 subsection.

17 c. The nonprofit shall develop a process with the Authority for early
18 retrieval of grant funds from grant recipients due to noncompliance
19 with grant terms, including participation in third-party evaluation
20 activities. Grantees shall develop and enforce requirements for
21 program graduates to serve a minimum of four years as school-based
22 administrators in North Carolina. Requirements are subject to the
23 approval of the nonprofit corporation.

24 (2) In evaluating performance for purposes of grant renewal and making
25 recommendations to the Authority, the nonprofit corporation shall consider:

26 a. For all grantees, the primary consideration in renewing grants shall
27 be the extent to which program participants improved student
28 achievement in eligible schools.

29 b. Other criteria from data received in the annual report in subsection (j)
30 of this section may include the following:

31 1. The percentage of program completers who are placed as
32 school leaders in this State within three years of receiving a
33 grant.

34 2. The percentage of program completers who are rated
35 proficient or above on the North Carolina School Executive
36 Evaluation Rubric.

37 **"SECTION 11.9.(j)** Reporting Requirements for Grant Recipients. – Recipients of grants
38 under the program shall participate in all evaluation activities required by the nonprofit and
39 submit an annual report to the nonprofit corporation contracting with the Authority, ~~beginning~~
40 ~~in the third year of the grant,~~ Authority with any information requested by the nonprofit
41 corporation. The recipients shall comply with additional report requests made by the nonprofit.
42 Whenever practicable and within a reasonable amount of time, grant recipients shall also make
43 all materials developed as part of the program and with grant funds publically available to
44 contribute to the broader sharing of promising practices. Materials shall not include personally
45 identifiable information regarding individuals involved or associated with the program,
46 including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff,
47 without their prior written consent. The nonprofit corporation shall work with recipients and
48 local school administrative units, as needed, to enable the collection, analysis, and evaluation of
49 at least the following relevant data, within necessary privacy constraints:

50 (1) Student achievement in eligible schools.

- 1 (2) The percentage of program completers who are placed as school leaders
2 within three years in the State.
- 3 (3) The percentage of program completers rated proficient or above on school
4 leader evaluation and support systems.
- 5 (4) The percentage of program completers that are school leaders who have
6 remained employed in a North Carolina public school for two or more years
7 of initial placement.

8 **"SECTION 11.9.(k)** Licensure Process. – By June 1, 2016, the State Board of Education
9 shall adopt a policy to provide for a specific licensure process applicable to school
10 administrators who provide documentation to the State Board of successful completion of a
11 principal preparation program selected for a competitive grant in accordance with this section.
12 Licensure shall include a requirement for candidates to hold a master's degree.

13 **"SECTION 11.9.(l)** Evaluation and Revision of Program. – The nonprofit corporation
14 administering the program shall provide the State Board of Education and the Joint Legislative
15 Education Oversight Committee with the data collected in accordance with subsection (j) of
16 this section on an annual basis. By September 15, 2021, the State Board of Education, in
17 coordination with the Board of Governors of The University of North Carolina, shall revise, as
18 necessary, the licensure requirements for school administrators and the standards for approval
19 of school administrator preparation programs after evaluating the data collected from the grant
20 recipients, including the criteria used in selecting grant recipients and the outcomes of program
21 completers. The State Board of Education shall report to the Joint Legislative Education
22 Oversight Committee by November 15, 2021, on any changes made to the licensure
23 requirements for school administrators and the standards for approval of school administrator
24 preparation programs in accordance with this section.

25 **"SECTION 11.9.(m)** Of the funds appropriated by this act for the 2015-2016 fiscal year
26 for this program, the sum of five hundred thousand dollars (\$500,000) shall be allocated to the
27 State Education Assistance Authority to contract with the nonprofit corporation selected
28 pursuant to subsection (e) of this section to establish and administer the program. The State
29 Education Assistance Authority may use up to five percent (5%) of those funds for
30 administrative costs.

31 Beginning with the 2017-2018 fiscal year, of the funds appropriated each fiscal year for this
32 program, the sum of three hundred eighty thousand dollars (\$380,000) shall be allocated to the
33 State Education Assistance Authority to contract with the nonprofit corporation selected
34 pursuant to subsection (e) of this section to establish and administer the program. The State
35 Education Assistance Authority may use up to fifteen thousand dollars (\$15,000) of those funds
36 for administrative costs.

37 ~~**"SECTION 11.9.(n)** Beginning with the 2016-2017 fiscal year and for each subsequent~~
38 ~~fiscal year, of~~ Of the funds appropriated for this program, program for the 2016-2017 fiscal
39 year, the sum of three hundred thousand dollars (\$300,000) shall be allocated to the State
40 Education Assistance Authority to contract with the nonprofit corporation selected pursuant to
41 subsection (e) of this section to establish and administer the program, and the State Education
42 Assistance Authority may use up to five percent (5%) of those funds for administrative costs.
43 The remaining funds appropriated for a the fiscal year for this program shall be allocated to the
44 State Education Assistance Authority to award grants to selected recipients.

45 **"SECTION 11.9.(o)** Beginning with the 2017-2018 fiscal year, of the funds appropriated
46 for this program, the sum of four million two hundred thousand dollars (\$4,200,000) shall be
47 allocated each fiscal year to the State Education Assistance Authority to award grants to
48 selected recipients. Any unexpended funds appropriated to award grants to selected recipients
49 remaining at the end of each fiscal year shall revert to the General Fund, except that the
50 Authority may carry forward for the next fiscal year an amount necessary to ensure that any
51 outstanding allowable reimbursements can be disbursed in accordance with this section. Any

1 funds carried forward for the purpose of meeting anticipated reimbursement obligations from
2 the prior fiscal year that are not expended shall not be used to award additional grants to grant
3 recipients but shall revert to the General Fund at the end of the fiscal year."
4

5 **OPPORTUNITY SCHOLARSHIP STUDENT ASSESSMENTS/IOWA TEST OF BASIC**
6 **SKILLS (ITBS)**

7 **SECTION 10A.6.(a)** G.S. 115C-562.5(a)(4) reads as rewritten:

8 "(4) Administer, at least once in the fall semester and once in the spring semester
9 of each school year, a nationally standardized test or other nationally
10 standardized equivalent measurement selected by the chief administrative
11 officer of the nonpublic school the Iowa Test of Basic Skills (ITBS) to all
12 eligible students whose tuition and fees are paid in whole or in part with a
13 scholarship grant enrolled in grades three and higher. The nationally
14 standardized test or other equivalent measurement selected must measure
15 achievement in the areas of English grammar, reading, spelling, and
16 mathematics. higher to enable comparison of student performance. After an
17 eligible student is administered the test in the semester in which the student
18 is first enrolled in the nonpublic school, the student shall only be required to
19 take the test in the following semester and on an annual basis thereafter. Test
20 performance data shall be submitted to the Authority by July 15 of each
21 year. Test performance data reported to the Authority under this subdivision
22 is not a public record under Chapter 132 of the General Statutes."

23 **SECTION 10A.6.(a1)** G.S. 115C-562.7(c)(1) reads as rewritten:

24 "(1) Learning gains or losses of students receiving scholarship grants. The report
25 shall include learning gains of participating students on a statewide basis and
26 shall compare, to the extent possible, the learning gains or losses of eligible
27 students by nonpublic school to the statewide learning gains or losses of
28 public school students with similar socioeconomic backgrounds, using
29 aggregate standardized test performance data provided to the Authority by
30 nonpublic schools and by the Department of Public Instruction.
31 Notwithstanding any provision of G.S. 115C-174.11(c) to the contrary, all
32 students participating in the comparison of learning gains or losses pursuant
33 to this subdivision shall complete the Iowa Test of Basic Skills."

34 **SECTION 10A.6.(b)** Notwithstanding G.S. 115C-562.5(a)(4), as amended by this
35 section, all eligible students enrolled in grades three through 12 (i) whose tuition and fees are
36 paid in whole or in part with a scholarship grant and (ii) who are enrolled in a nonpublic school
37 for the 2017-2018 school year pursuant to Part 2A of Article 39 of the General Statutes shall be
38 administered the Iowa Test of Basic Skills (ITBS) in the fall semester and in the spring
39 semester of the 2017-2018 school year. Thereafter, those students shall be administered the
40 Iowa Test of Basic Skills (ITBS) on an annual basis in the spring semester.

41 **SECTION 10A.6.(c)** Subsection (a) of this section applies only to students in
42 grades three through 12 (i) whose tuition and fees are paid in whole or in part with a
43 scholarship grant and (ii) who are enrolled for the first time in a nonpublic school pursuant to
44 Part 2A of Article 39 of Chapter 115C of the General Statutes beginning with the 2018-2019
45 school year and subsequent school years thereafter.
46

47 **PART XI. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

48
49 **SUBPART XI-A. CENTRAL MANAGEMENT AND SUPPORT**

50
51 **HEALTH INFORMATION TECHNOLOGY**

1 SECTION 11A.1. Article 3 of Chapter 143B of the General Statutes is amended by
2 adding a new section to read:

3 "§ 143B-139.4D. Department of Health and Human Services; coordination of health
4 information technology.

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

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

29 (b) The Department, in cooperation with the Department of Information Technology,
30 shall establish and direct a health information technology management structure that is efficient
31 and transparent and that is compatible with the Office of the National Health Coordinator for
32 Information Technology (National Coordinator) governance mechanism. The health
33 information technology management structure shall be responsible for all of the following:

- 34 (1) Developing a State Plan for implementing and ensuring compliance with
35 national health information technology standards and for the most efficient,
36 effective, and widespread adoption of health information technology.
- 37 (2) Ensuring that (i) specific populations are effectively integrated into the State
38 Plan, including aging populations, populations requiring mental health
39 services, and populations utilizing the public health system, and (ii) unserved
40 and underserved populations receive priority consideration for health
41 information technology support.
- 42 (3) Identifying all health information technology stakeholders and soliciting
43 feedback and participation from each stakeholder in the development of the
44 State Plan.
- 45 (4) Ensuring that existing health information technology capabilities are
46 considered and incorporated into the State Plan.
- 47 (5) Identifying and eliminating conflicting health information technology efforts
48 where necessary.
- 49 (6) Identifying available resources for the implementation, operation, and
50 maintenance of health information technology, including identifying

resources and available opportunities for North Carolina institutions of higher education.

(7) Ensuring that potential State Plan participants are aware of health information technology policies and programs and the opportunity for improved health information technology.

(8) Monitoring health information technology efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.

(9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(10) Monitoring the progress and recommendations of the Health Information Technology Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.

(11) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated health information technology."

FUNDS FOR MEDICAID MANAGEMENT INFORMATION SYSTEM/ANALYTICS REPROCUREMENT

SECTION 11A.2.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of one hundred forty-two thousand seven hundred dollars (\$142,700) in prior year earned revenues for the 2017-2018 fiscal year and the sum of two hundred forty-three thousand nine hundred sixty-seven dollars (\$243,967) in prior year earned revenues for the 2018-2019 fiscal year shall be used to match federal funds to (i) determine enhancements necessary or plan the strategy to align the Medicaid Management Information System (MMIS) and Reporting and Analytics systems with federal Medicaid Information Technology Architecture standards and (ii) prepare for the procurement of a new MMIS contract and a new Reporting and Analytics contract, all as required by the federal Centers for Medicare and Medicaid Services. This project shall not proceed until the business case has been approved by the Office of State Budget and Management and the State Chief Information Officer in the Enterprise Project Management Office Touchdown System. Upon such approval, funds may be budgeted and the Department may create up to 10 full-time equivalent time-limited positions dedicated to the project for the 2018-2019 fiscal year.

SECTION 11A.2.(b) Departmental receipts appropriated in this act in the sum of one million two hundred eighty-four thousand three hundred dollars (\$1,284,300) for the 2017-2018 fiscal year and in the sum of two million one hundred ninety-five thousand seven hundred three dollars (\$2,195,703) for the 2018-2019 fiscal year shall be used for the purposes described in subsection (a) of this section.

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

SECTION 11A.3.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of eight million nine hundred thousand dollars (\$8,900,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum of eleven million one hundred nine thousand dollars (\$11,109,000) in nonrecurring funds for the 2018-2019 fiscal year, along with prior year earned revenue in the amount of eleven million nine hundred thousand dollars (\$11,900,000) for each year of the 2017-2019 fiscal biennium and the cash balance in Budget Code 24410 Fund 2411 shall be

1 used to match federal funds to expedite the development and implementation of Child Services
2 Case Management, additional Medicaid eligibility requirements, Enterprise Program Integrity,
3 and Identity Proofing Feasibility components of the North Carolina Families Accessing
4 Services through Technology (NC FAST) project. The Department shall report any changes in
5 approved federal funding or federal match rates within 30 days after the change to the Joint
6 Legislative Oversight Committee on Health and Human Services, the Joint Legislative
7 Oversight Committee on Information Technology, and the Fiscal Research Division.
8 Departmental receipts appropriated in this act in the sum of one hundred three million four
9 hundred fifty thousand dollars (\$103,450,000) for the 2017-2018 fiscal year and in the sum of
10 seventy-five million five hundred ninety-one thousand dollars (\$75,591,000) for the 2018-2019
11 fiscal year shall be used to implement the components of the NC FAST project described in this
12 subsection.

13 **SECTION 11A.3.(b)** Of the funds appropriated in this act to the Department of
14 Health and Human Services, Division of Central Management and Support, the sum of one
15 million nine hundred thousand dollars (\$1,900,000) in recurring funds for the 2017-2018 fiscal
16 year and seven million seven hundred thousand dollars (\$7,700,000) in recurring funds for the
17 2018-2019 fiscal year shall be used to provide ongoing maintenance and operations for the NC
18 FAST system, including the creation of 32 full-time equivalent positions for the 2017-2018
19 fiscal year and 54 full-time equivalent positions for the 2018-2019 fiscal year. Departmental
20 receipts appropriated in this act in the sum of ten million five hundred thousand dollars
21 (\$10,500,000) for the 2017-2018 fiscal year and in the sum of fifteen million dollars
22 (\$15,000,000) for the 2018-2019 fiscal year shall be used for the purposes specified in this
23 subsection.

24 25 **HEALTH ANALYTICS PILOT PROGRAM**

26 **SECTION 11A.4.** The Department of Health and Human Services shall continue to
27 coordinate with the Government Data Analytics Center (GDAC) to further develop and fully
28 operationalize the Health Analytics Pilot Program for Medicaid claims analytics and population
29 health management authorized by Section 12A.17 of S.L. 2015-241, as amended by Section
30 12A.7 of S.L. 2016-94. The purpose of the Health Analytics Program is to apply analytics to
31 Medicaid data available to GDAC through the Department in a manner that maximizes health
32 care savings and efficiencies to the State, optimizes positive impacts on health outcomes, and
33 assists in the transition to, and management of, the transformed North Carolina Medicaid and
34 North Carolina Health Choice programs as described in S.L. 2015-245, as amended by Section
35 2 of S.L. 2016-121.

36 37 **HEALTH INFORMATION EXCHANGE**

38 **SECTION 11A.5.(a)** Section 12A.5(a)(1) of S.L. 2015-241 reads as rewritten:

39 "(1) Establish a successor HIE Network to which ~~(i) all Medicaid providers shall~~
40 ~~be connected by February 1, 2018, and (ii) all other entities that receive State~~
41 ~~funds for the provision of health services, including local management~~
42 ~~entities/managed care organizations, shall be connected by June 1, 2018.~~the
43 following providers shall establish connectivity and commence submission
44 of demographic and clinical data or encounter and claims data, as
45 appropriate, in accordance with the following time line:

- 46 a. The following providers of Medicaid services that have an electronic
47 health record system, by June 1, 2019:
48 1. Hospitals as defined in G.S. 131E-176(13).
49 2. Physicians licensed to practice under Article 1 of Chapter 90
50 of the General Statutes.
51 3. Physician assistants as defined in 21 NCAC 32S .0201.

1 4. Nurse practitioners as defined in 21 NCAC 36 .0801.

2 b. Prepaid Health Plans, as defined in S.L. 2015-245, by the
3 commencement date of a capitated contract with the Division of
4 Health Benefits for the delivery of Medicaid and NC Health Choice
5 services as specified in S.L. 2015-245.

6 c. All other providers of Medicaid and State-funded services, including
7 local management entities/managed care organizations, by June 1,
8 2020."

9 **SECTION 11A.5.(b)** G.S. 90-414.4 reads as rewritten:

10 **"§ 90-414.4. Required participation in HIE Network for some providers.**

11 (a) Findings. – The General Assembly makes the following findings:

12 (1) That controlling escalating health care costs of the Medicaid program and
13 other State-funded health services is of significant importance to the State,
14 its taxpayers, its Medicaid recipients, and other recipients of State-funded
15 health services.

16 (2) That the State needs timely access to certain demographic and clinical
17 information pertaining to services rendered to Medicaid and other
18 State-funded health care program beneficiaries and paid for with Medicaid
19 or other State-funded health care funds in order to assess performance,
20 improve health care outcomes, pinpoint medical expense trends, identify
21 beneficiary health risks, and evaluate how the State is spending money on
22 Medicaid and other State-funded health services.

23 (3) That making demographic and clinical information available to the State by
24 secure electronic means as set forth in subsection (b) of this section will,
25 with respect to Medicaid and other State-funded health care programs,
26 improve care coordination within and across health systems, increase care
27 quality for such beneficiaries, enable more effective population health
28 management, reduce duplication of medical services, augment syndromic
29 surveillance, allow more accurate measurement of care services and
30 outcomes, increase strategic knowledge about the health of the population,
31 and facilitate health care cost containment.

32 (a1) Mandatory Connectivity to HIE Network. – Notwithstanding the voluntary nature of
33 the HIE Network under G.S. 90-414.2, the following providers shall establish connectivity to
34 the HIE Network and commence submission of demographic and clinical data or encounter and
35 claims data, as appropriate under subsections (b) and (c) of this section, by the following dates:

36 (1) The following providers of Medicaid services that have an electronic health
37 record system, by June 1, 2019:

38 a. Hospitals as defined in G.S. 131E-176(13).

39 b. Physicians licensed to practice under Article 1 of Chapter 90 of the
40 General Statutes.

41 c. Physician assistants as defined in 21 NCAC 32S .0201.

42 d. Nurse practitioners as defined in 21 NCAC 36 .0801.

43 (2) Prepaid Health Plans, as defined in S.L. 2015-245, by the commencement
44 date of a capitated contract with the Division of Health Benefits for the
45 delivery of Medicaid and NC Health Choice services as specified in S.L.
46 2015-245.

47 (3) All other providers of Medicaid and State-funded services, including local
48 management entities/managed care organizations, by June 1, 2020.

49 (a2) Extensions of Time for Establishing Connectivity. – The Authority and the
50 Department may establish a process to grant limited extensions of the time for providers to
51 establish connectivity to the HIE Network and commence data submission as required under

1 this section upon the request of a provider that demonstrates an ongoing good-faith effort to
2 take necessary steps to establish such connectivity. The process for granting an extension of
3 time must include a presentation by the provider to the Authority and the Department of the
4 expected time line for establishing connectivity to the HIE Network and commencing data
5 submission as required by this section. Neither the Authority nor the Department shall grant an
6 extension of time (i) to any provider that fails to provide this information to the Authority and
7 the Department or (ii) that would result in the provider establishing connectivity to the HIE
8 Network and commencing data submission as required by this section later than June 1, 2021.

9 (b) Mandatory Submission of Demographic and Clinical Data. – Notwithstanding the
10 voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in
11 subsection (d) of this section, as a condition of receiving State funds, including Medicaid funds,
12 the following entities shall submit at least twice daily, through the HIE network, demographic
13 and clinical information pertaining to services rendered to Medicaid and other State-funded
14 health care program beneficiaries and paid for with Medicaid or other State-funded health care
15 funds, solely for the purposes set forth in subsection (a) of this section:

- 16 (1) Each hospital, as defined in ~~G.S. 131E-76(3)~~, G.S. 131E-176(13), that has an
17 electronic health record system.
- 18 (2) Each Medicaid provider.
- 19 (3) Each provider that receives State funds for the provision of health services.
- 20 (4) Each local management entity/managed care organization, as defined in
21 G.S. 122C-3.

22 This subsection does not apply to the entities listed in subsection (c) of this section.

23 (c) Mandatory Submission of Encounter and Claims Data. – Notwithstanding the
24 voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in
25 subsection (d) of this section, beginning June 1, 2019, the following entities shall submit,
26 through the HIE network, encounter and claims data pertaining to services rendered to
27 Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid
28 or other State-funded health care funds as a condition of receiving State funds:

- 29 (1) Providers of respiratory, developmental, rehabilitative, or restorative
30 services, or a combination of these services.
- 31 (2) Facilities that provide respite care.
- 32 (3) Providers of speech, language, or hearing services, or a combination of these
33 services.
- 34 (4) Providers of transportation services.
- 35 (5) Suppliers of durable medical equipment.

36 (d) Exemption for Certain Records. – Providers with patient records that are subject to
37 the disclosure restrictions of 42 C.F.R. § 2 are exempt from the requirements of subsections (b)
38 and (c) of this section but only with respect to the patient records subject to these disclosure
39 restrictions. Providers shall comply with the requirements of subsections (b) and (c) of this
40 section with respect to all other patient records.

41 (e) Method of Data Submissions. – The ~~daily data~~ submissions required under this
42 subsection-section shall be by connection to the HIE Network periodic asynchronous secure
43 structured file transfer or any other secure electronic means commonly used in the industry and
44 consistent with document exchange and data submission standards established by the Office of
45 the National Coordinator for Information Technology within the U.S. Department of Health
46 and Human Services."

47 **SECTION 11A.5.(c)** G.S. 90-414.10(e) is repealed.

48 **SECTION 11A.5.(d)** The Department of Health and Human Services shall include
49 as one of the terms and conditions of any contract it enters into on or after the effective date of
50 this section with a local management entity/managed care organization or Prepaid Health Plan
51 (PHP), as defined in S.L. 2015-245, a requirement that the local management entity/managed

1 care organization or PHP comply with the provisions of G.S. 90-414.4, as amended by this
2 section.

3 **SECTION 11A.5.(e)** Funds appropriated in this act to the Department of Health
4 and Human Services, Division of Central Management and Support, for the 2017-2018 fiscal
5 year for the Health Information Exchange Network shall be used as follows:

6 (1) The sum of three million dollars (\$3,000,000) in nonrecurring funds shall be
7 transferred by November 1, 2017, to the Department of Information
8 Technology, Government Data Analytics Center, and shall be used to
9 support all activities related to upgrading the data exchange technical
10 environment.

11 (2) The sum of one million dollars (\$1,000,000) in recurring funds shall be used
12 to provide ongoing maintenance and operations of the new data exchange
13 technical environment.

14 **SECTION 11A.5.(f)** The Joint Legislative Oversight Committee on Medicaid and
15 NC Health Choice and the Joint Legislative Oversight Committee on Information Technology
16 shall conduct a joint study of the feasibility of Medicaid providers, other than those specified in
17 subdivision (1) of subsection (a1) of G.S. 90-414.4, as amended by this act, connecting with
18 and submitting demographic, clinical, encounter, and claims data through the HIE Network. As
19 part of this study, the Committees shall examine at least all of the following:

20 (1) The availability of connection, exchange, and data submission standards
21 established by the Office of the National Coordinator for Information
22 Technology within the U.S. Department of Health and Human Services.

23 (2) The adoption of national standards for the connection, exchange, and data
24 submission standards by provider type.

25 (3) Cost estimates by provider type to connect and submit data to the HIE and
26 any availability of federal or State funds to meet connection or submission
27 requirements.

28 (4) Data captured in the treatment of patients, segmented by provider type.

29 (5) Activity of other states and payor plans with respect to the establishment of
30 an HIE Network.

31 (6) Alternatives to the connection and submission of demographic, clinical,
32 encounter, and claims data through the HIE Network.

33 By April 1, 2018, the Joint Legislative Oversight Committee on Medicaid and NC
34 Health Choice and the Joint Legislative Oversight Committee on Information Technology shall
35 jointly submit a final report of their findings and recommendations to the 2018 Regular Session
36 of the 2017 General Assembly.

37 **CONTROLLED SUBSTANCES REPORTING SYSTEM IMPROVEMENTS**

38 **SECTION 11A.6.(a)** It is the intent of the General Assembly to improve the
39 security and functionality capabilities of the Controlled Substances Reporting System (CSRS)
40 in order to provide additional value to practitioners and dispensers within their current clinical
41 workflows. Toward that end, of the one million two hundred thousand dollars (\$1,200,000) in
42 recurring funds appropriated in this act to the Department of Health and Human Services,
43 Division of Central Management and Support, for each fiscal year of the 2017-2019 fiscal
44 biennium for the CSRS, the Department shall allocate funds as follows:

45 (1) Four hundred sixty-four thousand dollars (\$464,000) shall be used to create
46 four permanent, full-time equivalent positions within the Division of Central
47 Management and Support for the continued support, operation, and
48 maintenance of the CSRS.

49 (2) One hundred seventy-five thousand dollars (\$175,000) shall be used to
50 create two permanent, full-time equivalent business analytics management

1 level positions within the Division of Mental Health, Developmental
2 Disabilities, and Substance Abuse Services.

3 (3) Five hundred sixty-one thousand dollars (\$561,000) shall be used to pay for
4 contractual hours to develop and implement software via existing
5 public-private partnerships with the Government Data and Analytics Center
6 (GDAC) for the performance of advanced analytics within the CSRS. These
7 hours shall be used to achieve the purposes specified in G.S. 90-113.71 and,
8 more specifically, to accomplish at least all of the following:

9 a. To enhance and automate reports authorized under G.S. 90-113.74.

10 b. To enhance the Department's ability to provide data to persons or
11 entities authorized to receive information under G.S. 90-113.74. In
12 improving the CSRS as specified in this subdivision, the Department
13 shall utilize subject matter expertise and technology available
14 through existing GDAC public-private partnerships. Upon
15 development and implementation of the advanced analytics software
16 for the CSRS, the Division of Central Management and Support shall
17 coordinate with the Division of Mental Health, Developmental
18 Disabilities, and Substance Abuse Services, the Division of Public
19 Health, and any other appropriate division within the Department of
20 Health and Human Services to ensure that advanced analytics are
21 developed and utilized in a manner that achieves the purposes
22 specified in G.S. 90-113.71.

23 c. To aggregate relevant data sources, including those available through
24 the GDAC.

25 d. To enhance the Department's ability to generate and deploy advanced
26 analytics in order to improve opioid prescribing practices, identify
27 unusual prescribing patterns, and detect behavior indicative of
28 misuse, addiction, or criminal activity.

29 **SECTION 11A.6.(b)** By December 1, 2017, the Department of Health and Human
30 Services shall execute any contractual agreements and interagency data sharing agreements
31 necessary to complete the improvements to the CSRS described in subdivisions (1) through (4)
32 of subsection (a) of this section.

33 **SECTION 11A.6.(c)** To the extent allowable under federal and State laws and
34 regulations, the Department of Information Technology shall coordinate with the Division of
35 Central Management and Support and the Division of Mental Health, Developmental
36 Disabilities, and Substance Abuse Services to develop an interface between the CSRS and the
37 Health Information Exchange (HIE) Network and leverage the interfaces already developed
38 between the HIE Network and health care entities as a method of providing CSRS data, reports,
39 and analytic outputs to health care practitioners and dispensers.

40 **SECTION 11A.6.(d)** This section is effective when this act becomes law.

41 42 **DATA ANALYTICS AND PERFORMANCE ENHANCEMENTS**

43 **SECTION 11A.7.** Any enhancement of the State's data analytics capabilities
44 utilizing funds appropriated in this act to the Department of Health and Human Services,
45 Division of Central Management and Support, for each year of the 2017-2019 fiscal biennium
46 shall be subject to applicable State laws requiring that these analytics be developed and
47 implemented in collaboration with the Government Data Analytics Center.

48 49 **COMMUNITY HEALTH GRANT PROGRAM CHANGES**

50 **SECTION 11A.8.(a)** Of the funds appropriated in this act to the Department of
51 Health and Human Services, Division of Central Management and Support, Office of Rural

1 Health, for Community Health Grants, the sum of seven million five hundred thousand dollars
2 (\$7,500,000) in recurring funds for the 2017-2018 fiscal year and the sum of seven million five
3 hundred thousand dollars (\$7,500,000) in recurring funds for the 2018-2019 fiscal year shall be
4 used as follows:

- 5 (1) Two hundred thousand dollars (\$200,000) in recurring funds for each fiscal
6 year of the 2017-2019 fiscal biennium shall be used to establish four
7 permanent, full-time equivalent positions within the Office of Rural Health
8 to support administration of the Community Health Grant Program.
- 9 (2) Seven million one hundred fifty thousand dollars (\$7,150,000) in recurring
10 funds for each fiscal year of the 2017-2019 fiscal biennium shall be used to
11 award grants on a competitive basis to free and charitable clinics, federally
12 qualified health centers, State-designated rural health centers, local health
13 departments, school-based health centers, and other nonprofit organizations
14 that (i) provide primary and preventative medical services to uninsured or
15 medically indigent patients and (ii) serve as a medical home to these
16 vulnerable populations, in order to accomplish any of the following
17 purposes:
 - 18 a. Increase access to primary care and preventative health services for
19 these vulnerable populations in existing primary care locations.
 - 20 b. Establish primary care and preventative health services in counties
21 where no such services exist to serve these vulnerable populations.
 - 22 c. Create new services, sustain existing service levels, or augment
23 existing services provided to these vulnerable populations, including
24 primary care and preventative health services and including dental,
25 pharmacy, and behavioral health services when integrated into the
26 medical home.
 - 27 d. Increase primary care capacity to serve these vulnerable populations,
28 including enhancing or replacing facilities, equipment, or
29 technologies necessary to participate in the exchange of data and
30 tools to monitor and improve the quality of care provided.

31 **SECTION 11A.8.(b)** The Office of Rural Health shall work with the North
32 Carolina Community Health Center Association, the North Carolina Association of Local
33 Health Directors, the North Carolina Association of Free and Charitable Clinics, the North
34 Carolina School-Based Health Alliance, and other organizations representing eligible grant
35 recipients to establish a Primary Care Advisory Committee to develop an objective and
36 equitable process for grading applications for grants funded by this section and making
37 recommendations to the Office of Rural Health for the award of grants funded by this section.

38 The Office of Rural Health shall make the final decision about awarding grants
39 funded by this section, but no single grant award shall exceed one hundred fifty thousand
40 dollars (\$150,000) during the fiscal year. In awarding grants, the Office of Rural Health shall
41 consider the availability of other funds for the applicant; the incidence of poverty in the area
42 served by the applicant or the number of indigent clients served by the applicant; the
43 availability of, or arrangements for, after-hours care; and collaboration between the applicant
44 and a community hospital or other safety-net organizations.

45 **SECTION 11A.8.(c)** Grant recipients shall not use these funds to do any of the
46 following:

- 47 (1) Enhance or increase compensation or other benefits of personnel,
48 administrators, directors, consultants, or any other persons receiving funds
49 for program administration; provided, however, funds may be used to hire or
50 retain health care providers. The use of grant funds for this purpose does not

1 obligate the Department of Health and Human Services to continue to fund
2 compensation beyond the grant period.

3 (2) Supplant existing funds, including federal funds traditionally received by
4 federally qualified community health centers. However, grant funds may be
5 used to supplement existing programs that serve the purposes described in
6 subsection (a) of this section.

7 (3) Finance or satisfy any existing debt.

8 **SECTION 11A.8.(d)** The Office of Rural Health shall develop a standardized
9 method for grant recipients to report objective, measurable quality health outcomes and shall
10 require grant recipients to report these quality health outcomes to the Department. Beginning
11 recipients of grant funds shall annually provide to the Office of Rural Health a written report
12 detailing the number of patients that are cared for, the types of services that were provided,
13 quality measures and outcomes, and any other information requested by the Office of Rural
14 Health as necessary for evaluating the success of the Community Health Grant Program.

15 **SECTION 11A.8.(e)** Of the funds appropriated in this act to the Department of
16 Health and Human Services, Division of Central Management and Support, Office of Rural
17 Health, for the Community Health Grant Program, the sum of up to one hundred fifty thousand
18 dollars (\$150,000) in recurring funds for each fiscal year of the 2017-2019 fiscal biennium
19 shall be used to match federal funds to provide to safety net providers eligible to participate in
20 the Community Health Grant Program, through the Rural Health Technology Team, ongoing
21 training and technical assistance with respect to health information technology, the adoption of
22 electronic health records, and the establishment of connectivity to the State's health information
23 exchange network known as NC HealthConnex.

24 **RURAL HEALTH LOAN REPAYMENT PROGRAMS**

25 **SECTION 11A.9.** Article 3 of Chapter 143B of the General Statutes is amended by
26 adding a new section to read:

27 **"§ 143B-139.4C. Office of Rural Health; administration of loan repayment programs.**

28 (a) The Department of Health and Human Services, Office of Rural Health, shall use
29 funds appropriated to the Department for loan repayment to medical, dental, and psychiatric
30 providers practicing in State hospitals or in rural or medically underserved communities in this
31 State to combine the following loan repayment programs in order to achieve efficient and
32 effective management of these programs:

33 (1) The Physician Loan Repayment Program.

34 (2) The Psychiatric Loan Repayment Program.

35 (3) The Loan Repayment Initiative at State Facilities.

36 (b) These funds may be used for the following additional purposes:

37 (1) Continued funding of the State Loan Repayment Program for primary care
38 providers and expansion of State incentives to general surgeons practicing in
39 Critical Access Hospitals located across the State.

40 (2) Expansion of the State Loan Repayment Program to include eligible
41 providers residing in North Carolina who use telemedicine in rural and
42 underserved areas."

43 **REDUCTION OF FUNDS FOR PURCHASED SERVICES**

44 **SECTION 11A.10.** The Department of Health and Human Services, Division of
45 Central Management and Support, shall achieve the required reduction in purchased services by
46 reducing fund code 1910 by the sum of three million two hundred thousand dollars
47 (\$3,200,000) in nonrecurring funds for the 2017-2018 fiscal year and by the sum of three
48 million two hundred thousand dollars (\$3,200,000) in nonrecurring funds for the 2018-2019
49 fiscal year. In making the reductions required by this section, the Department may implement
50
51

1 department-wide reductions in purchased services but shall not reduce any funds (i) that impact
2 direct services provided through contracts or (ii) used to support the 2012 settlement agreement
3 entered into between the United States Department of Justice and the State of North Carolina to
4 ensure that the State will willingly meet the requirements of the Americans with Disabilities
5 Act of 1990, section 504 of the Rehabilitation Act of 1973, and the United States Supreme
6 Court decision in *Olmstead v. L.C.*, 527 U.S. 581 (1999).

7 8 **OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY**

9 **SECTION 11A.11.(a)** The Department of Health and Human Services shall not
10 use any funds appropriated in this act for the Office of Program Evaluation Reporting and
11 Accountability for any purpose other than to establish and administer that Office and to
12 implement the provisions of Part 31A of Article 3 of Chapter 143B of the General Statutes.

13 **SECTION 11A.11.(b)** By December 15, 2017, the Department of Health and
14 Human Services shall report to the Joint Legislative Oversight Committee on Health and
15 Human Services and the Fiscal Research Division on the establishment and operation of the
16 Office of Program Evaluation Reporting and Accountability. The report shall include at least all
17 of the following:

- 18 (1) A breakdown of all expenditures from the funds appropriated to the
19 Department since the 2015-2016 fiscal year for the establishment and
20 administration of the Office.
- 21 (2) All steps taken by the Department to establish the Office pursuant to Part
22 31A of Article 3 of Chapter 143B of the General Statutes.
- 23 (3) An organizational chart of the Office that includes all employees.
- 24 (4) A list of all assessments and evaluations conducted or in progress by the
25 Office.
- 26 (5) An explanation of any obstacles to establishment and operation of the Office
27 or fulfillment by the Office of any of the duties prescribed in
28 G.S. 143B-216.56.

29 30 **CONTRACTING SPECIALIST AND CERTIFICATION PROGRAM**

31 **SECTION 11A.12.(a)** By September 1, 2017, the Department of Health and
32 Human Services shall submit to the Joint Legislative Oversight Committee on Health and
33 Human Services and the Fiscal Research Division the proposal prepared pursuant to Section
34 12A.4 of S.L. 2016-94 by the School of Government at the University of North Carolina at
35 Chapel Hill, in collaboration with the Director of Procurement, Contracts and Grants for the
36 Department of Health and Human Services, for the implementation and administration of a
37 contracting specialist training program for management level personnel within the Department.
38 The proposal shall include a detailed description of the proposed program curriculum along
39 with budget estimates for program implementation and administration based on the
40 requirements of the program design.

41 **SECTION 11A.12.(b)** This section is effective when this act becomes law.

42 43 **GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL 44 CENTER**

45 **SECTION 11A.13.(a)** Calculation of Nonrecurring Payment of Funds. – Of the
46 funds appropriated in this act to the Department of Health and Human Services, Division of
47 Central Management and Support, for the 2017-2018 fiscal year for Graduate Medical
48 Education, the sum of up to one million dollars (\$1,000,000) in nonrecurring funds shall be
49 allocated to Cape Fear Valley Medical Center (the Center) to support the establishment of
50 residency programs affiliated with Campbell University School of Medicine. Subject to
51 fulfillment of the conditions specified in subsection (b) of this section, the nonrecurring amount

1 of funds allocated to the Center pursuant to this section shall be equal to the total amount of
2 actual lost Medicare payments for admissions to the Center prior to October 1, 2017, attributed
3 to the Center's reclassification by the federal Centers for Medicare and Medicaid Services
4 (CMS) as a rural hospital or rural referral center or any other change approved by CMS, up to a
5 maximum of one million dollars (\$1,000,000).

6 **SECTION 11A.13.(b)** Conditions for Payment of Funds. – No funds shall be paid
7 to the Center pursuant to the calculation specified in subsection (a) of this section until the
8 Office of State Budget and Management (OSBM) certifies, in writing, all of the following:

- 9 (1) The amount of actual lost Medicare payments for admissions to the Center
10 prior to October 1, 2017, attributed to the Center's reclassification by the
11 federal CMS as a rural hospital or rural referral center or any other change
12 approved by CMS.
- 13 (2) That the Center has maintained approval from CMS for reclassification as a
14 rural hospital or rural referral center.
- 15 (3) That the Center has maintained approval from the Accreditation Council for
16 Graduate Medical Education or the American Osteopathic Association for
17 residency programs with a minimum of 130 additional residency slots.

18 **SECTION 11A.13.(c)** Report on Use of Funds. – The Center shall report on or
19 before April 1, 2018, to the House Appropriations Committee on Health and Human Services,
20 the Senate Appropriations Committee on Health and Human Services, the Joint Legislative
21 Oversight Committee on Health and Human Services, and the Fiscal Research Division
22 regarding its progress in establishing any residency programs funded by State appropriations.

23 **SECTION 11A.13.(d)** Any funds not obligated or encumbered for the purposes
24 specified in this section by June 30, 2018, shall revert to the General Fund.

25 **SECTION 11A.13.(e)** Section 12A.8 of S.L. 2016-94, as amended by Section 5.1
26 of S.L. 2016-123, is repealed.

27 **COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS**

28 **SECTION 11A.14.(a)** Of the funds appropriated in this act to the Department of
29 Health and Human Services, Division of Central Management and Support, the sum of ten
30 million six hundred fifty-three thousand nine hundred eleven dollars (\$10,653,911) for each
31 year of the 2017-2019 fiscal biennium, the sum of four million two hundred two thousand five
32 hundred dollars (\$4,202,500) for each year of the 2017-2019 fiscal biennium appropriated in
33 Section 11L.1(p) of this act in Social Services Block Grant funds, and the sum of one million
34 six hundred thousand dollars (\$1,600,000) for each year of 2017-2019 fiscal biennium in
35 Section 11L.1 of this act in Substance Abuse Prevention and Treatment Block Grant funds shall
36 be used to allocate funds for nonprofit organizations.

37 **SECTION 11A.14.(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

- 1 (4) A process that awards grants to nonprofits that have the capacity to provide
2 services on a statewide basis and that support any of the following State
3 health and wellness initiatives:
- 4 a. A program targeting advocacy, support, education, or residential
5 services for persons diagnosed with autism.
 - 6 b. A system of residential supports for those afflicted with substance
7 abuse addiction.
 - 8 c. A program of advocacy and supports for individuals with intellectual
9 and developmental disabilities or severe and persistent mental illness,
10 substance abusers, or the elderly.
 - 11 d. Supports and services to children and adults with developmental
12 disabilities or mental health diagnoses.
 - 13 e. A food distribution system for needy individuals.
 - 14 f. The provision and coordination of services for the homeless.
 - 15 g. The provision of services for individuals aging out of foster care.
 - 16 h. Programs promoting wellness, physical activity, and health education
17 programming for North Carolinians.
 - 18 i. The provision of services and screening for blindness.
 - 19 j. A provision for the delivery of after-school services for
20 apprenticeships or mentoring at-risk youth.
 - 21 k. The provision of direct services for amyotrophic lateral sclerosis
22 (ALS) and those diagnosed with the disease.
 - 23 l. A comprehensive smoking prevention and cessation program that
24 screens and treats tobacco use in pregnant women and postpartum
25 mothers.
 - 26 m. A program providing short-term or long-term residential substance
27 abuse services. For purposes of this sub-subdivision, "long-term"
28 means a minimum of 12 months.
 - 29 n. A program that provides year-round sports training and athletic
30 competition for children and adults with disabilities.

31 It is the intent of the General Assembly that annually the Secretary evaluate
32 and prioritize the categories of health and wellness initiatives described
33 under this subdivision to determine the best use of these funds in making
34 grant awards, exclusive of direct allocations made by the General Assembly.

- 35 (5) A process that ensures that funds received by the Department to implement
36 the plan supplement and do not supplant existing funds for health and
37 wellness programs and initiatives.
- 38 (6) A process that allows grants to be awarded to nonprofits for up to two years.
- 39 (7) A requirement that initial disbursement of the grants be awarded no later
40 than 30 days after certification of the State budget for the respective fiscal
41 year.

42 **SECTION 11A.14.(c)** No later than July 1 of each year, as applicable, the
43 Secretary shall announce the recipients of the competitive grant awards and allocate funds to
44 the grant recipients for the respective grant period pursuant to the amounts designated under
45 subsection (a) of this section. After awards have been granted, by September 1 of each year, the
46 Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and
47 Human Services on the grant awards that includes at least all of the following:

- 48 (1) The identity and a brief description of each grantee and each program or
49 initiative offered by the grantee.
- 50 (2) The amount of funding awarded to each grantee.

- 1 (3) The number of persons served by each grantee, broken down by program or
2 initiative.

3 **SECTION 11A.14.(d)** No later than December 1 of each fiscal year, each nonprofit
4 organization receiving funding pursuant to this subsection in the respective fiscal year shall
5 submit to the Division of Central Management and Support a written report of all activities
6 funded by State appropriations. The report shall include the following information about the
7 fiscal year preceding the year in which the report is due:

- 8 a. The entity's mission, purpose, and governance structure.
9 b. A description of the types of programs, services, and activities
10 funded by State appropriations.
11 c. Statistical and demographical information on the number of persons
12 served by these programs, services, and activities, including the
13 counties in which services are provided.
14 d. Outcome measures that demonstrate the impact and effectiveness of
15 the programs, services, and activities.
16 e. A detailed program budget and list of expenditures, including all
17 positions funded, matching expenditures, and funding sources.

18 **SECTION 11A.14.(e)** For the 2017-2019 fiscal biennium only, from the funds
19 identified in subsection (a) of this section, the Department shall make allocations as follows:

- 20 (1) The sum of three hundred fifty thousand dollars (\$350,000) in each year of
21 the 2017-2019 fiscal biennium to provide grants to Big Brothers Big Sisters.
22 Big Brothers Big Sisters shall be required to seek future funding through the
23 competitive grants process in accordance with subsection (b) of this section.
24 (2) The sum of one million six hundred twenty-five thousand dollars
25 (\$1,625,000) for each year of the 2017-2019 fiscal biennium and the sum of
26 one million six hundred thousand dollars (\$1,600,000) in Section 11L.1 of
27 this act in Substance Abuse Prevention and Treatment Block Grant funds in
28 each year of the 2017-2019 fiscal biennium to Triangle Residential Options
29 for Substance Abusers, Inc., (TROSA) for the purpose of assisting
30 individuals with substance abuse addiction. TROSA shall be required to seek
31 future funding through the competitive grants process in accordance with
32 subsection (b) of this section.
33 (3) The sum of two million seven hundred fifty thousand dollars (\$2,750,000) in
34 each year of the 2017-2019 fiscal biennium to provide grants to Boys and
35 Girls Clubs across the State to implement (i) programs that improve the
36 motivation, performance, and self-esteem of youth and (ii) other initiatives
37 that would be expected to reduce gang participation, school dropout, and
38 teen pregnancy rates. Boys and Girls Clubs shall be required to seek future
39 funding through the competitive grants process in accordance with
40 subsection (b) of this section.

41 **SECTION 11A.14.(f)** Funds appropriated pursuant to this section that have been
42 awarded but not yet disbursed or encumbered at the end of each fiscal year shall not revert but
43 shall remain available for expenditure.

44 **SECTION 11A.14.(g)** G.S. 143B-139.2A is repealed.
45

46 **SUBPART XI-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**

47 **NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED** 48 **FACILITIES**

49 **SECTION 11B.1.(a)** Eligibility. – The Department of Health and Human Services,
50 Division of Child Development and Early Education, shall continue implementing the
51

1 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four
2 years of age on or before August 31 of the program year. In determining eligibility, the
3 Division shall establish income eligibility requirements for the program not to exceed
4 seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children
5 enrolled may have family incomes in excess of seventy-five percent (75%) of median income if
6 those children have other designated risk factors. Furthermore, any age-eligible child who is a
7 child of either of the following shall be eligible for the program: (i) an active duty member of
8 the Armed Forces of the United States, including the North Carolina National Guard, State
9 military forces, or a reserve component of the Armed Forces who was ordered to active duty by
10 the proper authority within the last 18 months or is expected to be ordered within the next 18
11 months, or (ii) a member of the Armed Forces of the United States, including the North
12 Carolina National Guard, State military forces, or a reserve component of the Armed Forces
13 who was injured or killed while serving on active duty. Eligibility determinations for NC Pre-K
14 participants may continue through local education agencies and local North Carolina
15 Partnership for Children, Inc., partnerships.

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

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

22 **SECTION 11B.1.(b1)** Building Standards. – Notwithstanding G.S. 110-91(4),
23 private child care facilities and public schools operating NC Pre-K classrooms shall meet the
24 building standards for preschool students as provided in G.S. 115C-521.1.

25 **SECTION 11B.1.(c)** Programmatic Standards. – Except as provided in subsection
26 (b1) of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies
27 prescribed by the Division of Child Development and Early Education regarding programmatic
28 standards and classroom requirements.

29 **SECTION 11B.1.(d)** NC Pre-K Committees. – Local NC Pre-K committees shall
30 use the standard decision-making process developed by the Division of Child Development and
31 Early Education in awarding NC Pre-K classroom slots and student selection.

32 **SECTION 11B.1.(e)** Reporting. – The Division of Child Development and Early
33 Education shall submit an annual report no later than March 15 of each year to the Joint
34 Legislative Oversight Committee on Health and Human Services, the Office of State Budget
35 and Management, and the Fiscal Research Division. The report shall include the following:

- 36 (1) The number of children participating in the NC Pre-K program by county.
- 37 (2) The number of children participating in the NC Pre-K program who have
38 never been served in other early education programs such as child care,
39 public or private preschool, Head Start, Early Head Start, or early
40 intervention programs.
- 41 (3) The expected NC Pre-K expenditures for the programs and the source of the
42 local contributions.
- 43 (4) The results of an annual evaluation of the NC Pre-K program.

44 **SECTION 11B.1.(f)** Audits. – The administration of the NC Pre-K program by
45 local partnerships shall be subject to the financial and compliance audits authorized under
46 G.S. 143B-168.14(b).

47 **SECTION 11B.1.(g)** Oral Health Screen and Health Assessment Transmittal Form.
48 – G.S. 130A-441(a)(5) reads as rewritten:

49 "(a) Health assessment results shall be submitted on the statewide standardized health
50 assessment transmittal form developed by the Department and the Department of Public
51 Instruction and submitted to the school principal by either (i) the parent, guardian, or person

1 standing in loco parentis for the student or (ii) the health care provider specified in
 2 G.S. 130A-440(c), if authorized in writing by the parent, guardian, or person standing in loco
 3 parentis. The health assessment transmittal form shall include only the items listed below:

- 4 ...
 5 (5) A section that includes the following information, if applicable, supplied by
 6 a health care provider specified in G.S. 130A-440(c):
 7 ...
 8 f1. Information on whether the student passed a dental screening and any
 9 concerns related to the student's oral health.
 10"

11
 12 **STATE AGENCY CONTINUED COLLABORATION ON EARLY CHILDHOOD**
 13 **EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN**

14 **SECTION 11B.2.(a)** The Department of Health and Human Services, in
 15 consultation with the Department of Public Instruction and any other agencies or organizations
 16 that administer, support, or study early education in this State, and within resources currently
 17 available, shall continue to collaborate on an ongoing basis in the development and
 18 implementation of a statewide vision for early childhood education. In collaborating in this
 19 effort, the agencies shall continue developing a comprehensive approach to early childhood
 20 education, birth through third grade, including creating cross agency accountability with a
 21 comprehensive set of data indicators, including consideration of the NC Pathways to
 22 Grade-Level Reading, to monitor and measure success of the early childhood education
 23 systems.

24 **SECTION 11B.2.(b)** The Department of Health and Human Services, the
 25 Department of Public Instruction, and any other agencies or organizations that administer,
 26 support, or study early education programs in this State shall submit a follow-up report of their
 27 findings and recommendations, including any legislative proposals, on the statewide vision for
 28 early childhood education pursuant to subsection (a) of this section to the Joint Legislative
 29 Oversight Committee on Health and Human Services and the Joint Legislative Education
 30 Oversight Committee on or before January 1, 2018, and may make any subsequent reports,
 31 annually, on or before January 1, as needed to those same committees.

32 **SECTION 11B.2.(c)** The Department of Health and Human Services, in
 33 consultation with the Department of Public Instruction, shall continue developing a
 34 standardized program to transition children from preschool to kindergarten. In developing this
 35 standardized transition program, the Department of Health and Human Services shall identify,
 36 at a minimum:

- 37 (1) Methods to standardize student transition information such that it is
 38 quantifiable.
 39 (2) Recommendations for sharing data contained in a student's transition plan
 40 between preschool teachers and either kindergarten teachers or the schools
 41 that receive the incoming kindergarten students.
 42 (3) Recommendations for sharing data contained in a student's transition plan
 43 between preschool teachers and the parents or guardians of the child who is
 44 transitioning to kindergarten.
 45 (4) Recommendations for preschool teacher training and continuing education to
 46 support their role in completing transition plans for preschool children.
 47 (5) Recommendations for baseline information that should be compiled in
 48 transition plans for students transitioning to kindergarten.
 49 (6) Procedures for the management of transition plan documents, including
 50 recommendations for the length of records retention, provisions for
 51 confidentiality, and proper disposal.

- (7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

SECTION 11B.2.(d) The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (c) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018.

CHILD CARE SUBSIDY RATES

SECTION 11B.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0 – 5	200%
6 – 12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

SECTION 11B.3.(b) Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. When care is received at the blended rate, the co-payment shall be eighty-three percent (83%) of the full-time co-payment. Co-payments for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

SECTION 11B.3.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (g) of this section.
- (3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.
- (4) No payments shall be made for transportation services or registration fees charged by child care facilities.
- (5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.
- (6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

SECTION 11B.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

- (1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.
- (2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is

1 lower than the county market rate and would inhibit the ability of the county
2 to purchase child care for low-income children, then the county market rate
3 may be applied.

4 **SECTION 11B.3.(e)** A market rate shall be calculated for child care centers and
5 homes at each rated license level for each county and for each age group or age category of
6 enrollees and shall be representative of fees charged to parents for each age group of enrollees
7 within the county. The Division of Child Development and Early Education shall also calculate
8 a statewide rate and regional market rate for each rated license level for each age category.

9 **SECTION 11B.3.(f)** The Division of Child Development and Early Education
10 shall continue implementing policies that improve the quality of child care for subsidized
11 children, including a policy in which child care subsidies are paid, to the extent possible, for
12 child care in the higher quality centers and homes only. The Division shall define higher
13 quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those
14 counties with an inadequate number of four- and five-star rated facilities, the Division shall
15 continue a transition period that allows the facilities to continue to receive subsidy funds while
16 the facilities work on the increased star ratings. The Division may allow exemptions in counties
17 where there is an inadequate number of four- and five-star rated facilities for non-star rated
18 programs, such as religious programs.

19 **SECTION 11B.3.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
20 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the
21 program that provides for the purchase of care in child care facilities for minor children of
22 needy families. Except as authorized by subsection (f) of this section, no separate licensing
23 requirements shall be used to select facilities to participate. In addition, child care facilities
24 shall be required to meet any additional applicable requirements of federal law or regulations.
25 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of
26 the General Statutes shall meet the requirements established by other State law and by the
27 Social Services Commission.

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

31 **SECTION 11B.3.(h)** Payment for subsidized child care services provided with
32 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations
33 and policies issued by the Division of Child Development and Early Education for the
34 subsidized child care program.

35 **SECTION 11B.3.(i)** Noncitizen families who reside in this State legally shall be
36 eligible for child care subsidies if all other conditions of eligibility are met. If all other
37 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be
38 eligible for child care subsidies only if at least one of the following conditions is met:

- 39 (1) The child for whom a child care subsidy is sought is receiving child
40 protective services or foster care services.
- 41 (2) The child for whom a child care subsidy is sought is developmentally
42 delayed or at risk of being developmentally delayed.
- 43 (3) The child for whom a child care subsidy is sought is a citizen of the United
44 States.

45 **SECTION 11B.3.(j)** The Department of Health and Human Services, Division of
46 Child Development and Early Education, shall require all county departments of social services
47 to include on any forms used to determine eligibility for child care subsidy whether the family
48 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

49 **SECTION 11B.3.(k)** Department of Defense-certified child care facilities licensed
50 pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that
51 provides for the purchase of care in child care facilities for minor children in needy families,

1 provided that funds allocated from the State-subsidized child care program to Department of
2 Defense-certified child care facilities shall supplement and not supplant funds allocated in
3 accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose
4 Department of Defense-certified child care facilities and who are eligible to receive subsidized
5 child care shall be as set forth in this section.

6 7 **CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS** 8 **AND COUNTIES**

9 **SECTION 11B.4.(a)** Beginning October 1, 2017, the Division shall increase the
10 child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate
11 Study for children birth through two years of age in three-, four-, and five-star-rated child care
12 centers and homes in tier three counties.

13 **SECTION 11B.4.(b)** Beginning October 1, 2017, the Division shall increase the
14 child care subsidy market rates by thirty percent (30%) of the difference between the current
15 market rates and the rates recommended by the 2015 Child Care Market Rate Study for
16 children three through five years of age in three-, four-, and five-star-rated child care centers
17 and homes in tier three counties.

18 **SECTION 11B.4.(c)** For purposes of this section, tier three counties shall have the
19 same designations as those established by the N.C. Department of Commerce's 2015 County
20 Tier Designations.

21 22 **CHILD CARE ALLOCATION FORMULA**

23 **SECTION 11B.5.(a)** The Department of Health and Human Services, Division of
24 Child Development and Early Education (Division), shall allocate child care subsidy voucher
25 funds to pay the costs of necessary child care for minor children of needy families. The
26 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy
27 allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child
28 care subsidy allocation. The Department of Health and Human Services shall use the following
29 method when allocating federal and State child care funds, not including the aggregate
30 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy
31 allocation:

- 32 (1) Funds shall be allocated to a county based upon the projected cost of serving
33 children under age 11 in families with all parents working who earn less than
34 the applicable federal poverty level percentage set forth in Section 11B.3(a)
35 of this act.
- 36 (2) The Division may withhold up to two percent (2%) of available funds from
37 the allocation formula for (i) preventing termination of services throughout
38 the fiscal year and (ii) repayment of any federal funds identified by counties
39 as overpayments, including overpayments due to fraud. The Division shall
40 allocate to counties any funds withheld before the end of the fiscal year
41 when the Division determines the funds are not needed for the purposes
42 described in this subdivision. The Division shall submit a report to the Joint
43 Legislative Oversight Committee on Health and Human Services and the
44 Fiscal Research Division, which report shall include each of the following:
 - 45 a. The amount of funds used for preventing termination of services and
46 the repayment of any federal funds.
 - 47 b. The date the remaining funds were distributed to counties.
 - 48 c. As a result of funds withheld under this subdivision and after funds
49 have been distributed, any counties that did not receive at least the
50 amount the counties received the previous year and the amount by
51 which funds were decreased.

1 The Division shall submit a report in each year of the 2017-2019 fiscal
2 biennium 30 days after the funds withheld pursuant to this subdivision are
3 distributed, but no later than April 1 of each respective year.

- 4 (3) The Division shall set aside four percent (4%) of child care subsidy
5 allocations for vulnerable populations, which include a child identified as
6 having special needs and a child whose application for assistance indicates
7 that the child and the child's family is experiencing homelessness or is in a
8 temporary living situation. A child identified by this subdivision shall be
9 given priority for receiving services until such time as set-aside allocations
10 for vulnerable populations are exhausted.

11 **SECTION 11B.5.(b)** The Division may reallocate unused child care subsidy
12 voucher funds in order to meet the child care needs of low-income families. Any reallocation of
13 funds shall be based upon the expenditures of all child care subsidy voucher funding, including
14 North Carolina Partnership for Children, Inc., funds within a county. Counties shall manage
15 service levels within the funds allocated to the counties. A county with a spending coefficient
16 over one hundred percent (100%) shall submit a plan to the Division for managing the county's
17 allocation before receiving any reallocated funds.

18 **SECTION 11B.5.(c)** When implementing the formula under subsection (a) of this
19 section, the Division shall include the market rate increase in the formula process, rather than
20 calculating the increases outside of the formula process. Additionally, the Department shall do
21 the following:

- 22 (1) Implement the final one-third change in a county's allocation beginning
23 fiscal year 2018-2019. A county's initial allocation shall be at least the
24 county's expenditure in the previous fiscal year or a prorated share of the
25 county's previous fiscal year expenditures if sufficient funds are not
26 available. With the exception of market rate increases consistent with any
27 increases approved by the General Assembly, a county whose spending
28 coefficient is less than ninety-five percent (95%) in the previous fiscal year
29 shall receive its prior year's expenditure as its allocation and shall not receive
30 an increase in its allocation in the following year. A county whose spending
31 coefficient is at least ninety-five percent (95%) in the previous fiscal year
32 shall receive, at a minimum, the amount it expended in the previous fiscal
33 year and may receive additional funding, if available. The Division may
34 waive this requirement and allow an increase if the spending coefficient is
35 below ninety-five percent (95%) due to extraordinary circumstances, such as
36 a State or federal disaster declaration in the affected county. By October 1 of
37 each year, the Division shall report to the Joint Legislative Oversight
38 Committee on Health and Human Services and the Fiscal Research Division
39 the counties that received a waiver pursuant to this subdivision and the
40 reasons for the waiver.
- 41 (2) Effective immediately following the next new decennial census data release,
42 implement (i) one-third of the change in a county's allocation in the year
43 following the data release, (ii) an additional one-third of the change in a
44 county's allocation beginning two years after the initial change under this
45 subdivision, and (iii) the final one-third change in a county's allocation
46 beginning the following two years thereafter.

47
48 **CODIFY CERTAIN CHILD CARE SUBSIDY PROVISIONS**

49 **SECTION 11B.6.** Article 3 of Chapter 143B of the General Statutes is amended by
50 adding a new Part to read:

51 "Part 10C. Child Care Subsidy.

1 **"§ 143B-168.25. Child care funds matching requirements.**

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

9 **"§ 143B-168.26. Child care revolving loan.**

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

15 **"§ 143B-168.27. Administrative allowance for county departments of social services; use**
16 **of subsidy funds for fraud detection.**

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

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

24 (c) The Division may adjust the allocations in the Child Care and Development Fund
25 Block Grant according to (i) the final allocations for local departments of social services under
26 subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation
27 initiatives under subsection (b) of this section. The Division shall submit a report on the final
28 adjustments to the allocations of the four percent (4%) administrative costs to the Joint
29 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
30 Division no later than September 30 of each year."

31
32 **SMART START INITIATIVES**

33 **SECTION 11B.8.(a) Policies.** – The North Carolina Partnership for Children, Inc.,
34 and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s
35 mission of improving child care quality in North Carolina for children from birth to five years
36 of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting
37 child care facilities with (i) improving quality, including helping one-, two-, and
38 three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten
39 programs. State funding for local partnerships shall also be used for evidence-based or
40 evidence-informed programs for children from birth to five years of age that do the following:

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

46 **SECTION 11B.8.(b) Administration.** – Administrative costs shall be equivalent to,
47 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the
48 total statewide allocation to all local partnerships. For purposes of this subsection,
49 administrative costs shall include costs associated with partnership oversight, business and
50 financial management, general accounting, human resources, budgeting, purchasing,
51 contracting, and information systems management. The North Carolina Partnership for

1 Children, Inc., shall continue using a single statewide contract management system that
2 incorporates features of the required standard fiscal accountability plan described in
3 G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract
4 management system and, directed by the North Carolina Partnership for Children, Inc., to
5 collaborate, to the fullest extent possible, with other local partnerships to increase efficiency
6 and effectiveness.

7 **SECTION 11B.8.(c)** Salaries. – The salary schedule developed and implemented
8 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State
9 funds that may be used for the salary of the Executive Director of the North Carolina
10 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina
11 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 12 (1) The population of the area serviced by a local partnership.
- 13 (2) The amount of State funds administered.
- 14 (3) The amount of total funds administered.
- 15 (4) The professional experience of the individual to be compensated.
- 16 (5) Any other relevant factors pertaining to salary, as determined by the North
17 Carolina Partnership for Children, Inc.

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

22 **SECTION 11B.8.(d)** Match Requirements. – The North Carolina Partnership for
23 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one
24 hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the
25 2017-2019 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the
26 local partnerships are required to match, contributions of cash shall be equal to at least thirteen
27 percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%)
28 for a total match requirement of nineteen percent (19%) for each year of the 2017-2019 fiscal
29 biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in
30 excess of the required match for a fiscal year in order to meet the match requirement of the
31 succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the
32 in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the
33 purpose of the match requirement of this subsection. Volunteer services that qualify as
34 professional services shall be valued at the fair market value of those services. All other
35 volunteer service hours shall be valued at the statewide average wage rate as calculated from
36 data compiled by the Division of Employment Security of the Department of Commerce in the
37 Employment and Wages in North Carolina Annual Report for the most recent period for which
38 data are available. Expenses, including both those paid by cash and in-kind contributions,
39 incurred by other participating non-State entities contracting with the North Carolina
40 Partnership for Children, Inc., or the local partnerships also may be considered resources
41 available to meet the required private match. In order to qualify to meet the required private
42 match, the expenses shall:

- 43 (1) Be verifiable from the contractor's records.
- 44 (2) If in-kind, other than volunteer services, be quantifiable in accordance with
45 generally accepted accounting principles for nonprofit organizations.
- 46 (3) Not include expenses funded by State funds.
- 47 (4) Be supplemental to and not supplant preexisting resources for related
48 program activities.
- 49 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and
50 be necessary and reasonable for the proper and efficient accomplishment of
51 the Program's objectives.

1 (6) Be otherwise allowable under federal or State law.

2 (7) Be required and described in the contractual agreements approved by the
3 North Carolina Partnership for Children, Inc., or the local partnership.

4 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local
5 partnership by the contractor in the same manner as reimbursable expenses.

6 Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the
7 2017-2019 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for
8 the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc.,
9 shall be responsible for compiling information on the private cash and in-kind contributions
10 into a report that is submitted to the Joint Legislative Oversight Committee on Health and
11 Human Services in a format that allows verification by the Department of Revenue. The same
12 match requirements shall apply to any expansion funds appropriated by the General Assembly.

13 **SECTION 11B.8.(e)** Bidding. – The North Carolina Partnership for Children, Inc.,
14 and all local partnerships shall use competitive bidding practices in contracting for goods and
15 services on contract amounts as follows:

16 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
17 specified by a written policy as developed by the Board of Directors of the
18 North Carolina Partnership for Children, Inc.

19 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen
20 thousand dollars (\$15,000), three written quotes.

21 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than
22 forty thousand dollars (\$40,000), a request for proposal process.

23 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
24 proposal process and advertising in a major newspaper.

25 **SECTION 11B.8.(f)** Allocations. – The North Carolina Partnership for Children,
26 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the
27 2012-2013 funding level.

28 **SECTION 11B.8.(g)** Performance-Based Evaluation. – The Department of Health
29 and Human Services shall continue to implement the performance-based evaluation system.

30 **SECTION 11B.8.(h)** Expenditure Restrictions. – The Department of Health and
31 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the
32 allocation of funds for Early Childhood Education and Development Initiatives for the
33 2017-2019 fiscal biennium shall be administered and distributed in the following manner:

34 (1) Capital expenditures are prohibited for the 2017-2019 fiscal biennium. For
35 the purposes of this section, "capital expenditures" means expenditures for
36 capital improvements as defined in G.S. 143C-1-1(d)(5).

37 (2) Expenditures of State funds for advertising and promotional activities are
38 prohibited for the 2017-2019 fiscal biennium.

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

42
43 **SMART START EARLY LITERACY INITIATIVE/DOLLY PARTON'S**
44 **IMAGINATION LIBRARY**

45 **SECTION 11B.9.(a)** Funds allocated to the North Carolina Partnership for
46 Children, Inc., from the Department of Health and Human Services, shall be used to increase
47 access to Dolly Parton's Imagination Library, an early literacy program that mails
48 age-appropriate books on a monthly basis to children registered for the program, with the intent
49 that, upon full implementation, access to the program shall be statewide.

50 **SECTION 11B.9.(b)** The North Carolina Partnership for Children, Inc., may use
51 up to two percent (2%) of the funds for program evaluation. Funds appropriated under this

1 section shall not be subject to administrative costs requirements under Section 11B.8(b) of this
2 act, nor shall these funds be subject to the child care services funding requirements under
3 G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g),
4 or the match requirements under Section 11B.8(d) of this act.

5 **SECTION 11B.9.(c)** The North Carolina Partnership for Children, Inc., shall report
6 on the success of the early literacy initiative, including any recommendations, to the Joint
7 Legislative Oversight Committee on Health and Human Services by March 1, 2018. The report
8 shall include participation rates for Dolly Parton's Imagination Library.
9

10 **SMART START/REACH OUT AND READ EARLY LITERACY INITIATIVE**

11 **SECTION 11B.9A.(a)** Funds allocated in this act to the North Carolina Partnership
12 for Children, Inc., from the Department of Health and Human Services, in each year of the
13 2017-2019 fiscal biennium shall be used to increase access to Reach Out and Read, a program
14 that supports doctors in their efforts to "prescribe" reading to young children and families
15 during well-child visits through early literacy guidance and book sharing, the provision of free
16 books for children to keep, and literacy-rich waiting rooms.

17 **SECTION 11B.9A.(b)** The North Carolina Partnership for Children, Inc., may use
18 up to two percent (2%) of the funds for program evaluation. Funds allocated under this section
19 shall not be subject to administrative costs requirements under Section 11B.8(b) of this act, nor
20 shall these funds be subject to the child care services funding requirements under
21 G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g),
22 or the match requirements under Section 11B.8(d) of this act.

23 **SECTION 11B.9A.(c)** The North Carolina Partnership for Children, Inc., shall
24 report on the success of the Reach Out and Read literacy initiative, including any
25 recommendations, to the Joint Legislative Oversight Committee on Health and Human Services
26 by March 1, 2018. The report shall include participation rates for Reach Out and Read.
27

28 **TASK FORCE/EARLY CHILDHOOD EDUCATION WORKFORCE**

29 **SECTION 11B.10.(a)** The Department of Health and Human Services, Division of
30 Child Development and Early Education (Division), shall create and appoint a Task Force to (i)
31 study issues related to the education and compensation of the early childhood workforce and
32 (ii) make recommendations to strengthen the early education teacher workforce and best attract
33 and retain qualified teachers for North Carolina's early education programs, including the NC
34 prekindergarten program (NC Pre-K) and private child care centers.

35 **SECTION 11B.10.(b)** The Task Force shall consist of at least the following
36 members:

- 37 (1) The Director of the Division of Child Development and Early Education or
38 the Secretary of Health and Human Services' designee for the Division. This
39 representative shall serve as the chair of the Task Force. The Division shall
40 use the resources of its office to staff and support the Task Force.
- 41 (2) Six members representing State-level early education organizations working
42 on education and compensation issues facing the early childhood workforce.
- 43 (3) Four members representing child care programs, including one for-profit
44 center, one nonprofit center, one NC Pre-K provider, and one family child
45 care home provider.
- 46 (4) Two members representing local North Carolina Partnership for Children,
47 Inc., partnerships, including one urban and one rural representative.
- 48 (5) Two staff with expertise about the workforce from local Child Care
49 Resource and Referral agencies.

- 1 (6) Two members representing higher education, including one member from
2 the Community College Early Education System and one member from The
3 University of North Carolina system.

4 **SECTION 11B.10.(c)** The Task Force shall study the following:

- 5 (1) National reports, programs, and recommendations related to advancing the
6 education or compensation of the early childhood workforce.
7 (2) North Carolina data on early education workforce education and
8 compensation from workforce studies and other sources.
9 (3) Current State education standards and compensation policy in law, policy,
10 and rules for early education teachers.
11 (4) Professional development and training resources available through the
12 community college early education programs, Child Care Resource and
13 Referral agencies, and other technical assistance providers.
14 (5) Opportunities to improve teacher compensation through various funding
15 streams including parent rates, provider incentives, the child care subsidy
16 system, and NC Pre-K.
17 (6) Opportunities to include compensation and education strategies in the State's
18 Quality Rating and Improvement System.
19 (7) The coordination and support of public and private partnerships and
20 resources necessary to attract and retain a qualified early childhood
21 workforce.
22 (8) Any other issues related to the early childhood workforce that the Task
23 Force deems relevant.

24 **SECTION 11B.10.(d)** The Task Force shall submit a final report, including any
25 recommendations on the results of its study, to the Joint Legislative Oversight Committee on
26 Health and Human Services on or before March 1, 2018. The Task Force shall terminate on
27 March 1, 2018, or upon the filing of its final report, whichever occurs first.

28

29 **SUBPART XI-C. DIVISION OF SOCIAL SERVICES**

30

31 **TANF BENEFIT IMPLEMENTATION**

32 **SECTION 11C.1.(a)** The General Assembly approves the plan titled "North
33 Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019," prepared by the
34 Department of Health and Human Services and presented to the General Assembly. The North
35 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,
36 2016, through September 30, 2019. The Department shall submit the State Plan, as revised in
37 accordance with subsection (b) of this section, to the United States Department of Health and
38 Human Services.

39 **SECTION 11C.1.(b)** The counties approved as Electing Counties in the North
40 Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019, as approved by
41 this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

42 **SECTION 11C.1.(c)** Counties that submitted the letter of intent to remain as an
43 Electing County or to be redesignated as an Electing County and the accompanying county plan
44 for years 2016 through 2019, pursuant to G.S. 108A-27(e), shall operate under the Electing
45 County budget requirements effective July 1, 2017. For programmatic purposes, all counties
46 referred to in this subsection shall remain under their current county designation through
47 September 30, 2019.

48 **SECTION 11C.1.(d)** For each year of the 2017-2019 fiscal biennium, Electing
49 Counties shall be held harmless to their Work First Family Assistance allocations for the
50 2016-2017 fiscal year, provided that remaining funds allocated for Work First Family

1 Assistance and Work First Diversion Assistance are sufficient for payments made by the
2 Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

3 **SECTION 11C.1.(e)** In the event that departmental projections of Work First
4 Family Assistance and Work First Diversion Assistance for the 2017-2018 fiscal year or the
5 2018-2019 fiscal year indicate that remaining funds are insufficient for Work First Family
6 Assistance and Work First Diversion Assistance payments to be made on behalf of Standard
7 Counties, the Department is authorized to deallocate funds, of those allocated to Electing
8 Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11,
9 up to the requisite amount for payments in Standard Counties. Prior to deallocation, the
10 Department shall obtain approval by the Office of State Budget and Management. If the
11 Department adjusts the allocation set forth in subsection (d) of this section, then a report shall
12 be made to the Joint Legislative Oversight Committee on Health and Human Services and the
13 Fiscal Research Division.

14 15 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 16 **PERFORMANCE ENHANCEMENTS**

17 **SECTION 11C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the
18 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to
19 children and families in cases of abuse, neglect, and dependency where a child is at imminent
20 risk of removal from the home and to children and families in cases of abuse where a child is
21 not at imminent risk of removal. The Program shall be developed and implemented statewide
22 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria
23 for determining imminent risk and clear criteria for determining out-of-home placement.

24 **SECTION 11C.2.(b)** The Department of Health and Human Services shall require
25 that any program or entity that receives State, federal, or other funding for the purpose of IFPS
26 shall provide information and data that allows for the following:

- 27 (1) An established follow-up system with a minimum of six months of
28 follow-up services.
- 29 (2) Detailed information on the specific interventions applied, including
30 utilization indicators and performance measurement.
- 31 (3) Cost-benefit data.
- 32 (4) Data on long-term benefits associated with IFPS. This data shall be obtained
33 by tracking families through the intervention process.
- 34 (5) The number of families remaining intact and the associated interventions
35 while in IFPS and 12 months thereafter.
- 36 (6) The number and percentage, by race, of children who received IFPS
37 compared to the ratio of their distribution in the general population involved
38 with Child Protective Services.

39 **SECTION 11C.2.(c)** The Department shall establish a performance-based funding
40 protocol and shall only provide funding to those programs and entities providing the required
41 information specified in subsection (b) of this section. The amount of funding shall be based on
42 the individual performance of each program.

43 44 **CHILD CARING INSTITUTIONS**

45 **SECTION 11C.3.** Until the Social Services Commission adopts rules setting
46 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the
47 maximum reimbursement for child caring institutions shall not exceed the rate established for
48 the specific child caring institution by the Department of Health and Human Services, Office of
49 the Controller. In determining the maximum reimbursement, the State shall include county and
50 IV-E reimbursements.

USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 11C.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may continue to provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program (GAP) shall include provisions for extending guardianship services for individuals who have attained the age of 18 years and opt to continue to receive guardianship services until reaching 21 years of age if the individual is (i) completing secondary education or a program leading to an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational education, (iii) participating in a program or activity designed to promote, or remove barriers to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the educational or employment requirements of this section due to a medical condition or disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 11C.5.(a) Funds appropriated from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

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

SECTION 11C.5.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2017-2018 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2018-2019 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 11C.5.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 11C.6.(a) Centralized Services. – The North Carolina Child Support Services Section (NCCSS) of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

- (1) In consultation with representatives from county child support services programs, identify how federal incentive funding could improve centralized services.

1 (2) Use federal incentive funds to improve the effectiveness of the State's
2 centralized child support services by supplementing and not supplanting
3 State expenditures for those services.

4 (3) Develop and implement rules that explain the State process for calculating
5 and distributing federal incentive funding to county child support services
6 programs.

7 **SECTION 11C.6.(b)** County Child Support Services Programs. – NCCSS shall
8 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it
9 receives from the federal government to county child support services programs to improve
10 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall
11 do the following:

12 (1) In consultation with representatives from county child support services
13 programs, examine the current methodology for distributing federal
14 incentive funding to the county programs and determine whether an
15 alternative formula would be appropriate. NCCSS shall use its current
16 formula for distributing federal incentive funding until an alternative
17 formula is adopted.

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

21 **SECTION 11C.6.(c)** Reporting by County Child Support Services Programs. –
22 NCCSS shall continue implementing guidelines that identify appropriate uses for federal
23 incentive funding. To ensure those guidelines are properly followed, NCCSS shall require
24 county child support services programs to comply with each of the following:

25 (1) Submit an annual plan describing how federal incentive funding would
26 improve program effectiveness and efficiency as a condition of receiving
27 federal incentive funding.

28 (2) Report annually on the following: (i) how federal incentive funding has
29 improved program effectiveness and efficiency and been reinvested into
30 their programs, (ii) provide documentation that the funds were spent
31 according to their annual plans, and (iii) explain any deviations from their
32 plans.

33 **SECTION 11C.6.(d)** Reporting by NCCSS. – NCCSS shall submit a report on
34 federal child support incentive funding to the Joint Legislative Oversight Committee on Health
35 and Human Services and the Fiscal Research Division by November 1 of each year. The report
36 shall describe how federal incentive funds enhanced centralized child support services to
37 benefit county child support services programs and improved the effectiveness and efficiency
38 of county child support services programs. The report shall further include any changes to the
39 State process the NCCSS used in calculating and distributing federal incentive funding to
40 county child support services programs and any recommendations for further changes.

41 **CHILD WELFARE SYSTEM CHANGES**

42 **SECTION 11C.7.(a)** Federal Improvement Plan Implementation. – The
43 Department of Health and Human Services, Division of Social Services, shall continue
44 implementing the requirements of the federal Program Improvement Plan to bring our State
45 into compliance with national standards for child welfare policy and practices. The Division
46 shall collaborate with county departments of social services to develop a model of oversight
47 that supports program outcomes and a county's ability to meet performance standards as
48 outlined in the Program Improvement Plan. Oversight may include support for continuous
49 quality improvement, staff training, and data analysis.
50

1 The Division shall report on the implementation and outcomes of the Program
2 Improvement Plan to the Joint Legislative Oversight Committee on Health and Human
3 Services. The report shall be submitted semiannually on February 1 and August 1 of each year,
4 with a final report on February 1, 2019.

5 **SECTION 11C.7.(b)** Child Welfare/NC FAST. – The Department of Health and
6 Human Services, Division of Social Services, shall continue toward completion of the child
7 welfare component of the North Carolina Families Accessing Services Through Technology
8 (NC FAST) system to (i) bring the State into compliance with the Statewide Information
9 System systematic factor of the Child and Family Services Review (CFSR) and (ii) ensure that
10 data quality meets federal standards and adequate information is collected and available to
11 counties to assist in tracking children and outcomes across counties.

12 It is the intent of the General Assembly that the child welfare component of the NC
13 FAST system be operational by December 31, 2017. To that end, the Department of Health and
14 Human Services, Division of Social Services, shall report on the development, implementation,
15 and outcomes of the child welfare component of the NC FAST system to the Joint Legislative
16 Oversight Committee on Health and Human Services quarterly through April 1, 2019. The
17 report shall include, at a minimum, each of the following:

- 18 (1) The current time line for development and implementation of the child
19 welfare component to NC FAST.
- 20 (2) Any adjustments and justifications for adjustments to the time line.
- 21 (3) Progress on the development and implementation of the system.
- 22 (4) Address any identified issues in developing or implementing the child
23 welfare component to NC FAST and solutions to address those issues.
- 24 (5) The level of county participation and involvement in each phase of the
25 project.
- 26 (6) Any budget and expenditure reports, including overall project budget and
27 expenditures, and current fiscal year budget and expenditures.

28 29 **INCREASE ACCESS TO PUBLIC BENEFITS FOR OLDER DUAL ELIGIBLE** 30 **SENIORS**

31 **SECTION 11C.8.(a)** The Department of Health and Human Services, Division of
32 Social Services (Division), shall continue implementing an evidence-based pilot program to
33 increase access to public benefits for seniors aged 65 and older who are dually enrolled in
34 Medicare and Medicaid to (i) improve the health and independence of seniors and (ii) reduce
35 health care costs. The Division shall continue to partner with a not-for-profit firm for the
36 purposes of engaging in a data-driven campaign to help seniors aged 65 and older who are
37 dually enrolled in Medicare and Medicaid meet their basic social needs. The not-for-profit firm
38 shall have demonstrated experience in assisting with these types of services and the partnership
39 shall accomplish each of the following:

- 40 (1) Identify, through data sharing, dual eligible seniors aged 65 and older who
41 qualify for the Supplemental Nutrition and Assistance Program (SNAP) but
42 are not currently enrolled.
- 43 (2) Conduct an outreach program toward those seniors for the purpose of
44 enrolling them into SNAP.
- 45 (3) Provide comprehensive application assistance through outreach specialists to
46 complete public benefits application processes.
- 47 (4) Evaluate project effectiveness and explore how data can be utilized to
48 achieve optimal outcomes.
- 49 (5) Make recommendations regarding policy options available to the State to
50 streamline access to benefits.

1 **SECTION 11C.8.(b)** The Division shall report to the Office of the Governor and
2 the Joint Legislative Oversight Committee on Health and Human Services on its progress in the
3 pilot program by February 1 following each year the pilot program is in place. The report shall,
4 at a minimum, include the following:

- 5 (1) The number of seniors age 65 and older who are dual eligibles but are not
6 enrolled in SNAP.
- 7 (2) The number of those identified that would be included in the sample
8 population.
- 9 (3) Methods of outreach toward those seniors in the sample population.
- 10 (4) Number of to date enrollments in SNAP as a direct result of outreach during
11 the pilot program.
- 12 (5) Participation rate to date in SNAP of those seniors in the sample population.
- 13 (6) Any other findings the Division deems relevant.

14 **SECTION 11C.8.(c)** Any nonrecurring funds remaining in the 2016-2017 fiscal
15 year from implementation of the pilot program under this section shall not revert, but shall
16 remain available for continued implementation of the pilot program, along with any private or
17 nonprofit funding provided to the Division for use in the pilot program. If funding and capacity
18 exist, the Division of Social Services may expand the pilot program to include other public
19 benefits programs.

20
21 **SUCCESSFUL TRANSITION/FOSTER CARE YOUTH/PERMANENCY**
22 **INNOVATION INITIATIVE TECHNICAL CHANGE**

23 **SECTION 11C.9.(a)** There is created the Foster Care Transitional Living Initiative
24 Fund to fund and support transitional living services that demonstrate positive outcomes for
25 youth, attract significant private sector funding, and lead to the development of evidence-based
26 programs to serve the at-risk population described in this section. The Fund shall support a
27 demonstration project with services provided by Youth Villages to (i) improve outcomes for
28 youth ages 17-21 years who transition from foster care through implementation of
29 outcome-based Transitional Living Services, (ii) identify cost-savings in social services and
30 juvenile and adult correction services associated with the provision of Transitional Living
31 Services to youth aging out of foster care, and (iii) take necessary steps to establish an
32 evidence-based transitional living program available to all youth aging out of foster care. In
33 implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the
34 following strategies:

- 35 (1) Transitional Living Services, which is an outcome-based program that
36 follows the Youth Villages Transitional Living Model. Outcomes on more
37 than 7,000 participants have been tracked since the program's inception. The
38 program has been evaluated through an independent Randomized Controlled
39 Trial. Results indicate that Youth Villages Transitional Living Model had
40 positive impacts in a variety of areas, including housing stability, earnings,
41 economic hardship, mental health, and intimate partner violence in
42 comparison to the control population.
- 43 (2) Public-Private Partnership, which is a commitment by private-sector funding
44 partners to match funds appropriated to the Foster Care Transitional Living
45 Initiative Fund for the 2017-2019 fiscal biennium for the purposes of
46 providing Transitional Living Services through the Youth Villages
47 Transitional Living Model to youth aging out of foster care.
- 48 (3) Impact Measurement and Evaluation, which are services funded through
49 private partners to provide independent measurement and evaluation of the
50 impact the Youth Villages Transitional Living Model has on the youth

1 served, the foster care system, and on other programs and services provided
2 by the State which are utilized by former foster care youth.

- 3 (4) Advancement of Evidence-Based Process, which is the implementation and
4 ongoing evaluation of the Youth Villages Transitional Living Model for the
5 purposes of establishing the first evidence-based transitional living program
6 in the nation. To establish the evidence-based program, additional
7 randomized controlled trials may be conducted to advance the model.

8 **SECTION 11C.9.(b)** G.S. 131D-10.9A(c) reads as rewritten:

9 "(c) Purpose and Powers. – The Committee shall:

- 10 (1) Design and implement a data tracking methodology to collect and analyze
11 information to gauge the success of the initiative established under this
12 section as well as ~~an initiative~~any initiatives for foster care youth
13 transitioning to ~~adulthood in accordance with Part 3 of this~~
14 ~~Article~~adulthood.
- 15 (2) Develop a methodology to identify short- and long-term cost-savings in the
16 provision of foster care and foster care transitional living services and any
17 potential reinvestment strategies.
- 18 (3) Oversee program implementation to ensure fidelity to the program models
19 identified under subdivisions (1) and (2) of ~~G.S. 131D-10.9B(a) and under~~
20 ~~subdivisions (1) through (4) of G.S. 131D-10.9G(a).~~G.S. 131D-10.9B(a).
- 21 (4) Study, review, and recommend other policies and services that may
22 positively impact permanency, well-being outcomes, and youth aging out of
23 the foster care system."
24

25 **FINAL REPORT/EASTERN BAND OF CHEROKEE INDIANS ASSUMPTION OF**
26 **SERVICES**

27 **SECTION 11C.10.(a)** The Department of Health and Human Services, Division of
28 Social Services, shall submit a final report to the Joint Legislative Oversight Committee on
29 Health and Human Services on the assumption of certain services by the Eastern Band of
30 Cherokee Indians as implemented pursuant to Section 12C.10 of S.L. 2015-241, as amended by
31 Section 12C.2 of S.L. 2016-94, when implementation is complete.

32 **SECTION 11C.10.(b)** Section 12C.10(h) of S.L. 2015-241 is repealed.
33

34 **ECKERD KIDS AND CARING FOR CHILDREN'S ANGEL WATCH**
35 **PROGRAM/REPORT ON USE OF ADDITIONAL FUNDS**

36 **SECTION 11C.14.(a)** The Department of Health and Human Services, Division of
37 Social Services, shall report on the use of additional funds provided in this act for each year of
38 the 2017-2019 fiscal biennium to provide continued support of the Eckerd Kids and Caring for
39 Children's Angel Watch program, a foster care program for children who are ages zero to 10
40 who are not in the custody of a county department of social services and whose families are
41 temporarily unable to care for them due to a crisis. The report shall, at a minimum, include each
42 of the following:

- 43 (1) The number of families and children served by the program, including the
44 counties in which services are provided.
- 45 (2) The number of children who enter foster care within six months after their
46 family participates in the program.
- 47 (3) A comparison of children with similar needs that do not participate in the
48 program and the number of those children who enter into foster care.
- 49 (4) Any other matters the Division deems relevant.

1 **SECTION 11C.14.(b)** The Division shall submit the report required by subsection
2 (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services
3 and the Fiscal Research Division by December 1, 2018.
4

5 **CHILD ADVOCACY CENTER FUNDING**

6 **SECTION 11C.15.** Of the funds appropriated in this act to the Department of
7 Health and Human Services, Division of Social Services, for each year of the 2017-2019 fiscal
8 biennium for child advocacy centers, allocations shall be made as follows:

- 9 (1) Up to one hundred thousand dollars (\$100,000) for each child advocacy
10 center in good standing with Children's Advocacy Centers of North
11 Carolina, Inc.
- 12 (2) One hundred thousand dollars (\$100,000) to Children's Advocacy Centers of
13 North Carolina, Inc., for its operations.
14

15 **SUBPART XI-D. DIVISION OF AGING AND ADULT SERVICES**

16 **STATE-COUNTY SPECIAL ASSISTANCE RATE INCREASE**

17 **SECTION 11D.1.(a)** From July 1, 2017, through September 30, 2017, 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. Beginning October 1, 2017,
20 through the remainder of the 2017-2019 fiscal biennium, the maximum monthly rate for
21 residents in adult care home facilities shall be one thousand two hundred sixteen dollars
22 (\$1,216) per month per resident.
23

24 **SECTION 11D.1.(b)** From July 1, 2017, through September 30, 2017, the
25 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one
26 thousand five hundred fifteen dollars (\$1,515) per month per resident. Beginning October 1,
27 2017, through the remainder of the 2017-2019 fiscal biennium, the maximum monthly rate for
28 residents in Alzheimer's/Dementia special care units shall be one thousand five hundred
29 forty-nine dollars (\$1,549) per month per resident.
30

31 **ALIGNMENT OF STATE AND FEDERAL AGING PLAN REPORTING DEADLINES**

32 **SECTION 11D.2.** G.S. 143B-181.1A reads as rewritten:

33 **"§ 143B-181.1A. Plan for serving older adults; inventory of existing data; cooperation by**
34 **State agencies.**

35 (a) The Division of ~~Aging, Aging and Adult Services of the~~ Department of Health and
36 Human Services shall submit a regularly updated plan to the General Assembly by ~~March 1~~July
37 1 of every other odd-numbered year, beginning March 1, 1995. This plan shall include:

- 38 (1) A detailed analysis of the needs of older adults in North Carolina, based on
39 existing available data, including demographic, geographic, health, social,
40 ~~economical, economic,~~ and other pertinent ~~indicators;~~indicators.
- 41 (2) A clear statement of the goals of the State's long-term public policy on
42 ~~aging;~~aging.
- 43 (3) An analysis of services currently provided and an analysis of additional
44 services ~~needed;~~and needed.
- 45 (4) Specific implementation recommendations on expansion and funding of
46 current and additional services and ~~services-~~service levels.

47 (b) The Division of ~~Aging, Aging and Adult Services of the~~ Department of Health and
48 Human ~~Services;~~Services shall maintain an inventory of existing data sets regarding the elderly
49 in North Carolina, in order to ensure that adequate demographic, geographic, health, social,
50 economic, and other pertinent indicators are available to generate its regularly updated Plan for
51 Serving Older Adults.

1 Upon request, the Division of Aging and Adult Services shall make information on these
2 data sets available within a reasonable time.

3 All State agencies and entities that possess data relating to the elderly, including the
4 Department of ~~Health and Human Services' Division of Health Services, the Division of~~
5 Administration and the Divisions of Public Health, Health Service Regulation, and the Division
6 of Social Services, and the Department of Administration, Social Services of the Department of
7 Health and Human Services, shall cooperate, upon request, with the Division of Aging and
8 Adult Services in implementing this subsection."
9

10 **RECOMMENDATION TO APPOINT A SUBCOMMITTEE ON AGING**

11 **SECTION 11D.3.(a)** Pursuant to the authority in G.S. 120-208.2(d), the cochairs
12 for the Joint Legislative Oversight Committee on Health and Human Services may consider
13 appointing a subcommittee on aging to examine the State's delivery of services for older adults
14 in order to (i) determine their service needs and to (ii) make recommendations to the Oversight
15 Committee on how to address those needs. North Carolina currently ranks ninth in the nation
16 for the size of the age 60 and older population and tenth in the nation for the age 85 and older
17 population. From 2015 to 2035, the age 65 and older population is projected to increase
18 sixty-seven percent (67%) and the age 85 and older population is projected to increase one
19 hundred two percent (102%). By 2019, North Carolina will have more people that are 60 years
20 of age and older than children age zero to 17. It is recommended that the subcommittee
21 examine the range of programs and services for older adults throughout the continuum of care.
22 The subcommittee is encouraged to seek input from a variety of stakeholders and interest
23 groups, including the Division of Aging and Adult Services and the Division of Social
24 Services, Department of Health and Human Services; the North Carolina Coalition on Aging;
25 the North Carolina Senior Tarheel Legislature, and the Governor's Advisory Council on Aging.

26 **SECTION 11D.3.(b)** If a subcommittee on aging is appointed, the subcommittee
27 shall submit an interim report of its findings and recommendations, including any proposed
28 legislation, to the Joint Legislative Oversight Committee on Health and Human Services on or
29 before March 1, 2018, and shall submit a final report of its findings and recommendations,
30 including any proposed legislation, on or before November 1, 2018, at which time it shall
31 terminate unless reappointed by the cochairs of the Oversight Committee under the authority
32 granted in G.S. 120-208.2(d).
33

34 **SUBPART XI-E. DIVISION OF PUBLIC HEALTH**

35 **FUNDS FOR SCHOOL NURSES**

36 **SECTION 11E.1.** Part 1 of Article 1 of Chapter 130A of the General Statutes is
37 amended by adding a new section to read:

38 **"§ 130A-4.3. State funds for school nurses.**

39 (a) The Department shall use State funds appropriated for the School Nurse Funding
40 Initiative to supplement and not supplant other State, local, or federal funds appropriated or
41 allocated for this purpose. The Department shall ensure that communities maintain their current
42 level of effort and funding for school nurses. These funds shall not be used to fund nurses for
43 State agencies. These funds shall be distributed to local health departments according to a
44 formula that includes all of the following:
45

- 46 (1) School nurse-to-student ratio.
- 47 (2) Percentage of students eligible for free or reduced-price meals.
- 48 (3) Percentage of children in poverty.
- 49 (4) Per capita income.
- 50 (5) Eligibility as a low-wealth county.
- 51 (6) Mortality rates for children between one and 19 years of age.

- 1 (7) Percentage of students with chronic illnesses.
 2 (8) Percentage of county population consisting of minority persons.
 3 **(b) The Division of Public Health shall ensure that school nurses funded with State**
 4 **funds (i) do not assist in any instructional or administrative duties associated with a school's**
 5 **curriculum and (ii) perform all of the following with respect to school health programs:**
 6 (1) Serve as the coordinator of the health services program and provide nursing
 7 care.
 8 (2) Provide health education to students, staff, and parents.
 9 (3) Identify health and safety concerns in the school environment and promote a
 10 nurturing school environment.
 11 (4) Support healthy food services programs.
 12 (5) Promote healthy physical education, sports policies, and practices.
 13 (6) Provide health counseling, assess mental health needs, provide interventions,
 14 and refer students to appropriate school staff or community agencies.
 15 (7) Promote community involvement in assuring a healthy school and serve as
 16 school liaison to a health advisory committee.
 17 (8) Provide health education and counseling and promote healthy activities and
 18 a healthy environment for school staff.
 19 (9) Be available to assist the county health department during a public health
 20 emergency."

21
 22 **STRATEGIES FOR ADDRESSING STRUCTURAL BUDGET DEFICIT IN STATE**
 23 **LABORATORY OF PUBLIC HEALTH**

24 **SECTION 11E.2.(a)** By March 1, 2018, the Department of Health and Human
 25 Services, Division of Public Health, shall review the current fee schedule for medical and
 26 environmental services provided by the State Laboratory of Public Health (SLPH) and report
 27 any recommended strategies for addressing its structural budget deficit. The report must
 28 include at least all of the following:

- 29 (1) Recommendations on all of the following:
 30 a. Any service the SLPH currently provides at no cost for which it
 31 should begin charging a fee, along with recommendations for the
 32 amount of each new fee sufficient to cover both the direct and
 33 indirect costs of the service.
 34 b. Implementation of a billing system for services provided by the
 35 SLPH.
 36 c. Strategies to improve billing accuracy in order to increase the SLPH's
 37 Medicaid reimbursement rate.
 38 d. The feasibility of modifying the Medicaid State Plan to allow the
 39 SLPH to engage in cost settlement, similar to the approaches used by
 40 local health departments.
 41 (2) Identification of measures to ensure that local health departments collect and
 42 report all data needed to ensure accurate and timely billing of SLPH
 43 services.
 44 (3) Proposals on alternative funding options to support the operating costs of the
 45 SLPH.

46 **SECTION 11E.2.(b)** This section is effective when this act becomes law.
 47

48 **LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO**
 49 **IMPROVE MATERNAL AND CHILD HEALTH**

50 **SECTION 11E.3.(a)** Funds appropriated in this act to the Department of Health
 51 and Human Services, Division of Public Health, for each year of the 2017-2019 fiscal biennium

1 to award competitive grants to local health departments for the improvement of maternal and
2 child health shall be used to continue administering a competitive grant process for local health
3 departments based on maternal and infant health indicators and the county's detailed proposal
4 to invest in evidence-based programs to achieve the following goals:

- 5 (1) Improve North Carolina's birth outcomes.
- 6 (2) Improve the overall health status of children in this State from birth to age
7 five.
- 8 (3) Lower the State's infant mortality rate.

9 **SECTION 11E.3.(b)** The plan for administering the competitive grant process
10 shall include at least all of the following components:

- 11 (1) A request for application (RFA) process to allow local health departments to
12 apply for and receive State funds on a competitive basis. The Department
13 shall require local health departments to include in the application a plan to
14 evaluate the effectiveness, including measurable impact or outcomes, of the
15 activities, services, and programs for which the funds are being requested.
- 16 (2) A requirement that the Secretary prioritize grant awards to those local health
17 departments that are able to leverage non-State funds in addition to the grant
18 award.
- 19 (3) Ensures that funds received by the Department to implement the plan
20 supplement and do not supplant existing funds for maternal and child health
21 initiatives.
- 22 (4) Allows grants to be awarded to local health departments for up to two years.

23 **SECTION 11E.3.(c)** No later than July 1 of each year, as applicable, the Secretary
24 shall announce the recipients of the competitive grant awards and allocate funds to the grant
25 recipients for the respective grant period pursuant to the amounts designated under subsection
26 (a) of this section. After awards have been granted, the Secretary shall submit a report to the
27 Joint Legislative Oversight Committee on Health and Human Services on the grant awards that
28 includes at least all of the following:

- 29 (1) The identity and a brief description of each grantee and each program or
30 initiative offered by the grantee.
- 31 (2) The amount of funding awarded to each grantee.
- 32 (3) The number of persons served by each grantee, broken down by program or
33 initiative.

34 **SECTION 11E.3.(d)** No later than December 1 of each fiscal year, each local
35 health department receiving funding pursuant to this section in the respective fiscal year shall
36 submit to the Division of Central Management and Support a written report of all activities
37 funded by State appropriations. The report shall include the following information about the
38 fiscal year preceding the year in which the report is due:

- 39 (1) A description of the types of programs, services, and activities funded by
40 State appropriations.
- 41 (2) Statistical and demographical information on the number of persons served
42 by these programs, services, and activities, including the counties in which
43 services are provided.
- 44 (3) Outcome measures that demonstrate the impact and effectiveness of the
45 programs, services, and activities based on the evaluation protocols
46 developed by the Division, in collaboration with the University of North
47 Carolina Gillings School of Global Public Health, pursuant to Section
48 12E.11(e) of S.L. 2015-241, and reported to the Joint Legislative Oversight
49 Committee on Health and Human Services on April 1, 2016.
- 50 (4) A detailed program budget and list of expenditures, including all positions
51 funded, matching expenditures, and funding sources.

1
2 **EVIDENCE-BASED DIABETES PREVENTION PROGRAM TO ELIMINATE**
3 **HEALTH DISPARITIES**

4 **SECTION 11E.5.(a)** The Department of Health and Human Services, Division of
5 Public Health, Office of Minority Health, shall continue to administer, in consultation with the
6 Chronic Disease and Injury Prevention Section, an evidence-based Diabetes Prevention
7 Program modeled after the program recommended by the National Institute of Diabetes and
8 Digestive and Kidney Diseases, targeting minority populations.

9 **SECTION 11E.5.(b)** By December 1, 2017, and annually thereafter, the
10 Department of Health and Human Services shall report to the Joint Legislative Oversight
11 Committee on Health and Human Services on the status, participant demographics, cost, and
12 outcomes of the Diabetes Prevention Program authorized by subsection (a) of this section.
13

14 **IMPLEMENTATION OF THE FEDERAL ELEVATED BLOOD LEVEL STANDARD**
15 **IN NORTH CAROLINA**

16 **SECTION 11E.6.(a)** It is the intent of the State to protect young children and
17 pregnant women from being exposed to high levels of lead that can cause substantial harm to
18 their normal neurological development and to ensure important intervention services, including
19 required remediation of lead hazards, will be provided to children and pregnant women whose
20 health is threatened by lead exposure.

21 **SECTION 11E.6.(b)** G.S. 130A-131.7 reads as rewritten:

22 **"§ 130A-131.7. Definitions.**

23 The following definitions apply in this Part:

24 ...

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

28 ...

29 (5) "Elevated blood lead level" means a blood lead concentration of ~~40~~five
30 micrograms per deciliter or greater determined by the lower of two
31 consecutive blood tests within a ~~six-month~~12-month period.

32 ...

33 (13) "Readily accessible substance" means any substance that can be ingested or
34 inhaled by a child less than six years of ~~age~~age or by a pregnant woman.
35 Readily accessible substances include deteriorated paint that is peeling,
36 chipping, cracking, flaking, or blistering to the extent that the paint has
37 separated from the substrate. Readily accessible substances also include soil,
38 water, toys, vinyl miniblinds, bathtubs, lavatories, doors, door jambs, stairs,
39 stair rails, windows, interior windowsills, baseboards, and paint that is
40 chalking.

41"

42 **SECTION 11E.6.(c)** G.S. 130A-131.9A reads as rewritten:

43 **"§ 130A-131.9A. Investigation to identify lead poisoning hazards.**

44 (a) When the Department learns of confirmed lead poisoning, the Department shall
45 conduct an investigation to identify the lead poisoning hazards to ~~children~~children and
46 pregnant women. The Department shall investigate the residential housing unit where the child
47 or pregnant woman with confirmed lead poisoning resides. The Department shall also
48 investigate the supplemental addresses of the child or pregnant woman who has confirmed lead
49 poisoning.

50 (a1) When the Department learns of an elevated blood lead level, the Department shall,
51 upon informed consent, investigate the residential housing unit where the child or pregnant

1 woman with the elevated blood level resides. When consent to investigate is denied, the child
2 or pregnant woman with the elevated blood lead level cannot be located, or the child's parent or
3 guardian fails to respond, the Department shall document the denial of consent, inability to
4 locate, or failure to respond.

5 (b) The Department shall also conduct an investigation when it reasonably suspects that
6 a lead poisoning hazard to children or pregnant women exists in a residential housing unit or
7 child-occupied facility occupied, regularly visited, or attended by a child less than six years of
8 age-age or a pregnant woman.

9 (c) In conducting an investigation, the Department may take samples of surface
10 materials, or other materials suspected of containing lead, for analysis and testing. If samples
11 are taken, chemical determination of the lead content of the samples shall be by atomic
12 absorption spectroscopy or equivalent methods approved by the Department."

13 **SECTION 11E.6.(d)** G.S. 130A-131.9C reads as rewritten:

14 "**§ 130A-131.9C. Abatement and Remediation.**

15 (a) Upon determination that a child less than six years of age or a pregnant woman has
16 a confirmed lead poisoning of ~~20-10~~ micrograms per deciliter or greater and that child or
17 pregnant woman resides in a residential housing unit containing lead poisoning hazards, the
18 Department shall require remediation of the lead poisoning hazards. The Department shall also
19 require remediation of the lead poisoning hazards identified at the supplemental addresses of a
20 child less than six years of age or a pregnant woman with a confirmed lead poisoning of ~~20-10~~
21 micrograms per deciliter or greater.

22 ...

23 (h) All lead-containing waste and residue shall be removed and disposed of in
24 accordance with applicable federal, State, and local laws and rules. Other substances containing
25 lead that are intended for use by children less than six years of age or pregnant women and
26 vinyl miniblinds that constitute a lead poisoning hazard shall be removed and disposed of in
27 accordance with applicable federal, State, and local laws and rules.

28 ...

29 (j1) Compliance with the maintenance standard satisfies the remediation requirements
30 for confirmed lead poisoning cases identified on or after 1 October 1990 as long as all lead
31 poisoning hazards identified on interior and exterior surfaces are addressed by remediation.
32 Except for owner-occupied residential housing units, continued compliance shall be verified by
33 means of an annual monitoring inspection conducted by the Department. For owner-occupied
34 residential housing units, continued compliance shall be verified (i) by means of an annual
35 monitoring inspection, (ii) by documentation that no child less than six years of age and no
36 pregnant woman has resided in or regularly visited the residential housing unit within the past
37 year, or (iii) by documentation that no child less than six years of age and no pregnant woman
38 residing in or regularly visiting the unit has an elevated blood lead level.

39 (k) Removal of children or pregnant women from the residential housing unit or
40 removal of children from the child-occupied facility shall not constitute remediation if the
41 property continues to be used for a residential housing unit or child-occupied facility. The
42 remediation requirements imposed in subsection (a) of this section apply so long as the
43 property continues to be used as a residential housing unit or child-occupied facility."

44 **SECTION 11E.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 or a pregnant
47 woman who has an elevated blood lead level of ~~10-five~~ micrograms per deciliter or greater, the
48 Department shall advise, in writing, the owner or managing agent and the pregnant woman or
49 the child's parents or legal guardian of the importance of carrying out routine cleaning activities
50 in the units they occupy, own, or manage. The cleaning activities shall include all of the
51 following:

- 1 (1) Wiping clean all windowsills with a damp cloth or sponge at least weekly.
- 2 (2) Regularly washing all surfaces accessible to children.
- 3 (3) In the case of a leased residential housing unit, identifying any deteriorated
- 4 paint in the unit and notifying the owner or managing agent of the conditions
- 5 within 72 hours of discovery.
- 6 (4) Identifying and understanding potential lead poisoning hazards in the
- 7 environment of each child less than six years of age and each pregnant
- 8 woman in the unit (including toys, vinyl miniblinds, playground equipment,
- 9 drinking water, soil, and painted surfaces), and taking steps to prevent
- 10 children and pregnant women from ingesting lead such as encouraging
- 11 children and pregnant women to wash their faces and hands frequently and
- 12 especially after playing outdoors."
- 13

14 AIDS DRUG ASSISTANCE PROGRAM

15 SECTION 11E.7. Part 1 of Article 1 of Chapter 130A of the General Statutes is
16 amended by adding a new section to read:

17 "§ 130A-4.4. Funds for AIDS Drug Assistance Program.

18 The Department shall work with the Department of Public Safety to use Department of
19 Public Safety funds to purchase pharmaceuticals for the treatment of individuals in the custody
20 of the Department of Public Safety who have been diagnosed with Human Immunodeficiency
21 Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these
22 funds to be accounted for as State matching funds in the Department of Health and Human
23 Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance
24 Program also known as ADAP."
25

26 IMPLEMENTATION OF COST-NEUTRAL PREMIUM ASSISTANCE PROGRAM 27 WITHIN AIDS DRUG ASSISTANCE PROGRAM (ADAP)

28 SECTION 11E.8.(a) The Department of Health and Human Services, Division of
29 Public Health, shall continue to implement within the North Carolina AIDS Drug Assistance
30 Program (ADAP) a health insurance premium assistance program that (i) is cost neutral or
31 achieves savings; (ii) utilizes federal funds from Part B of the Ryan White HIV/AIDS Program
32 and ADAP funds to provide individual ADAP participants or subsets of ADAP participants
33 with premium and cost-sharing assistance for the purchase or maintenance of private health
34 insurance coverage, including premiums, co-payments, and deductibles; and (iii) meets the
35 requirements of Section 12E.1 of S.L. 2016-94.

36 SECTION 11E.8.(b) By March 1, 2018, the Department shall submit a report to
37 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
38 Research Division on implementation of the health insurance premium assistance program
39 authorized by subsection (a) of this section. The report must include at least all of the following
40 components:

- 41 (1) A detailed explanation of the program design.
- 42 (2) A demonstration of cost neutrality, which shall include a comparison of the
- 43 cost of providing prescription drugs to eligible beneficiaries through the
- 44 health insurance premium program created pursuant to subsection (a) of this
- 45 section and the cost of providing prescription drugs to eligible beneficiaries
- 46 through the existing ADAP program.
- 47 (3) Information on health outcomes of program participants.
- 48 (4) Any obstacles to program implementation.
- 49

50 USE OF MODIFIED ADJUSTED GROSS INCOME (MAGI) FOR AIDS DRUG 51 ASSISTANCE PROGRAM (ADAP) ELIGIBILITY DETERMINATIONS

1 **SECTION 11E.9.** Beginning January 1, 2018, the Department of Health and
2 Human Services shall implement the use of the Modified Adjusted Gross Income formula in
3 the calculation of income for the purpose of determining eligibility for the AIDS Drug
4 Assistance Program in order to ensure consistency in the Department's methods of determining
5 eligibility for other benefit programs.

6
7 **DIVISION OF PUBLIC HEALTH EATING DISORDER STUDY**

8 **SECTION 11E.11.(a)** The Department of Health and Human Services, Division of
9 Public Health, is directed to study eating disorders in the State of North Carolina. At a
10 minimum, the Division shall:

- 11 (1) Identify the number of diagnosed incidences of eating disorders in North
12 Carolina.
- 13 (2) Provide an estimate of the number of individuals in North Carolina who are
14 suffering from an eating disorder but who have not been formally diagnosed.
- 15 (3) Identify the number of individuals who are being treated for an eating
16 disorder.
- 17 (4) Identify strategies by which the State can increase awareness of, and
18 disseminate information about, eating disorders, including their symptoms,
19 effects, and preventative interventions.
- 20 (5) Examine the adequacy of training provided to public school officials in
21 identifying the symptoms of eating disorders and in providing support to the
22 individuals and families affected by eating disorders.
- 23 (6) Make recommendations for improving education, prevention, early
24 detection, and treatment of eating disorders.
- 25 (7) Identify the availability of treatment consistent with the best practices
26 described by the American Psychiatric Association and other published
27 materials to individuals and families affected by eating disorders.
- 28 (8) Consider any other issues the Division identifies that are related to the
29 objectives of this study.

30 The Division shall solicit input from relevant organizations and entities, including
31 the UNC Center for Excellence for Eating Disorders at the University of North Carolina at
32 Chapel Hill, the North Carolina Chapter of the American Academy of Pediatrics, the North
33 Carolina Academy of Family Physicians, and national organizations specializing in eating
34 disorders.

35 **SECTION 11E.11.(b)** On or before November 1, 2017, the Division shall submit a
36 report containing findings and recommendations to the Joint Legislative Oversight Committee
37 on Health and Human Services. Based on the Division's report, the Committee shall consider
38 making a recommendation to the 2018 General Assembly.

39 **SECTION 11E.11.(c)** This section is effective when this act becomes law.

40
41 **EVERY WEEK COUNTS DEMONSTRATION PROJECT**

42 **SECTION 11E.12.(a)** The General Assembly finds that preterm birth is the major
43 driver of infant mortality in the United States and the leading cause of long-term neurological
44 disabilities in children. It further finds that the counties in North Carolina with the highest
45 infant mortality rates are multiply burdened by high rates of preterm birth and high rates of
46 poverty and also tend to be counties that are also disproportionately composed of racial
47 minorities. It is the intent of the General Assembly to reduce the incidence of preterm birth and
48 infant mortality by funding and supporting for a period of at least three years a demonstration
49 project in two counties of Perinatal Care Region V of North Carolina to study (i) the extent to
50 which a home-based prenatal care model can reduce the rate of preterm birth among
51 multiparous women and (ii) whether multiparous women without a prior preterm birth, but with

1 multiple risk factors for preterm birth in the current pregnancy, may benefit from 17
2 Alpha-Hydroxyprogesterone Caproate (17P) therapy.

3 **SECTION 11E.12.(b)** To that end, of the funds appropriated to the Department of
4 Health and Human Services, Division of Public Health, the sum of two million two hundred
5 thousand dollars (\$2,200,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum
6 of two million two hundred thousand dollars (\$2,200,000) in nonrecurring funds for the
7 2018-2019 fiscal year shall be used to conduct a demonstration project in Robeson and
8 Columbus counties to do the following:

- 9 (1) Investigate the effectiveness of in-home prenatal care for the prevention of
10 preterm birth among multiparous women of low income.
- 11 (2) Conduct a nested randomized controlled trial of 17P for preterm birth
12 prevention among women without a prior preterm birth, but with a
13 significant constellation of risk factors that increases their likelihood of
14 having a preterm birth in the current pregnancy.

15 Multiparous women at or below one hundred eighty-five percent (185%) of the
16 federal poverty level and primiparous women at or below two hundred percent (200%) of the
17 federal poverty level, who are in the early stages of pregnancy, ideally prior to 17 weeks
18 gestation, are eligible to participate in the demonstration project regardless of age or medical
19 history. Faculty at the University of North Carolina at Chapel Hill shall supervise the
20 demonstration project.

21 **SECTION 11E.12.(c)** The demonstration project shall consist of at least all of the
22 following components:

- 23 (1) An Every Week Counts enrollment visit that includes an early ultrasound
24 assessment and a complete medical examination to ascertain baseline health
25 characteristics, presence of reproductive tract infections, and other risk
26 factors for preterm birth including reproductive history and other relevant
27 factors. The enrollment visit shall also include a detailed interview to
28 ascertain the social and psychological state of the program participant.
- 29 (2) Women enrolled in Every Week Counts shall receive home visits during
30 pregnancy that combine a home-based prenatal care model with social
31 interventions focused on addressing barriers to completing educational
32 goals, obtaining employment, identifying reliable and high-quality child
33 care, and addressing the health and safety needs of the growing family.
- 34 (3) Women enrolled in Every Week Counts shall receive home visits during the
35 first two years of their child's life. Program participants and their infants will
36 be followed until the child's second birthday. In these monthly visits, the
37 child's health, growth, and development will be tracked; the mother will be
38 provided with information on nutritional, health, and developmental needs;
39 and children in need of Early Intervention Services will be identified to
40 ensure school readiness. Primary health care in addition to targeted
41 education in early childhood development and health needs will be provided
42 to participants in a home setting. In order to track the development of these
43 children, standardized tests will be administered periodically to assess
44 cognitive, psychomotor, and behavioral development.
- 45 (4) There shall be a randomized clinical trial of 17P within Every Week Counts
46 in a population of women enriched for preterm birth susceptibility. Eligible
47 women that choose to enroll in this intervention trial will be randomized to a
48 weekly 17P injection after 16-20 weeks' gestation or a sham injection.
49 Women who choose to participate in the 17P intervention trial will be
50 co-enrolled in Every Week Counts and will receive all the same home-based
51 prenatal care and child development services, but will receive weekly visits

1 from the Nurse Practitioner after 16-20 weeks' gestation in order to deliver
2 the 17P intramuscular injection.

3 **SECTION 11E.12.(d)** Not later than six months after the conclusion of the
4 demonstration project, the University of North Carolina at Chapel Hill shall submit a final
5 report on the demonstration project to the Department that addresses at least all of the
6 following:

- 7 (1) For the Every Week Counts part of the demonstration project:
- 8 a. Percent preterm and low birth weight relative to overall county
9 statistics in current and prior years using vital statistics data, within
10 categories of race/ethnicity and parity.
 - 11 b. Percent initiating breastfeeding at delivery and the average duration
12 of breastfeeding.
 - 13 c. Percent reporting active smoking at the time of delivery.
 - 14 d. Uptake of contraception postpartum.
 - 15 e. Average length of interpregnancy interval.
 - 16 f. Percent of children meeting developmental milestones in the first
17 year.
 - 18 g. Number of emergency room visits related to child health in the first
19 two years.
- 20 (2) For the 17P Intervention Trial, relative risk of preterm birth in treated versus
21 untreated program participants.

22 **SECTION 11E.12.(e)** Not later than three months after the Department receives
23 the report due under subsection (d) of this section, the Department shall submit a final report to
24 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
25 Research Division evaluating the demonstration project. At a minimum, the report shall include
26 all of the following:

- 27 (1) An estimate of the cost to expand the program incrementally and statewide.
- 28 (2) An estimate of any potential savings of State funds associated with
29 expansion of the program.
- 30 (3) If expansion of the program is recommended, a time line for expanding the
31 program.

32 **SECTION 11E.12.(f)** The demonstration project authorized under this section shall
33 terminate upon the submission of the report due under subsection (d) of this section by the
34 University of North Carolina at Chapel Hill.

35

36 **FUNDS FOR MEDICAL EQUIPMENT AND TRAINING**

37 **SECTION 11E.13.** Of the funds appropriated in this act to the Department of
38 Health and Human Services, Division of Public Health, the sum of one million three hundred
39 thousand dollars (\$1,300,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum
40 of one million three hundred thousand dollars (\$1,300,000) in nonrecurring funds for the
41 2018-2019 fiscal year shall be allocated to the Carolina Pregnancy Care Fellowship for grants
42 to purchase durable medical equipment for clinics that apply to the Carolina Pregnancy Care
43 Fellowship for such equipment. The Carolina Pregnancy Care Fellowship may use (i) up to
44 thirty thousand dollars (\$30,000) of these nonrecurring funds for each year of the 2017-2019
45 fiscal biennium for administrative purposes and (ii) up to one hundred seventy thousand dollars
46 (\$170,000) of these nonrecurring funds for each year of the 2017-2019 fiscal biennium to
47 provide grants for training on the use of durable medical equipment to clinics that apply to the
48 Carolina Pregnancy Care Fellowship for such training.

49

50 **COMMUNICABLE DISEASE TESTING**

1 **SECTION 11E.14.** Of the funds appropriated in this act to the Department of
2 Health and Human Services, Division of Public Health, State Laboratory of Public Health, the
3 sum of one million two hundred thousand dollars (\$1,200,000) in nonrecurring funds for the
4 2017-2018 fiscal year and the sum of one million two hundred thousand dollars (\$1,200,000) in
5 nonrecurring funds for the 2018-2019 fiscal year shall be used for the following purposes:

- 6 (1) To provide testing for Hepatitis C and other priority communicable diseases
7 identified by the Division of Public Health.
- 8 (2) To provide individuals who test positive for Hepatitis C and other priority
9 communicable diseases with access to appropriate treatment options.

10
11 **SUBPART XI-F. DIVISION OF MH/DD/SAS AND STATE OPERATED**
12 **HEALTHCARE FACILITIES**

13
14 **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

15 **SECTION 11F.1.(a)** The title to Part 4 of Article 3 of Chapter 143B of the General
16 Statutes reads as rewritten:

17 "Part 4. ~~Commission for~~ Mental Health, Developmental Disabilities, and Substance Abuse
18 Services."

19 **SECTION 11F.1.(b)** Part 4 of Article 3 of Chapter 143B of the General Statutes is
20 amended by adding a new section to read:

21 "§ 143B-150.1. Use of funds for North Carolina Child Treatment Program.

22 (a) State funds appropriated to the Department of Health and Human Services, Division
23 of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the North
24 Carolina Child Treatment Program shall be used exclusively for the following purposes:

- 25 (1) To continue to provide clinical training and coaching to licensed clinicians
26 on an array of evidence-based treatments and to provide a statewide platform
27 to assure accountability and measurable outcomes.
- 28 (2) To maintain and manage a public roster of program graduates, linking
29 high-quality clinicians with children, families, and professionals.
- 30 (3) To partner with leadership within the State, local management
31 entities/managed care organizations as defined in G.S. 122C-3, and the
32 private sector to bring effective mental health treatment to children in
33 juvenile justice and mental health facilities.

34 (b) All data, including any entered or stored in the State-funded secure database
35 developed for the North Carolina Child Treatment Program to track individual-level and
36 aggregate-level data with interface capability to work with existing networks within State
37 agencies, is and remains the sole property of the State."

38
39 **SINGLE-STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

40 **SECTION 11F.2.(a)** Notwithstanding any other provision of law, of the funds
41 appropriated in this act to the Department of Health and Human Services, Division of Mental
42 Health, Developmental Disabilities, and Substance Abuse Services, for Behavioral Health
43 Funding Changes for each year of the 2017-2019 fiscal biennium, the sum of five million
44 dollars (\$5,000,000) in nonrecurring funds for each year of the 2017-2019 fiscal biennium is
45 redirected from single-stream services to provide funding for supplemental short-term
46 assistance for group homes, as provided in Section 11F.18A of this act.

47 **SECTION 11F.2.(b)** For the purpose of mitigating cash flow problems that many
48 local management entities/managed care organizations (LME/MCOs) experience at the
49 beginning of each fiscal year relative to single-stream funding, the Department of Health and
50 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
51 Services (DMH/DD/SAS), shall distribute not less than one-twelfth of each LME/MCO's base

1 budget allocation at the beginning of the fiscal year and subtract the amount of that distribution
 2 from the LME/MCO's total reimbursements for the fiscal year. For each month of the fiscal
 3 year after July, the DMH/DD/SAS shall distribute, on the third working day of the month,
 4 one-eleventh of the amount of each LME/MCO's single-stream allocation that remains after
 5 subtracting the amount of the distribution that was made to the LME/MCO in July of the fiscal
 6 year.

7 **SECTION 11F.2.(c)** The DMH/DD/SAS is directed to reduce its allocation for
 8 single-stream funding by twenty million one hundred ninety-three thousand four hundred
 9 forty-nine dollars (\$20,193,449) in recurring funds and by forty-two million four hundred
 10 twenty-four thousand eight hundred eighteen dollars (\$42,424,818) in nonrecurring funds for
 11 the 2017-2018 fiscal year and by thirty million nine hundred eighty-six thousand two hundred
 12 thirty-four dollars (\$30,986,234) in recurring funds and by five million dollars (\$5,000,000) in
 13 nonrecurring funds for the 2018-2019 fiscal year.

14 The DMH/DD/SAS shall allocate these recurring and nonrecurring reductions for
 15 single-stream funding among the LME/MCOs as follows:

	FY 2017-2018	FY 2018-2019
Alliance Behavioral Healthcare		
Recurring	(\$5,488,112)	(\$8,421,342)
Nonrecurring	(\$6,814,652)	(\$803,144)
Cardinal Innovations Healthcare		
Recurring	(\$5,015,785)	(\$7,696,570)
Nonrecurring	(\$10,923,965)	(\$1,287,450)
Eastpointe		
Recurring	(\$1,575,476)	(\$2,417,520)
Nonrecurring	(\$4,362,172)	(\$514,106)
Partners Behavioral Health Management		
Recurring	(\$1,383,137)	(\$2,122,382)
Nonrecurring	(\$5,060,002)	(\$596,349)
Sandhills Center		
Recurring	(\$5,004,989)	(\$7,680,003)
Nonrecurring	(\$6,805,565)	(\$802,074)
Trillium Health Resources		
Recurring	(\$795,661)	(\$1,220,917)
Nonrecurring	(\$4,095,741)	(\$482,706)
Vaya Health		
Recurring	(\$930,289)	(\$1,427,500)
Nonrecurring	(\$4,362,721)	(\$514,171)
TOTALS		
Recurring	(\$20,193,449)	(\$30,986,234)
Nonrecurring	(\$42,424,818)	(\$5,000,000)

50 By March 1, 2018, the Secretary of Health and Human Services shall submit to the
 51 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research

1 Division a proposal for any adjustments to the specified recurring reductions among the
2 LME/MCOs for future fiscal years. The proposal must include a detailed explanation
3 supporting any proposed changes.

4 During each fiscal year of the 2017-2019 fiscal biennium, each LME/MCO shall
5 offer at least the same level of service utilization as during the 2014-2015 fiscal year.

6 **SECTION 11F.2.(d)** The Department of Health and Human Services shall
7 continue to use the monthly reporting package submitted by the LME/MCOs to the
8 Department, as modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include revenues
9 and expenditures for the State funding sources for single-stream, intellectual and developmental
10 disability, and substance abuse services on Schedule D2. Additionally, the Department shall
11 continue to use appropriate schedules in the LME/MCO monthly reporting package, as
12 modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include unduplicated recipients and
13 encounters in the same level of detail included in each D schedule for each source of funding
14 for the reporting for the current and previous year's month and year-to-date periods. The
15 Department shall continue to submit these reports to the Joint Legislative Oversight Committee
16 on Health and Human Services and the Fiscal Research Division by the third Monday of each
17 month.

18 **SECTION 11F.2.(e)** If, on or after June 1, 2018, the Office of State Budget and
19 Management (OSBM) certifies a Medicaid budget surplus in fund codes 1310 and 1311 and
20 sufficient cash in Budget Code 14445 to meet total obligations for the 2017-2018 fiscal year,
21 then the Department of Health and Human Services, Division of Medical Assistance (DMA),
22 may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or
23 thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single-stream
24 funding required by this section.

25 If, on or after June 1, 2019, the OSBM certifies a Medicaid budget surplus in fund
26 codes 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for
27 fiscal year 2018-2019, then the DMA may transfer to the DMH/DD/SAS funds not to exceed
28 the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to
29 offset the reduction in single-stream funding required by this section.

30 The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection
31 among the LME/MCOs based on the individual LME/MCO's percentage of nonrecurring
32 reductions in single-stream funding for the fiscal year, as required by subsection (b) of this
33 section. These funds shall be allocated as prescribed by June 30 of each State fiscal year.

34 **SECTION 11F.2.(f)** The Department of Health and Human Services shall develop
35 a maintenance of effort (MOE) spending requirement for all mental health and substance abuse
36 services which must be maintained using nonfederal, State appropriations on an annual basis in
37 order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure the
38 MOE spending requirement is met using State appropriations.

39 **SECTION 11F.2.(g)** Beginning July 1, 2017, and quarterly thereafter, the
40 Secretary of Health and Human Services shall evaluate the financial position of each
41 LME/MCO relative to the solvency standards to be developed by the Department and included
42 in the statewide Strategic Plan for Behavioral Health Services pursuant to Section 12F.10(b)(4)
43 of S.L. 2016-94 (approved solvency standards).

44 If, at any time, the Secretary determines an LME/MCO is at risk of failing
45 financially in the ensuing two-year period, based on the approved solvency standards, the
46 Secretary shall immediately meet with that LME/MCO for the purpose of evaluating the
47 reasons for the LME/MCO's vulnerable financial position, including reasons attributable to
48 trends in performance management and utilization of services. Within 30 days after meeting
49 with an LME/MCO pursuant to this section, the Secretary shall submit a written report of its
50 evaluation to the LME/MCO. By October 1, 2017, the Secretary shall submit an initial report to
51 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal

1 Research Division on each LME/MCO determined to be at risk of failing financially,
2 identifying the reasons for each LME/MCO's vulnerable financial position.

3 Within 45 days after receiving the Secretary's report, the LME/MCO shall develop
4 and submit to the Secretary, in writing, a proposed plan of corrective action with specific
5 initiatives and actions to be implemented by the LME/MCO in order to bring its financial
6 position into compliance with the approved solvency standards, along with a projected time line
7 for completing each identified initiative or action and a deadline for achieving full compliance
8 with the approved solvency standards. At a minimum, the proposed plan of corrective action
9 shall address (i) rates paid to the LME/MCO and its providers for services, contracts, and
10 administrative costs; (ii) utilization of services; (iii) management of the operations of the
11 LME/MCO; and (iv) financial risk to the State.

12 Within 14 days after receiving the LME/MCO's proposed plan of corrective action,
13 the Secretary shall make any changes to the proposed plan of corrective action it deems
14 necessary for the LME/MCO to bring its financial position into compliance with the approved
15 solvency standards and submit a final, Secretary-approved plan of corrective action to the
16 LME/MCO, the Joint Legislative Oversight Committee on Health and Human Services, and the
17 Fiscal Research Division.

18 The LME/MCO shall submit monthly reports to the Secretary on its progress under
19 the final, Secretary-approved plan of corrective action. The Secretary shall submit monthly
20 reports to the Joint Legislative Oversight Committee on Health and Human Services and the
21 Fiscal Research Division evaluating the LME/MCO's progress under the final,
22 Secretary-approved plan of corrective action, identifying any variance from the corrective plan
23 of action that could be an obstacle to the LME/MCO achieving full compliance with the
24 approved solvency standards by the deadline included in the final, Secretary-approved
25 corrective plan of action.

26 27 **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

28 **SECTION 11F.3.(a)** Use of Funds. – Of the funds appropriated to the Department
29 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
30 Substance Abuse Services, for crisis services, the sum of forty-one million three hundred
31 fifty-one thousand six hundred forty-four dollars (\$41,351,644) in recurring funds and the sum
32 of forty-one million three hundred fifty-one thousand six hundred forty-four dollars
33 (\$41,351,644) in recurring funds for the 2018-2019 fiscal year shall be used to purchase
34 additional new or existing local inpatient psychiatric beds or bed days not currently funded by
35 or though LME/MCOs. The Department shall continue to implement a two-tiered system of
36 payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level
37 with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals
38 with higher acuity levels, as defined by the Department. The enhanced rate of payment for
39 inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed
40 the lowest average cost per patient bed day among the State psychiatric hospitals. In addition,
41 at the discretion of the Secretary of Health and Human Services, existing funds allocated to
42 LME/MCOs for community-based mental health, developmental disabilities, and substance
43 abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.
44 Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed
45 days shall not be used to supplant other funds appropriated or otherwise available to the
46 Department for the purchase of inpatient psychiatric services through contracts with local
47 hospitals.

48 **SECTION 11F.3.(b)** Distribution and Management of Beds or Bed Days. – Except
49 as provided in this subsection, the Department shall work to ensure that any local inpatient
50 psychiatric beds or bed days purchased in accordance with this section are utilized solely for
51 individuals who are medically indigent, as defined in this subsection. In addition, the

1 Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased
2 in accordance with this section are distributed across the State in LME/MCO catchment areas
3 and according to need as determined by the Department. The Department shall ensure that beds
4 or bed days for individuals with higher acuity levels are distributed across the State in LME
5 catchment areas, including any catchment areas served by managed care organizations, and
6 according to greatest need based on hospital bed utilization data. The Department shall enter
7 into contracts with LME/MCOs and local hospitals for the management of these beds or bed
8 days. The Department shall work to ensure that these contracts are awarded equitably around
9 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric
10 beds or bed days, including the determination of the specific local hospital or State psychiatric
11 hospital to which an individual should be admitted pursuant to an involuntary commitment
12 order.

13 The Department may use up to ten percent (10%) of the funds allocated in this
14 section for each year of the 2017-2019 fiscal biennium to pay for facility-based crisis services
15 and nonhospital detoxification services for individuals in need of these services, regardless if
16 the individuals are medically indigent, defined as uninsured persons who (i) are financially
17 unable to obtain private insurance coverage as determined by the Department and (ii) are not
18 eligible for government-funded health coverage such as Medicare or Medicaid.

19 **SECTION 11F.3.(c) Funds to Be Held in Statewide Reserve.** – Funds appropriated
20 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be
21 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental
22 Health, Developmental Disabilities, and Substance Abuse Services to pay for services
23 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.
24 LME/MCOs shall remit claims for payment to the Department within 15 working days after
25 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days
26 after receipt of payment from the Department.

27 **SECTION 11F.3.(d) Ineffective LME/MCO Management of Beds or Bed Days.** –
28 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed
29 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not
30 being utilized while demand for services at the State psychiatric hospitals has not decreased, or
31 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)
32 of this section, the Department may contract with another LME/MCO to manage the beds or
33 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital
34 directly.

35 **SECTION 11F.3.(e) Reporting by LME/MCOs.** – The Department shall establish
36 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

37 **SECTION 11F.3.(f) Reporting by Department.** – By no later than December 1,
38 2018, and by no later than December 1, 2019, the Department shall report to the Joint
39 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
40 Division on all of the following:

- 41 (1) A uniform system for beds or bed days purchased during the preceding fiscal
42 year from (i) funds appropriated in this act that are designated for this
43 purpose in subsection (a) of this section, (ii) existing State appropriations,
44 and (iii) local funds.
- 45 (2) An explanation of the process used by the Department to ensure that, except
46 as otherwise provided in subsection (a) of this section, local inpatient
47 psychiatric beds or bed days purchased in accordance with this section are
48 utilized solely for individuals who are medically indigent, along with the
49 number of medically indigent individuals served by the purchase of these
50 beds or bed days.

- 1 (3) The amount of funds used to pay for facility-based crisis services, along with
2 the number of individuals who received these services and the outcomes for
3 each individual.
- 4 (4) The amount of funds used to pay for nonhospital detoxification services,
5 along with the number of individuals who received these services and the
6 outcomes for each individual.
- 7 (5) Other Department initiatives funded by State appropriations to reduce State
8 psychiatric hospital use.
9

10 **USE OF FUNDS TO PURCHASE INPATIENT ALCOHOL AND SUBSTANCE USE**
11 **DISORDER TREATMENT SERVICES**

12 **SECTION 11F.4.** Section 12F.12(b) of S.L. 2015-241 reads as rewritten:

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

- 18 (1) During the 2015-2016 fiscal year, a minimum of one hundred percent
19 (100%) of the allocation shall be used exclusively to purchase inpatient
20 alcohol and substance abuse treatment services from the ADATCs.
- 21 (2) During the 2016-2017 fiscal year, a minimum of ninety percent (90%) of the
22 allocation shall be used exclusively to purchase inpatient alcohol and
23 substance abuse treatment services from the ADATCs. The LME/MCOs
24 shall use the remaining ten percent (10%) of their respective allocations to
25 purchase inpatient alcohol and substance abuse treatment services from any
26 qualified provider.
- 27 (2a) During the 2017-2018 fiscal year, a minimum of eighty-six percent (86%) of
28 the allocation shall be used exclusively to purchase inpatient alcohol and
29 substance abuse treatment services from the ADATCs in order to increase
30 the availability of services through the ADATCs to individuals in need of
31 inpatient opioid treatment. The LME/MCOs shall use any remaining
32 allocations to purchase inpatient alcohol and substance abuse treatment
33 services from any qualified provider.
- 34 (3) In subsequent fiscal years, the percentage of the allocation that shall be used
35 exclusively to purchase inpatient alcohol and substance abuse treatment
36 services from the ADATCs shall decrease by ten percentage points each
37 fiscal year after the 2016-2017 fiscal year until it reaches zero percent (0%).
38 The percentage of the allocation remaining that shall be used to purchase
39 inpatient alcohol and substance abuse treatment services from any qualified
40 provider shall increase by ten percentage points each fiscal year after the
41 2016-2017 fiscal year until it reaches one hundred percent (100%)."
42

43 **USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS FOR THE PURCHASE**
44 **OF ADDITIONAL PSYCHIATRIC AND FACILITY-BASED CRISIS BEDS AND A**
45 **CASE MANAGEMENT PILOT PROGRAM FOR INDIVIDUALS WITH**
46 **BEHAVIORAL HEALTH NEEDS**

47 **SECTION 11F.5.(a)** It is the intent of the General Assembly to increase inpatient
48 behavioral health bed capacity in rural areas of the State with the highest need. To that end, of
49 the funds appropriated from the Dorothea Dix Hospital Property Fund established under
50 G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental
51 Health, Developmental Disabilities, and Substance Abuse Services, for the 2017-2018 fiscal

1 year, the sum of up to nineteen million dollars (\$19,000,000) in nonrecurring funds shall be
2 used to pay for any renovation or building costs associated with (i) the construction of new
3 licensed inpatient behavioral health beds, (ii) the conversion of existing inpatient acute care
4 beds into licensed inpatient behavioral health beds, or (iii) a combination of these options as
5 follows:

- 6 (1) The sum of up to four million dollars (\$4,000,000) in nonrecurring funds
7 shall be used to pay for any renovation or building costs associated with the
8 construction of new licensed inpatient behavioral health beds at Caldwell/
9 University of North Carolina Health Care in Caldwell County.
- 10 (2) The sum of up to four million dollars (\$4,000,000) in nonrecurring funds
11 shall be used to pay for any renovation or building costs associated with the
12 construction of new licensed inpatient behavioral health beds at Cape Fear
13 Valley Medical Center in Cumberland County.
- 14 (3) The sum of up to four million dollars (\$4,000,000) in nonrecurring funds
15 shall be used to pay for any renovation or building costs associated with the
16 construction of new licensed inpatient behavioral health beds at Vidant
17 Health in Eastern North Carolina.
- 18 (4) The sum of up to three million dollars (\$3,000,000) in nonrecurring funds
19 shall be used for any renovation or building costs associated with the
20 construction of new licensed inpatient behavioral health beds at Good Hope
21 Hospital in Harnett County.
- 22 (5) The sum of up to two million two hundred thousand dollars (\$2,200,000) in
23 nonrecurring funds shall be used to pay for any renovation or building costs
24 associated with the construction of new licensed inpatient behavioral health
25 beds at Mission Health System, Inc., in Buncombe County.
- 26 (6) The sum of up to one million eight hundred thousand dollars (\$1,800,000) in
27 nonrecurring funds shall be used to pay for any renovation or building costs
28 associated with the construction of new licensed inpatient behavioral health
29 beds at the Dix Crisis Intervention Center in Onslow County.

30 **SECTION 11F.5.(b)** Notwithstanding the State Medical Facilities Plan, Article 9
31 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each
32 facility that receives funds allocated under subsection (a) of this section shall be allowed to
33 construct new or convert unused acute care beds into licensed, inpatient behavioral health beds
34 without undergoing certificate of need review by the Division of Health Service Regulation for
35 the beds constructed or converted with funds allocated under subsection (a) of this section. All
36 newly constructed or converted beds shall be subject to existing licensure laws and
37 requirements. As a condition of receiving these funds, each selected rural hospital shall reserve
38 at least fifty percent (50%) of the constructed or converted beds for (i) purchase by the
39 Department under the State-administered, three-way contract and (ii) referrals by local
40 management entities/managed care organizations (LME/MCOs) of individuals who are
41 indigent or Medicaid recipients. Any hospital unit or other location with inpatient behavioral
42 health beds constructed or converted with funds allocated under subsection (a) of this section
43 shall be named in honor of Dorothea Dix.

44 **SECTION 11F.5.(c)** Beginning November 1, 2018, the Department of Health and
45 Human Services shall annually report to the Joint Legislative Oversight Committee on Health
46 and Human Services and the Fiscal Research Division on the number and location of additional
47 licensed inpatient behavioral health beds brought into operation with funds allocated under
48 subsection (a) of this section. By December 1, 2020, the Department shall submit a report that
49 includes a proposal for funding the recurring operating costs of these additional beds from a
50 source or sources other than the Dorothea Dix Hospital Property Funds, including the
51 identification of potential new funding sources.

1 **SECTION 11F.5.(d)** It is the intent of the General Assembly to continue to
2 increase the number of facility-based crisis centers in North Carolina for children and
3 adolescents. To that end, of the funds appropriated from the Dorothea Dix Hospital Property
4 Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services,
5 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the
6 2017-2018 fiscal year, the sum of two million dollars (\$2,000,000) in nonrecurring funds shall
7 be used to award grants on a competitive basis for the establishment of up to two new
8 facility-based crisis centers in the State for children and adolescents. The Department shall
9 establish a process for applying for these grants, criteria for evaluating applications, and a
10 process for allocating grants.

11 **SECTION 11F.5.(e)** It is the intent of the General Assembly to reduce avoidable
12 emergency department readmissions and emergency department boarding times among
13 individuals with behavioral health needs. To that end, of the funds appropriated from the
14 Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department
15 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
16 Substance Abuse Services, for the 2017-2018 fiscal year, the sum of two million dollars
17 (\$2,000,000) in nonrecurring funds shall be allocated for the development and establishment of
18 a two-year pilot program at a hospital in Wake County that supports a hospital-based,
19 comprehensive community case management program. The Department of Health and Human
20 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
21 Services, in consultation with local management entities/managed care organizations
22 responsible for the management and provision of mental health, developmental disabilities, and
23 substance abuse disorder services in Wake County under the 1915(b)/(c) Medicaid Waiver,
24 shall oversee the development and establishment of the pilot program to ensure it is designed to
25 reduce avoidable emergency department readmissions and emergency department boarding
26 times among individuals with behavioral health needs. The pilot program shall be conducted at
27 the hospital in Wake County with the largest number of emergency department visits that
28 agrees to participate in the two-year pilot program authorized by this subsection.

29 By December 1, 2020, the Department shall submit a report to the Joint Legislative
30 Oversight Committee on Health and Human Services and the Fiscal Research Division
31 evaluating the effectiveness of the pilot program in reducing avoidable emergency department
32 readmissions and emergency department boarding times among individuals with behavioral
33 health needs.

34 **SECTION 11F.5.(f)** Any funds allocated to the Department of Health and Human
35 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
36 Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1)
37 pursuant to Section 12F.4 of S.L. 2016-94 for the 2016-2017 fiscal year that are not expended
38 or encumbered as of June 30, 2017, shall remain in the Dorothea Dix Hospital Property Fund.

39 **SECTION 11F.5.(g)** Any funds allocated to the Department of Health and Human
40 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
41 Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1)
42 pursuant to this section for the 2017-2018 fiscal year that are not expended or encumbered as of
43 June 30, 2019, shall remain in the Dorothea Dix Hospital Property Fund.

44 45 **ADDITIONS TO THE STRATEGIC PLAN FOR IMPROVEMENT OF BEHAVIORAL** 46 **HEALTH SERVICES**

47 **SECTION 11F.6.(a)** Section 12F.10(b) of S.L. 2016-94 reads as rewritten:

48 **"SECTION 12F.10.(b)** By January 1, 2018, the Department of Health and Human
49 Services shall develop and submit to the Joint Legislative Oversight Committee on Health and
50 Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health
51 Choice, and the Fiscal Research Division a strategic statewide plan to improve the efficiency

1 and effectiveness of State-funded behavioral health services. In developing the plan, the
2 Department shall review and consider its past and current studies, and associated reports,
3 relating to behavioral health services in the State. The plan shall include at least all of the
4 following:

- 5 ...
6 (5) Any other ~~component~~ component, study, or report that the Department deems
7 necessary to achieve the goal of improving the effective and efficient
8 delivery and coordination of publicly funded behavioral health services
9 across the State."

10 **SECTION 11F.6.(b)** Section 12F.10 of S.L. 2016-94 is amended by adding a new
11 subsection to read:

12 **"SECTION 12F.10.(b1)** In the development of the strategic statewide plan, required under
13 subsection (b) of this section, the Department of Health and Human Services shall consider
14 policy issues pertaining to the delivery of services for people with intellectual and
15 developmental disabilities. Consideration shall be given to all of the following:

- 16 (1) The causes and potential solutions for the growing waitlist for NC
17 Innovations Waiver slots. Potential solutions to be studied include the
18 following:
19 a. Increasing the funding for the 1915(c) Innovations Waiver to result
20 in more individuals served.
21 b. Creating new support waiver slots as recommended in the March
22 2015 "Study Additional 1915(c) Waiver" report from the Department
23 of Health and Human Services, Division of Medical Assistance, to
24 the Joint Legislative Oversight Committee on Health and Human
25 Services.
26 c. Utilizing a 1915(i) waiver option and exploring how the 1115 waiver
27 required for Medicaid transformation may assist in addressing
28 current waitlist for services.
29 (2) Issues surrounding single-stream funding and how single-stream funding is
30 used to support services for people with intellectual and developmental
31 disabilities.
32 (3) Multiple federal mandates that will directly impact current services and
33 supports for people with intellectual and developmental disabilities,
34 including Home and Community-Based Services changes, the Work Force
35 Innovations and Opportunities Act, and changes under section 14(c) of the
36 federal Fair Labor Standards Act.
37 (4) The coverage of services for the treatment of autism, including any State
38 Plan amendment needed to address guidance issued by the Centers for
39 Medicare and Medicaid Services."
40

41 **TRAUMATIC BRAIN INJURY FUNDING**

42 **SECTION 11F.8.** Of the funds appropriated in this act to the Department of Health
43 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance
44 Abuse Services, the sum of two million three hundred seventy-three thousand eighty-six dollars
45 (\$2,373,086) for the 2017-2018 fiscal year and the sum of two million three hundred
46 seventy-three thousand eighty-six dollars (\$2,373,086) for the 2018-2019 fiscal year shall be
47 used exclusively to support traumatic brain injury (TBI) services as follows:

- 48 (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars
49 (\$359,218) shall be used to fund contracts with the Brain Injury Association
50 of North Carolina or other appropriate service providers to assist families in

1 accessing the continuum of care and to provide educational programs on
2 brain injury prevention, intervention, and care.

- 3 (2) The sum of two million thirteen thousand eight hundred sixty-eight dollars
4 (\$2,013,868) shall be used to (i) support residential programs across the
5 State that are specifically designed to serve individuals with TBI and (ii)
6 support requests submitted by individual consumers for assistance with
7 services such as, but not limited to, residential supports, home modifications,
8 transportation, and other requests deemed necessary by the consumer's local
9 management entity.

10
11 **FUNDS FOR BROUGHTON HOSPITAL LITIGATION COSTS RELATED TO**
12 **CONSTRUCTION DELAYS AND TO EXTEND THE STUDY ON THE FUTURE**
13 **USE OF BROUGHTON HOSPITAL FACILITIES**

14 **SECTION 11F.13.** Of the funds appropriated in this act to the Department of
15 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
16 Substance Abuse Services, for Broughton Hospital, the sum of up to two million five hundred
17 thousand dollars (\$2,500,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum
18 of up to two million five hundred thousand dollars (\$2,500,000) for the 2018-2019 fiscal year
19 shall be used to offset the following costs arising from delays in the construction of the new
20 Broughton Hospital:

- 21 (1) A combined sum for both years of the 2017-2019 fiscal biennium of not
22 more than two million two hundred twenty thousand dollars (\$2,220,000) in
23 nonrecurring funds for litigation costs resulting from anticipated or pending
24 litigation against private third parties. The Secretary of the Department of
25 Health and Human Services may retain private legal counsel to represent the
26 interest of the State in such litigation, as provided in G.S. 147-17(c1), as
27 amended by this act, and G.S. 114-2.3(d), as amended by this act.
- 28 (2) The sum of one hundred eighty thousand dollars (\$180,000) for the
29 2017-2018 fiscal year shall be transferred to the Department of Commerce to
30 extend the study on the future use of Broughton Hospital Facilities
31 authorized by Section 15.20 of S.L. 2014-100, as amended by Section 15.5
32 of S.L. 2016-94.
- 33 (3) A combined sum for both years of the 2017-2019 fiscal biennium of not
34 more than the balance of the funds allocated under this section or two
35 million six hundred thousand dollars (\$2,600,000) in nonrecurring funds,
36 whichever is greater, for any combination of the following:
- 37 a. Costs related to design changes, technology changes, continued use
38 of the existing hospital, staffing, and other costs directly related to
39 the delays in construction.
- 40 b. Costs to equip the new hospital.
- 41 c. Administrative costs.

42
43 **FUNDS FOR OVERDOSE MEDICATIONS**

44 **SECTION 11F.14.** Of the funds appropriated in this act to the Department of
45 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
46 Substance Abuse Services, the sum of one hundred thousand dollars (\$100,000) in recurring
47 funds for each year of the 2017-2019 fiscal biennium shall be used to purchase opioid
48 antagonists, as defined in G.S. 90-12.7, to reverse opioid-related drug overdoses as follows:

- 49 (1) Seventy-five thousand dollars (\$75,000) in recurring funds for each year of
50 the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists
51 to be distributed at no charge to the North Carolina Harm Reduction

- 1 Coalition to serve individuals at risk of experiencing an opioid-related drug
2 overdose or to the friends and family members of an at-risk individual.
- 3 (2) Twenty-five thousand dollars (\$25,000) in recurring funds for each year of
4 the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists
5 to be distributed at no charge to North Carolina law enforcement agencies.
6

7 **NC START FUNDING AND REPORT**

8 **SECTION 11F.15.(a)** Of the funds appropriated to the Department of Health and
9 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
10 Services, the sum of five hundred thousand dollars (\$500,000) in nonrecurring funds for the
11 2017-2018 fiscal year and the sum of five hundred thousand dollars (\$500,000) in nonrecurring
12 funds for the 2018-2019 fiscal year shall be allocated to contracts for providing North Carolina
13 Systemic, Therapeutic Assessment, Respite and Treatment (NC START) services, an
14 evidenced-based model of community-based crisis prevention and intervention services for
15 individuals with Intellectual/Developmental Disabilities (I/DD) who are at least 18 years of age
16 and who experience crises due to mental health or complex behavioral health issues.

17 **SECTION 11F.15.(b)** By December 1, 2020, the Department of Health and
18 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
19 Services, shall report to the Joint Legislative Oversight Committee on Health and Human
20 Services on NC START services funded by State appropriations during the 2017-2019 fiscal
21 biennium. The report shall include at least all of the following components:

- 22 (1) A breakdown of expenditures.
23 (2) The number of individuals who received services, broken down by age and
24 category of disability.
25 (3) Specific and objectively measurable outcomes for each individual who
26 received services.
27

28 **REPEAL OF LME/MCO CLINICAL INTEGRATION ACTIVITIES REPORT**

29 **SECTION 11F.16.** Subsection (e) of Section 12F.4A of S.L. 2013-360 is repealed.
30

31 **STUDY ON LME/MCO PROPERTY CONVEYANCE RESTRICTIONS**

32 **SECTION 11F.17.** By April 1, 2018, the Joint Legislative Oversight Committee on
33 Health and Human Services shall examine the need for statutory restrictions prohibiting local
34 management entities/managed care organizations from conveying State-funded property. The
35 Committee may report its findings, including any recommended legislation, to the 2018
36 Regular Session of the 2017 General Assembly.
37

38 **STUDY ON SITE-OF-USE SOLUTIONS FOR SAFE DISPOSAL OF PRESCRIPTION** 39 **DRUGS**

40 **SECTION 11F.18.** By December 1, 2017, the Department of Health and Human
41 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
42 Services, shall study and submit a report to the Joint Legislative Oversight Committee on
43 Health and Human Services and the Fiscal Research Division on simple site-of-use solutions
44 for the safe disposal of prescription drugs.
45

46 **SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES**

47 **SECTION 11F.18A.(a)** As used in this section, "group home" means any facility
48 that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a
49 supervised living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3),
50 and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability
51 but may also have other diagnoses.

1 **SECTION 11F.18A.(b)** Of the funds appropriated in this act to the Department of
2 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
3 Substance Abuse Services, the sum of five million dollars (\$5,000,000) in nonrecurring funds
4 for each year of the 2017-2019 fiscal biennium shall be used to provide temporary, short-term
5 financial assistance in the form of a monthly payment to group homes on behalf of each
6 resident who meets all of the following criteria:

- 7 (1) Was eligible for Medicaid-covered personal care services (PCS) prior to
8 January 1, 2013, but was determined to be ineligible for PCS on or after
9 January 1, 2013, due to Medicaid State Plan changes in PCS eligibility
10 criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section
11 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.
- 12 (2) Has continuously resided in a group home since December 31, 2012.

13 **SECTION 11F.18A.(c)** These monthly payments shall be subject to all of the
14 following requirements and limitations:

- 15 (1) The amount of the monthly payments authorized by this section shall not
16 exceed four hundred sixty-four dollars and thirty cents (\$464.30) per month
17 for each resident who meets all criteria specified in subsection (b) of this
18 section.
- 19 (2) A group home that receives the monthly payments authorized by this section
20 shall not, under any circumstances, use these payments for any purpose other
21 than providing, as necessary, supervision and medication management for a
22 resident who meets all criteria specified in subsection (b) of this section.
- 23 (3) The Department shall make monthly payments authorized by this section to
24 a group home on behalf of each resident who meets all criteria specified in
25 subsection (b) of this section only for the period commencing July 1, 2017,
26 and ending June 30, 2019, or upon depletion of the five million dollars
27 (\$5,000,000) in nonrecurring funds appropriated in this act to the Division of
28 Mental Health, Developmental Disabilities, and Substance Abuse Services,
29 for supplemental short-term assistance for group homes, for each year of the
30 2017-2019 fiscal biennium for the purpose of this section, whichever is
31 earlier.
- 32 (4) The Department shall make monthly payments authorized by this section
33 only to the extent sufficient funds are available from the five million dollars
34 (\$5,000,000) in nonrecurring funds appropriated in this act to the Division of
35 Mental Health, Developmental Disabilities, and Substance Abuse Services,
36 for supplemental short-term assistance for group homes, for each year of the
37 2017-2019 fiscal biennium for the purpose of this section.
- 38 (5) The Department shall not make monthly payments authorized by this section
39 to a group home on behalf of a resident during the pendency of an appeal by
40 or on behalf of the resident under G.S. 108A-70.9A.
- 41 (6) The Department shall terminate all monthly payments pursuant to this
42 section on June 30, 2019, or upon depletion of the five million dollars
43 (\$5,000,000) in nonrecurring funds appropriated in this act to the Division of
44 Mental Health, Developmental Disabilities, and Substance Abuse Services,
45 for supplemental short-term assistance for group homes, for each year of the
46 2017-2019 fiscal biennium for the purpose of this section, whichever is
47 earlier.
- 48 (7) Each group home that receives the monthly payments authorized by this
49 section shall submit to the Department a list of all funding sources for the
50 operational costs of the group home for the preceding two years, in
51 accordance with the schedule and format prescribed by the Department.

1 **SECTION 11F.18A.(d)** The Department shall use an existing mechanism to
2 administer these funds in the least restrictive manner that ensures compliance with this section
3 and timely and accurate payments to group homes. The Department shall not, under any
4 circumstances, use any portion of the five million dollars (\$5,000,000) in nonrecurring funds
5 appropriated in this act to the Division of Mental Health, Developmental Disabilities, and
6 Substance Abuse Services, for supplemental short-term assistance for group homes, for each
7 year of the 2017-2019 fiscal biennium for any other purpose than the purpose specified in this
8 section.

9 **SECTION 11F.18A.(e)** By September 1, 2018, the Department of Health and
10 Human Services shall submit the following to the Joint Legislative Oversight Committee on
11 Health and Human Services and the Fiscal Research Division:

- 12 (1) A list of funding sources for each group home that receives assistance
13 authorized by this section, based on the information provided to the
14 Department pursuant to subdivision (7) of subsection (c) of this section.
- 15 (2) A plan for sustained funding beyond the 2017-2019 fiscal biennium for
16 group homes that provide services to individuals diagnosed with mental
17 illness or intellectual or developmental disabilities. The plan must be based
18 on an assessment of the number and size of these group homes, their
19 geographic location, current sources of funding for each group home, and
20 any other aspects determined by the Department to affect their viability.

21 **SECTION 11F.18A.(f)** Nothing in this section shall be construed as an obligation
22 by the General Assembly to appropriate funds for the purpose of this section, or as an
23 entitlement by any group home, resident of a group home, or other person to receive temporary,
24 short-term financial assistance under this section.

25 **SECTION 11F.18A.(g)** This section expires June 30, 2019.

26 27 **LME/MCO FUND BALANCE DESIGNATION AND REINVESTMENT**

28 **SECTION 11F.19.(a)** In addition to the Medicaid risk reserve that the LME/MCOs
29 must maintain as required by their contracts with the Department of Health and Human
30 Services (Department), LME/MCOs shall maintain other fund balances in accordance with
31 State and federal laws and regulations and the requirements of the Governmental Accountings
32 Standards Board (GASB). These other fund balances shall be designated as spendable and
33 non-spendable. Spendable fund balances shall be further designated as restricted and
34 unrestricted fund balances. Restricted fund balances other than those imposed by GASB or
35 State law are subject to approval by the Department. The designation of those funds as
36 restricted fund balance and plans for the reinvestment of funds must be approved by the
37 Department and be consistent with the Medicaid State Plan and long-term goals of the
38 Department for the provision of services for people with behavioral health or intellectual and
39 development disability needs. The Department shall set a threshold for each LME/MCO's
40 unrestricted fund balances.

41 **SECTION 11F.19.(b)** By March 1 of each year, the Department shall notify each
42 LME/MCO of the approved purposes for which restricted fund balances may be used and the
43 LME/MCO's approved unrestricted fund balance threshold for the next State fiscal year. To
44 provide appropriate working capital and cash flow, the unrestricted fund balance threshold shall
45 not be less than fifteen percent (15%) of the LME/MCO annual budget.

46 **SECTION 11F.19.(c)** The Department shall review the fund balance of each
47 LME/MCO annually at the close of the fiscal year following the submission of the
48 LME/MCO's annual audit. If the LME/MCO's unrestricted fund balance exceeds the threshold
49 set by the Department, the Department may withhold the amount in excess of the threshold
50 from single-stream payments to the LME/MCO for the next State fiscal year, so long as doing
51 so does not impact the ability of the LME/MCO to meet the maintenance of effort spending

1 requirements to maintain federal block grant funding developed by the Department. The
2 LME/MCO must maintain the level of services provided to consumers regardless of the
3 withholding of single-stream payments. The funds withheld may be distributed to any
4 LME/MCOs that are in compliance with the fund balance thresholds for the provision of
5 priority mental health, development disabilities, and substance abuse services (MH/DD/SAS)
6 or be used for other purposes that benefit people in need of MH/DD/SAS services.

7 **SECTION 11F.19.(d)** The Department may adopt temporary and permanent rules
8 necessary to implement the provisions of this section.

9 10 **LME/MCO REINVESTMENT PLAN**

11 **SECTION 11F.20.** No later than September 1, 2017, Cardinal Innovations
12 Healthcare shall submit a plan to the Department of Health and Human Services for the
13 reinvestment of its cash reserves in the amount of up to eight hundred thousand dollars
14 (\$800,000) for the capital needs of an established accredited clubhouse located within its
15 catchment area. The Department of Health and Human Services shall approve the reinvestment
16 plan no later than 30 days after the submission of the plan.

17 18 **SUBPART XI-G. DIVISION OF HEALTH SERVICE REGULATION**

19 20 **FUNDS TO CONTINUE COMMUNITY PARAMEDICINE PILOT PROGRAM**

21 **SECTION 11G.1.(a)** Of the funds appropriated in this act to the Department of
22 Health and Human Services, Division of Health Service Regulation, the sum of three hundred
23 fifty thousand dollars (\$350,000) in nonrecurring funds for the 2017-2018 fiscal year and the
24 sum of three hundred fifty thousand dollars (\$350,000) in nonrecurring funds for the 2018-2019
25 fiscal year shall be used to continue the community paramedicine pilot program authorized in
26 Section 12A.12 of S.L. 2015-241, as amended by Section 12A.3 of S.L. 2016-94, as follows:

- 27 (1) The sum of two hundred ten thousand dollars (\$210,000) in nonrecurring
28 funds for each year of the fiscal biennium shall be allocated to the New
29 Hanover Regional Emergency Medical Services site.
- 30 (2) The sum of seventy thousand dollars (\$70,000) in nonrecurring funds for
31 each year of the fiscal biennium shall be allocated to the McDowell County
32 Emergency Medical Services site.
- 33 (3) The sum of seventy thousand dollars (\$70,000) in nonrecurring funds for
34 each year of the fiscal biennium shall be allocated to the Wake County
35 Emergency Medical Services site.

36 The focus of this community paramedicine pilot program shall continue to be expansion of the
37 role of paramedics to allow for community-based initiatives that result in providing care that
38 avoids nonemergency use of emergency rooms and 911 services and avoidance of unnecessary
39 admissions into health care facilities.

40 **SECTION 11G.1.(b)** The participation requirements, objectives, standards, and
41 required outcomes for the pilot program shall remain the same as established pursuant to
42 Section 12A.12 of S.L. 2015-241, as amended by Section 12A.3 of S.L. 2016-94.

43 **SECTION 11G.1.(c)** By November 1, 2019, the Department of Health and Human
44 Services shall submit an updated report on the community paramedicine pilot program to the
45 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research
46 Division. At a minimum, the updated report shall include all of the following:

- 47 (1) Any updated version of the evaluation plan required by subsection (d) of
48 Section 12A.12 of S.L. 2015-241.
- 49 (2) An estimate of the cost to expand the program incrementally and statewide.
- 50 (3) An estimate of any potential savings of State funds associated with
51 expansion of the program.

- (4) If expansion of the program is recommended, a time line for expanding the program.

FACILITIES INCLUDED UNDER SINGLE HOSPITAL LICENSE

SECTION 11G.2.(a) G.S. 131E-77(e1) reads as rewritten:

"(e1) Any license issued by the Department shall include only ~~facilities, premises, buildings, outpatient clinics, and other locations~~ facilities (i) operated by the hospital within a single county and (ii) operated by the hospital in an immediately adjoining county; provided, however, that ~~facilities, premises, buildings, outpatient clinics, and other locations~~ facilities operated by a hospital in an immediately adjoining county shall only be included within the same hospital license if the applicant hospital demonstrates all of the following to the satisfaction of the Department:

- (1) There was previously only one hospital licensed by the Department ~~and~~ providing inpatient services in the immediately adjoining county.
- (2) The licensed ~~inpatient~~ hospital in the immediately adjoining county described in subdivision (1) of this subsection closed or otherwise ceased providing hospital services to patients no more than three years prior to the date the applicant hospital first applied to license a ~~facility, premises, building, outpatient clinic, or location~~ facility in such immediately adjoining county.

If the Department approves ~~an applicant a~~ hospital's initial request to include within its hospital ~~licensure an initial facility, premises, building, outpatient clinic, or other location~~ license a facility in an immediately adjoining county, then any other ~~designated facilities, premises, buildings, outpatient clinics, or other locations~~ hospital services thereafter developed and operated by the applicant in such immediately adjoining county in accordance with applicable law may also be included within and covered by the license issued to the applicant by the Department."

SECTION 11G.2.(b) This section is effective when this act becomes law.

SUBPART XI-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

MEDICAID ELIGIBILITY

SECTION 11H.1.(a) Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

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

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

SECTION 11H.1.(b) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations,

1 the income limits will be updated each April 1 immediately following publication of federal
2 poverty guidelines. The Department of Health and Human Services, Division of Medical
3 Assistance, shall provide Medicaid coverage to the following:

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

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

25 **SECTION 11H.1.(c)** The Department of Health and Human Services, Division of
26 Medical Assistance, shall provide Medicaid coverage to adoptive children with special or
27 rehabilitative needs, regardless of the adoptive family's income.

28 **SECTION 11H.1.(d)** The Department of Health and Human Services, Division of
29 Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents,"
30 ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §
31 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

32 **SECTION 11H.1.(e)** The Department of Health and Human Services, Division of
33 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast
34 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

35 36 **MEDICAID ANNUAL REPORT**

37 **SECTION 11H.2.** The Department of Health and Human Services, Division of
38 Medical Assistance (Division), shall continue the publication of the Medicaid Annual Report
39 and accompanying tables. The Division shall publish the report and tables on its Web site no
40 later than December 31 following each State fiscal year.

41 42 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

43 **SECTION 11H.3.** Chapter 108C of the General Statutes is amended by adding a
44 new section to read:

45 **"§ 108C-2.1. Provider application and recredentialing fee.**

46 (a) Each provider that submits an application to enroll in the Medicaid program shall
47 submit an application fee. The application fee shall be the sum of the amount federally required
48 and one hundred dollars (\$100.00).

49 (b) The fee required under subsection (a) of this section shall be charged to all providers
50 at recredentialing every five years."

ADMINISTRATIVE HEARINGS FUNDING

SECTION 11H.4. Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, for administrative contracts and interagency transfers, the Department of Health and Human Services (Department) shall transfer the sum of one million dollars (\$1,000,000) for the 2017-2018 fiscal year and the sum of one million dollars (\$1,000,000) for the 2018-2019 fiscal year to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. The OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from the OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 11H.5.(a) Receivables reserved at the end of the 2017-2018 and 2018-2019 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 11H.5.(b) For the 2017-2018 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred sixty-four million seven hundred thousand dollars (\$164,700,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2018-2019 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred forty-nine million six hundred thousand dollars (\$149,600,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals that are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT

SECTION 11H.6. The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

ANNUAL ISSUANCE OF MEDICAID IDENTIFICATION CARDS

SECTION 11H.7. The Department of Health and Human Services (Department) shall issue Medicaid identification cards to recipients on an annual basis with updates as needed. The Department shall adopt rules, or amend any current rules relating to Medicaid identification cards, to implement this section.

LME/MCO OUT-OF-NETWORK AGREEMENTS

SECTION 11H.8.(a) The Department of Health and Human Services (Department) shall continue to ensure that local management entities/managed care organizations (LME/MCOs) utilize an out-of-network agreement that contains standardized elements developed in consultation with LME/MCOs. The out-of-network agreement shall be a

1 streamlined agreement between a single provider of behavioral health or
 2 intellectual/developmental disability (IDD) services and an LME/MCO to ensure access to care
 3 in accordance with 42 C.F.R. § 438.206(b)(4), reduce administrative burden on the provider,
 4 and comply with all requirements of State and federal laws and regulations. LME/MCOs shall
 5 use the out-of-network agreement in lieu of a comprehensive provider contract when all of the
 6 following conditions are met:

- 7 (1) The services requested are medically necessary and cannot be provided by
 8 an in-network provider.
- 9 (2) The behavioral health or IDD provider's site of service delivery is located
 10 outside of the geographical catchment area of the LME/MCO, and the
 11 LME/MCO is not accepting applications or the provider does not wish to
 12 apply for membership in the LME/MCO closed network.
- 13 (3) The behavioral health or IDD provider is not excluded from participation in
 14 the Medicaid program, the NC Health Choice program, or other State or
 15 federal health care program.
- 16 (4) The behavioral health or IDD provider is serving no more than two enrollees
 17 of the LME/MCO, unless the agreement is for inpatient hospitalization, in
 18 which case the LME/MCO may, but shall not be required to, enter into more
 19 than five such out-of-network agreements with a single hospital or health
 20 system in any 12-month period.

21 **SECTION 11H.8.(b)** Medicaid providers providing services pursuant to an
 22 out-of-network agreement shall be considered a network provider for purposes of Chapter
 23 108D of the General Statutes only as it relates to enrollee grievances and appeals.
 24

25 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

26 **SECTION 11H.10.** The local management entities/managed care organizations
 27 (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human
 28 Services, Division of Medical Assistance (DMA), in an aggregate amount of seventeen million
 29 seven hundred thirty-six thousand nine hundred eighty-five dollars (\$17,736,985) in the
 30 2017-2018 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand
 31 two hundred seventeen dollars (\$18,028,217) for the 2018-2019 fiscal year. The due date and
 32 frequency of the intergovernmental transfer required by this section shall be determined by
 33 DMA. The amount of the intergovernmental transfer that each individual LME/MCO is
 34 required to make in each fiscal year shall be as follows:

	2017-2018	2018-2019
35 Alliance Behavioral Healthcare	\$2,994,703	\$3,043,874
36 Cardinal Innovations Healthcare	\$4,118,912	\$4,186,543
37 Eastpointe	\$2,011,858	\$2,044,892
38 Partners Behavioral Health Management	\$1,913,793	\$1,945,216
39 Sandhills Center	\$1,924,822	\$1,956,427
40 Trillium Health Resources	\$2,457,426	\$2,497,775
41 Vaya Health	\$2,315,471	\$2,353,490

42
 43 In the event that any county disengages from an LME/MCO and realigns with
 44 another LME/MCO during the 2017-2019 fiscal biennium, DMA shall have the authority to
 45 reallocate the amount of the intergovernmental transfer that each affected LME/MCO is
 46 required to make, taking into consideration the change in catchment area and covered
 47 population, provided that the aggregate amount of the transfers received from all LME/MCOs
 48 in each year of the fiscal biennium are achieved.
 49

50 **EXPAND NORTH CAROLINA INNOVATIONS WAIVER SLOTS**

1 **SECTION 11H.11.** The Department of Health and Human Services, Division of
2 Medical Assistance, shall amend the North Carolina Innovations waiver to increase the number
3 of slots available under the waiver by 250 slots. These additional slots shall be made available
4 on January 1, 2018.

5
6 **INCREASE PERSONAL CARE SERVICES RATE**

7 **SECTION 11H.12.** Beginning January 1, 2018, the Department of Health and
8 Human Services, Division of Medical Assistance, shall increase to three dollars and ninety-four
9 cents (\$3.94) the rate paid per 15-minute billing unit for personal care services provided
10 pursuant to Clinical Coverage Policy 3L.

11
12 **RETROACTIVE PERSONAL CARE SERVICES PAYMENT**

13 **SECTION 11H.12A.(a)** The Department of Health and Human Services, Division
14 of Medical Assistance, shall amend Section 5.5, Retroactive Prior Approval for PCS, of
15 Clinical Coverage Policy 3L, State Plan Personal Care Services (PCS), to extend the allowable
16 retroactive period for prior approvals for personal care services from 10 days to 30 days upon
17 the same conditions that are currently required for retroactive prior approval of personal care
18 services. This section shall not be construed to require Medicaid reimbursement for personal
19 care services provided within the retroactive period in excess of the number of hours approved
20 through the prior approval process.

21 **SECTION 11H.12A.(b)** This section becomes effective August 1, 2017, and
22 applies to Requests for Independent Assessment for Personal Care Services Attestation for
23 Medical Need forms received on or after that date.

24
25 **GRADUATE MEDICAL EDUCATION MEDICAID REIMBURSEMENT**

26 **SECTION 11H.13.(a)** Beginning July 1, 2017, the Department of Health and
27 Human Services, Division of Medical Assistance, shall no longer be required to implement the
28 prohibitions on reimbursement for Graduate Medical Education payments required by Section
29 12H.23 of S.L. 2015-241, as amended by Section 88 of S.L. 2015-264.

30 **SECTION 11H.13.(b)** No later than January 1, 2018, the Department of Health
31 and Human Services, Division of Medical Assistance, shall report to the Joint Legislative
32 Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division on
33 any changes in spending or other actions taken that will result in lower overall appropriations
34 needed for the 2017-2019 fiscal biennium.

35
36 **PLAN TO IMPLEMENT COVERAGE FOR HOME VISITS FOR PREGNANT**
37 **WOMEN AND FAMILIES WITH YOUNG CHILDREN**

38 **SECTION 11H.14.(a)** It is the intent of the General Assembly to provide Medicaid
39 and NC Health Choice coverage for evidence-based home visits for pregnant women and
40 families with young children designed to improve maternal and child health, prevent child
41 abuse and neglect, encourage positive parenting, and promote child development and school
42 readiness that are consistent with the model used by Nurse-Family Partnership. No later than
43 July 1, 2018, the Department of Health and Human Services, Division of Medical Assistance
44 (Department), shall begin providing Medicaid and NC Health Choice coverage for home visits
45 statewide or through a pilot program.

46 The Department shall develop a plan to implement changes necessary to provide
47 Medicaid and NC Health Choice coverage for home visits statewide or through a pilot program;
48 however, consistent with G.S. 108A-54(e)(4), the Department is not authorized to make any
49 changes to eligibility for the Medicaid or NC Health Choice programs. The plan shall detail the
50 design and scope of coverage for the home visits for pregnant women and families with young

1 children and include the identification of any State Plan Amendments or waivers that may be
2 necessary to submit to the Centers for Medicare and Medicaid Services.

3 **SECTION 11H.14.(b)** No later than November 1, 2017, the Department shall
4 submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and
5 the Fiscal Research Division a report containing the following information:

- 6 (1) As required by subsection (a) of this section, a copy of the plan to provide,
7 no later than July 1, 2018, Medicaid and NC Health Choice coverage for
8 home visits statewide or through a pilot program.
- 9 (2) A detailed description of the coverage to be provided, including the
10 proposed service definition, the home visit schedule, the scope of the
11 covered service, and the anticipated reimbursement rate to be paid.
- 12 (3) An analysis of the total fiscal impact of adding Medicaid and NC Health
13 Choice coverage for the home visits for pregnant women and families with
14 young children. This shall include an outline of both costs and savings to the
15 Medicaid and NC Health Choice programs, as well as any savings to other
16 programs provided by the State.
- 17 (4) A description of how the Department intends to leverage any private funding
18 that may be currently utilized to provide coverage for evidence-based home
19 visits for pregnant women and families with young children.
- 20 (5) Whether the Department intends to add this coverage pursuant to its
21 authority under G.S. 108A-54(e) or whether additional appropriations are
22 required.
- 23 (6) Any plans to include pay-for-success initiatives as part of the Medicaid and
24 NC Health Choice funding for the covered service.
- 25 (7) An anticipated time line for the implementation of the Department's plan and
26 the submission of any necessary State Plan Amendments or waivers to the
27 Centers for Medicare and Medicaid Services.

28
29 **PLAN TO ESTABLISH MEDICAID COVERAGE FOR AMBULANCE TRANSPORTS**
30 **TO ALTERNATIVE APPROPRIATE CARE LOCATIONS**

31 **SECTION 11H.14A.(a)** It is the intent of the General Assembly to provide
32 opportunities to divert individuals in behavioral health crisis from hospital emergency
33 departments to alternative appropriate care locations. Consistent with Option 1 outlined in the
34 Department of Health and Human Services' (Department) March 1, 2015, legislative report
35 entitled "Ambulance Transports to Crisis Centers," the Department shall design a plan for
36 adding Medicaid coverage for ambulance transports of Medicaid recipients in behavioral health
37 crisis to behavioral health clinics or other alternative appropriate care locations. The plan shall
38 ensure the following:

- 39 (1) Medicaid reimbursement is contingent upon an Emergency Medical Services
40 (EMS) System's ability to demonstrate its EMS providers have received
41 appropriate education in caring for individuals in behavioral health crisis and
42 that the EMS System has at least one partnership with a receiving facility
43 that is able to provide care appropriate for those individuals.
- 44 (2) An EMS System shall be required to include in its EMS System Plan a
45 report on patient experiences and outcomes in accordance with rules adopted
46 by the Department of Health and Human Services, Division of Health
47 Regulation, Office of Emergency Medical Services.

48 **SECTION 11H.14A.(b)** No later than December 1, 2017, the Department shall
49 report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice on the
50 plan for adding Medicaid coverage for ambulance transports of Medicaid recipients in

1 behavioral health crisis to behavioral health clinics or other alternative appropriate care
2 locations. The report shall include the following:

- 3 (1) The proposed reimbursement methodology to be utilized.
- 4 (2) An analysis of the financial impact of adding the coverage, including any
5 anticipated costs to the Medicaid program.
- 6 (3) Whether the Department intends to add this coverage pursuant to its
7 authority under G.S. 108A-54(e) or whether additional appropriations are
8 required.
- 9 (4) If the Department intends to add this coverage pursuant to its authority under
10 G.S. 108A-54(e), a time line for submission of any State Plan amendments
11 or any waivers necessary for implementation and expected implementation
12 date.

13 14 **NC TRACKS ENHANCEMENTS TO PREVENT AND DETECT FRAUD, WASTE, 15 AND ABUSE**

16 **SECTION 11H.15.** The Department of Health and Human Services (Department)
17 shall enhance the capability of the NC Tracks Medicaid Management Information System
18 (MMIS) to include the ability to detect and prevent fraud, waste, and abuse prior to the
19 payment of claims. Program changes shall be made to MMIS to prevent claims payment to
20 providers when fraud, waste, or abuse is identified. The new capability required by this
21 subsection shall utilize publicly available data regarding Medicaid providers and recipients. For
22 this new capability, the Department shall establish criteria for the identification of suspicious
23 claims, suspicious patterns of activity, or both without preselecting providers or recipients for
24 review. Claims or patterns of activity identified by this new capability shall be evaluated
25 utilizing a combination of automated and manual processes to determine the validity of the
26 suspected fraud, waste, or abuse prior to the issuance of any payment to the provider for the
27 suspicious claims.

28 The new capability required by this subsection shall be implemented utilizing
29 existing MMIS contracts no later than 210 days after this section becomes law. Nothing in this
30 section shall be construed to change or limit any current laws or rules regarding prompt
31 payment to providers or provider prepayment claims review.

32 33 **DURATION OF MEDICAID AND NC HEALTH CHOICE PROGRAM 34 MODIFICATIONS**

35 **SECTION 11H.16.** Except for eligibility categories and income thresholds and
36 except for statutory changes, the Department of Health and Human Services shall not be
37 required to maintain, after June 30, 2019, any modifications to the Medicaid and NC Health
38 Choice programs required by this Subpart.

39 40 **MEDICAID TRANSFORMATION TECHNICAL AND CLARIFYING CHANGES**

41 **SECTION 11H.17.(a)** Section 4 of S.L. 2015-245, as amended by Section 2(b) of
42 S.L. 2016-121, reads as rewritten:

43 **"SECTION 4.** Structure of Delivery System. – The transformed Medicaid and NC Health
44 Choice programs described in Section 1 of this act shall be organized according to the
45 following principles and parameters:

- 46 ...
- 47 (4) Services covered by PHPs. – Capitated PHP contracts shall cover all
48 Medicaid and NC Health Choice services, including physical health services,
49 prescription drugs, long-term services and supports, and behavioral health
50 services for NC Health Choice recipients, except as otherwise provided in

1 this subdivision. The capitated contracts required by this subdivision shall
2 not cover:

3 ...

4 d. ~~Audiology, speech therapy, occupational therapy, physical therapy,~~
5 ~~nursing, and psychological services prescribed~~ Services documented
6 in an Individualized Education Program (IEP) and performed by
7 schools or individuals contracted with provided or billed by Local
8 Education Agencies.

9 e. ~~Services provided directly and billed by a Children's Developmental~~
10 ~~Services Agency (CDSA) or by a provider under contract with a~~
11 ~~CDSA if the service is authorized through the CDSA and is~~ that are
12 included on the child's Individualized Family Service Plan.

13"

14 **SECTION 11H.17.(b)** G.S. 143B-216.80(b)(1) reads as rewritten:

15 "(1) Employees of the Division of Health Benefits shall not be subject to the
16 North Carolina Human Resources Act, except as provided in
17 ~~G.S. 126-5(e1)(31); G.S. 126-5(c1)(33).~~"

18
19 **PREPAID HEALTH PLAN BID DISCLOSURE**

20 **SECTION 11H.17A.** As part of the bidding process to be granted a Medicaid
21 capitated contract as a prepaid health plan under the State's 115 Demonstration Waiver
22 submitted in accordance with S.L. 2015-245, the Department of Health and Human Services
23 shall require each applicant to disclose any pending litigation in which the applicant is involved
24 relating to overbilling or otherwise defrauding the Medicare program.

25
26 **PREPAYMENT CLAIMS REVIEW MODIFICATIONS**

27 **SECTION 11H.19.(a)** G.S. 108C-7 reads as rewritten:

28 "**§ 108C-7. Prepayment claims review.**

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

38 (b) Providers shall not be entitled to payment prior to claims review by the Department.
39 The Department shall notify the provider in writing of the decision and the process for
40 submitting claims for prepayment claims ~~review no less than 20 calendar days prior to~~
41 ~~instituting prepayment claims review.~~ The written notice shall be deposited, first-class postage
42 prepaid, in the United States mail and addressed to the most recent address given by the
43 provider to the Department. The prepayment claims review shall be instituted no less than 20
44 calendar days from the date of the mailing of written notification. The notice shall contain all of
45 the following:

46 ...

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

50 ...

1 (d) The Department shall process all clean claims submitted for prepayment review
2 within 20 calendar days of ~~submission by the provider~~ receipt of the supporting documentation
3 for each claim by the prepayment review vendor. To be considered by the Department, the
4 documentation submitted must be complete, legible, and clearly identify the provider to which
5 the documentation applies. If the provider failed to provide any of the specifically requested
6 supporting documentation necessary to process a claim pursuant to this section, the Department
7 shall send to the provider written notification of the lacking or deficient documentation within
8 15 calendar days of receipt of such claim the due date of requested supporting documentation.
9 The Department shall have an additional 20 days to process a claim upon receipt of the
10 documentation.

11 (e) The provider shall remain subject to the prepayment claims review process until the
12 provider achieves three consecutive months with a minimum seventy percent (70%) clean
13 claims ~~rate~~, provided that the number of claims submitted per month is no less than fifty
14 percent (50%) of the provider's average monthly submission of Medicaid claims for the
15 three-month period prior to the provider's placement on prepayment review. If a provider does
16 not submit any claims following placement on prepayment review in any given month, then the
17 claims accuracy rating shall be zero percent (0%) for each month in which no claims were
18 submitted. If the provider does not meet this standard the seventy percent (70%) clean claims
19 rate minimum requirement for three consecutive months within six months of being placed on
20 prepayment claims review, the Department may implement sanctions, including termination of
21 the applicable Medicaid Administrative Participation Agreement, or continuation of
22 prepayment review for an additional six month period. The Department shall give
23 adequate advance notice of any modification, suspension, or termination of the Medicaid
24 Administrative Participation Agreement. ~~In no instance shall prepayment claims review~~
25 ~~continue longer than 12 months.~~

26 Prepayment claims review shall not continue longer than 24 consecutive months unless the
27 Department has initiated the termination or other sanction of the provider and the provider has
28 appealed that termination or sanction. If the Department has initiated the termination or other
29 sanction of the provider and the provider has appealed that termination or sanction, then the
30 provider shall remain on prepayment review until the final disposition of the Department's
31 termination or other sanction of the provider.

32 (e1) Failure of a provider to meet the seventy percent (70%) clean claims rate minimum
33 requirement may result in a termination action. A termination action taken shall reflect the
34 failure of the provider to meet the seventy percent (70%) clean claims rate minimum
35 requirement and shall result in exclusion of the provider from future participation in the
36 Medicaid program. If a provider fails to meet the seventy percent (70%) clean claims rate
37 minimum requirement and subsequently requests a voluntary termination, the termination shall
38 reflect the provider's failure to successfully complete prepayment claims review and shall result
39 in exclusion of the provider from future participation in the Medicaid program.

40 (e2) A provider shall not withhold claims to avoid the claims review process. Any claims
41 for services provided during the period of prepayment review may still be subject to review
42 prior to payment regardless of the date the claims are submitted and regardless of whether the
43 provider has been taken off of prepayment review for any reason, including attaining a
44 minimum of seventy percent (70%) clean claims rate for three consecutive months, the
45 expiration of the 24-month time limit, or the termination of the provider.

46 (f) The decision to place or maintain a provider on prepayment claims review does not
47 constitute a contested case under Chapter 150B of the General Statutes. A provider may not
48 appeal or otherwise contest a decision of the Department to place or maintain a provider on
49 prepayment review.

50 (g) If a provider elects to appeal the Department's decision to impose sanctions on the
51 provider as a result of the prepayment review process to the Office of Administrative Hearings,

1 then the provider shall have 45 days from the date that the appeal is filed to submit any
2 documentation or records that address or challenge the findings of the prepayment review. The
3 Department shall not review, and the administrative law judge shall not admit into evidence,
4 any documentation or records submitted by the provider after the 45-day deadline. In order for
5 a provider to meet its burden of proof under G.S. 108C-12(d) that a prior claim denial should
6 be overturned, the provider must prove that (i) all required documentation was provided at the
7 time the claim was submitted and was available for review by the prepayment review vendor
8 and (ii) the claim should not have been denied at the time of the vendor's initial review."

9 **SECTION 11H.19.(b)** This section becomes effective October 1, 2017, and applies
10 to providers who are placed on prepayment review on or after that date and written notices
11 provided to providers on or after that date.

12 **MEDICAID ELIGIBILITY DETERMINATION TIMELINESS REPORTING**

13 **SECTION 11H.21.** Part 10 of Article 2 of Chapter 108A of the General Statutes is
14 amended by adding a new section to read:

15 **"§ 108A-70.43. Reporting.**

16 No later than November 1 of each year, the Department shall submit a report for the prior
17 fiscal year to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice,
18 the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal
19 Research Division containing the following information:

- 20 (1) The annual statewide percentage of Medicaid applications processed in a
21 timely manner for the fiscal year.
- 22 (2) The statewide average number of days to process Medicaid applications for
23 each month in the fiscal year.
- 24 (3) The annual percentage of Medicaid applications processed in a timely
25 manner by each county department of social services for the fiscal year.
- 26 (4) The average number of days to process Medicaid applications for each
27 month for each county department of social services.
- 28 (5) The number of months during the fiscal year that each county department of
29 social services met the timely processing standards under G.S. 108A-70.38.
- 30 (6) The number of months during the fiscal year that each county department of
31 social services failed to meet the timely processing standards under
32 G.S. 108A-70.38.
- 33 (7) A description of all corrective action activities conducted by the Department
34 and county departments of social services in accordance with
35 G.S. 108A-70.36.
- 36 (8) A description of how the Department plans to assist county departments of
37 social services in meeting timely processing standards for Medicaid
38 applications, for every county in which the performance metrics for
39 processing Medicaid applications in a timely manner do not show significant
40 improvement compared to the previous fiscal year."

41 **MEDICAID SUBROGATION RIGHTS CONFORMING CHANGES**

42 **SECTION 11H.23.** If Section 202(b) of the Bipartisan Budget Act of 2013, P.L.
43 113-67, takes effect on October 1, 2017, as provided in Section 202(c) of that act, as amended
44 by Section 211 of the Protecting Access to Medicare Act of 2014, P.L. 113-93, and Section 220
45 of the Medicare Access and CHIP Reauthorization Act of 2015, P.L. 114-10, then
46 G.S. 108A-57 reads as rewritten:

47 **"§ 108A-57. Subrogation rights; withholding of information a misdemeanor.**

48 (a) As used in this section, the term "beneficiary" means (i) the beneficiary of medical
49 assistance, including a minor beneficiary, (ii) the medical assistance beneficiary's parent, legal
50 assistant, or (iii) the medical assistance beneficiary's spouse, if the spouse is a
51 minor, or (iv) the medical assistance beneficiary's guardian, if the guardian is a

1 guardian, or personal representative, (iii) the medical assistance beneficiary's heirs, and (iv) the
2 administrator or the executor of the medical assistance beneficiary's estate.

3 Notwithstanding any other provisions of the law, to the extent of payments under this Part,
4 the State shall be subrogated to all rights of recovery, contractual or otherwise, of ~~the a~~
5 ~~beneficiary of this assistance, or of the beneficiary's personal representative, heirs, or the~~
6 ~~administrator or executor of the estate,~~ against any person. A personal injury or wrongful death
7 claim brought by a ~~medical assistance~~ beneficiary against a third party shall include a claim for
8 all medical assistance payments for health care items or services furnished to the ~~medical~~
9 ~~assistance~~ beneficiary as a result of the injury, hereinafter referred to as the "Medicaid claim."
10 Any personal injury or wrongful death claim brought by a ~~medical assistance~~ beneficiary
11 against a third party that does not state the Medicaid claim shall be deemed to include the
12 Medicaid claim.

13 ~~(a1) If the amount of the Medicaid claim does not exceed one-third of the medical~~
14 ~~assistance beneficiary's gross recovery, it is presumed that the gross recovery includes~~
15 ~~compensation for the full amount of the Medicaid claim. If the amount of the Medicaid claim~~
16 ~~exceeds one-third of the medical assistance beneficiary's gross recovery, it is presumed that~~
17 ~~one-third of the gross recovery represents compensation for the Medicaid claim. The Medicaid~~
18 ~~claim shall be a lien upon any recovery that a beneficiary obtains. The amount of the lien shall~~
19 ~~be equal to the total amount of the Medicaid claim but shall not exceed one-third of the gross~~
20 ~~amount of the recovery obtained.~~

21 If a beneficiary has claims against more than one third party related to the same injury, then
22 the payment of the Medicaid lien on any individual recovery shall reduce the total balance of
23 the Medicaid claim. The remaining balance of the Medicaid claim shall be applied as a lien on
24 any subsequent recovery, provided that the lien on each recovery shall not exceed one-third of
25 the gross amount of each recovery obtained.

26 ~~(a2) A medical assistance beneficiary may dispute the presumptions established in~~
27 ~~subsection (a1) of this section by applying to the court in which the medical assistance~~
28 ~~beneficiary's claim against the third party is pending, or if there is none, then to a court of~~
29 ~~competent jurisdiction, for a determination of the portion of the beneficiary's gross recovery~~
30 ~~that represents compensation for the Medicaid claim. An application under this subsection shall~~
31 ~~be filed with the court and served on the Department pursuant to the Rules of Civil Procedure~~
32 ~~no later than 30 days after the date that the settlement agreement is executed by all parties and,~~
33 ~~if required, approved by the court, or in cases in which judgment has been entered, no later than~~
34 ~~30 days after the date of entry of judgment. The court shall hold an evidentiary hearing no~~
35 ~~sooner than 30 days after the date the action was filed. All of the following shall apply to the~~
36 ~~court's determination under this subsection:~~

- 37 (1) ~~The medical assistance beneficiary has the burden of proving by clear and~~
38 ~~convincing evidence that the portion of the beneficiary's gross recovery that~~
39 ~~represents compensation for the Medicaid claim is less than the portion~~
40 ~~presumed under subsection (a1) of this section.~~
- 41 (2) ~~The presumption arising under subsection (a1) of this section is not rebutted~~
42 ~~solely by the fact that the medical assistance beneficiary was not able to~~
43 ~~recover the full amount of all claims.~~
- 44 (3) ~~If the beneficiary meets its burden of rebutting the presumption arising under~~
45 ~~subsection (a1) of this section, then the court shall determine the portion of~~
46 ~~the recovery that represents compensation for the Medicaid claim and shall~~
47 ~~order the beneficiary to pay the amount so determined to the Department in~~
48 ~~accordance with subsection (a5) of this section. In making this~~
49 ~~determination, the court may consider any factors that it deems just and~~
50 ~~reasonable.~~

1 (4) ~~If the beneficiary fails to rebut the presumption arising under subsection (a1)~~
2 ~~of this section, then the court shall order the beneficiary to pay the amount~~
3 ~~presumed pursuant to subsection (a1) of this section to the Department in~~
4 ~~accordance with subsection (a5) of this section.~~

5 ~~(a3) Notwithstanding the presumption arising pursuant to subsection (a1) of this section,~~
6 ~~the medical assistance beneficiary and the Department may reach an agreement on the portion~~
7 ~~of the recovery that represents compensation for the Medicaid claim. If such an agreement is~~
8 ~~reached after an application has been filed pursuant to subsection (a2) of this section, a~~
9 ~~stipulation of dismissal of the application signed by both parties shall be filed with the court.~~

10 ~~(a4) Within 30 days of receipt of the proceeds of a settlement or judgment related to a~~
11 ~~claim described in subsection (a) of this section, the medical assistance beneficiary or any~~
12 ~~attorney retained by the beneficiary shall notify the Department of the receipt of the proceeds.~~

13 ~~(a5) The medical assistance-Within 30 days of receipt of the proceeds of a settlement or~~
14 ~~judgment related to a claim described in subsection (a) of this section, a beneficiary or any~~
15 ~~attorney retained by the beneficiary shall, out of the proceeds obtained by or on behalf of the~~
16 ~~beneficiary by settlement with, judgment against, or otherwise from a third party by reason of~~
17 ~~injury or death, shall distribute to the Department the amount due pursuant to this section as~~
18 ~~follows: an amount sufficient to fully satisfy the Department's Medicaid lien as provided in~~
19 ~~subsection (a1) of this section. The Department's right to payment under this subsection shall~~
20 ~~be a right to first recovery and shall not be prorated with or otherwise reduced by the claims of~~
21 ~~any other persons or entities having medical subrogation or medical liens against the amount~~
22 ~~received or recovered by the beneficiary.~~

23 ~~(1) If, upon the expiration of the time for filing an application pursuant~~
24 ~~subsection (a2) of this section, no application has been filed, then the amount~~
25 ~~presumed pursuant to subsection (a1) of this section, as prorated with the~~
26 ~~claims of all others having medical subrogation rights or medical liens~~
27 ~~against the amount received or recovered, shall be paid to the Department~~
28 ~~within 30 days of the beneficiary's receipt of the proceeds, in the absence of~~
29 ~~an agreement pursuant to subsection (a3) of this section.~~

30 ~~(2) If an application has been filed pursuant to subsection (a2) of this section~~
31 ~~and no agreement has been reached pursuant to subsection (a3) of this~~
32 ~~section, then the Department shall be paid as follows:~~

33 ~~a. If the beneficiary rebuts the presumption arising under subsection~~
34 ~~(a1) of this section, then the amount determined by the court pursuant~~
35 ~~to subsection (a2) of this section, as prorated with the claims of all~~
36 ~~others having medical subrogation rights or medical liens against the~~
37 ~~amount received or recovered, shall be paid to the Department within~~
38 ~~30 days of the entry of the court's order.~~

39 ~~b. If the beneficiary fails to rebut the presumption arising under~~
40 ~~subsection (a1) of this section, then the amount presumed pursuant to~~
41 ~~subsection (a1) of this section, as prorated with the claims of all~~
42 ~~others having medical subrogation rights or medical liens against the~~
43 ~~amount received or recovered, shall be paid to the Department within~~
44 ~~30 days of the entry of the court's order.~~

45 ~~(3) If an agreement has been reached pursuant to subsection (a3) of this section,~~
46 ~~then the agreed amount, as prorated with the claims of all others having~~
47 ~~medical subrogation rights or medical liens against the amount received or~~
48 ~~recovered, shall be paid to the Department within 30 days of the execution of~~
49 ~~the agreement by the medical assistance beneficiary and the Department.~~

50 ~~(a6) The United States and the State of North Carolina shall be entitled to shares in each~~
51 ~~net recovery by the Department under this section. Their shares shall be promptly paid under~~

1 this section and their proportionate parts of such sum shall be determined in accordance with
2 the matching formulas in use during the period for which assistance was paid to the recipient.

3 (b) It is a Class 1 misdemeanor for any person seeking or having obtained assistance
4 under this ~~Part~~Part, for ~~himself~~himself or herself or ~~another~~for another, to willfully fail to
5 disclose to the county department of social services or its attorney and to the Department the
6 identity of any person or organization against whom the recipient of assistance has a right of
7 recovery, contractual or otherwise.

8 (c) This section applies to the administration of and claims payments made by the
9 Department of Health and Human Services under the NC Health Choice Program established
10 under Part 8 of this Article.

11 (d) As required to ensure compliance with this section, the Department may apply to the
12 court in which the ~~medical assistance~~-beneficiary's claim against the third party is pending, or if
13 there is none, then to a superior court of competent jurisdiction for enforcement of this section."
14

15 PROFESSIONAL SUPPLEMENTAL PAYMENT ASSESSMENT

16 **SECTION 11H.24.(a)** Notwithstanding any other provision of law, in order to
17 continue the supply of well-trained clinicians who practice and provide access to high-quality
18 care for Medicaid patients across the State, the Department of Health and Human Services
19 (Department) shall amend the Medicaid State Plan, Attachment 4.19-B, Section 5, Pages 2 and
20 3, which pertains to supplemental payments, to replace the existing definition of "eligible
21 medical professional providers" under subsection (c)(2) so as to expand the eligible medical
22 professionals to include those Medicaid-enrolled North Carolina physicians, advanced care
23 practitioners, and other related professionals, who are employed or contracted by (i)
24 State-operated schools of medicine, (ii) the University of North Carolina Health Care System,
25 (iii) University Health Systems of Eastern Carolina, doing business as Vidant Health, (iv) any
26 entity controlled by or under common control, including common operational control, with a
27 hospital that qualifies to certify expenditures or a public hospital, (v) any entity controlled by or
28 under common control, including common operational control, with a hospital that qualifies for
29 Equity Enhanced Payments under the Medicaid State Plan, Attachment 4.19-B, Section 2,
30 Pages 1a and 1b, or (vi) the faculty practice plan associated with Duke University. The
31 Department shall further condition eligibility for contracted eligible professionals upon a
32 demonstration that the contracts account for at least eighty percent (80%) of net professional
33 fees from commercial payers or that the contracts address the overall financial risk of the
34 professional's practice or group.

35 The Department shall submit the State Plan Amendment required by this subsection
36 to the Centers for Medicare and Medicaid (CMS) no later than October 1, 2017. The
37 Department shall not implement the requirements of this subsection until approval of the
38 Medicaid State Plan Amendment required by this subsection is obtained from CMS.

39 **SECTION 11H.24.(b)** G.S. 108A-121 is rewritten to read:

40 "§ 108A-121. Definitions.

41 The following definitions apply in this Article:

- 42 (1) CMS. – Centers for Medicare and Medicaid Services.
- 43 (2) Critical access hospital. – Defined in 42 C.F.R. § 400.202.
- 44 (3) Department. – The Department of Health and Human Services.
- 45 (4) Equity assessment. – The assessment payable under G.S. 108A-123.
- 46 (5) Medicaid equity payment. – The amount required to be paid under
47 G.S. 108A-124.
- 48 (5a) Professional supplemental payment. – The amount required to be paid under
49 G.S. 108A-124.
- 50 (5b) Professional supplemental payment assessment. – The assessment payable
51 under G.S. 108A-123.

- 1 (6) Public hospital. – A hospital that certifies its public expenditures to the
 2 Department pursuant to 42 C.F.R. § 433.51(b) during the fiscal year for
 3 which the assessment applies.
- 4 (7) Secretary. – The Secretary of Health and Human Services.
- 5 (8) State's annual Medicaid payment. – For an assessment collected under this
 6 Article, an amount equal to twenty-eight and eighty-five ~~one~~-hundredths
 7 percent (28.85%) of the total amount collected under the assessment.
- 8 (9) Total hospital costs. – The costs as calculated using the most recent available
 9 Hospital Cost Report Information Systems cost report data, available
 10 through CMS, or other comparable data.
- 11 (10) Upper pay limit (UPL). – The maximum ceiling imposed by federal
 12 regulation on hospital Medicaid payments under 42 C.F.R. § 447.272 for
 13 inpatient services.
- 14 (11) UPL assessment. – The assessment payable under G.S. 108A-123.
- 15 (12) UPL gap. – The difference between the UPL attributable to hospital inpatient
 16 services and the reasonable costs of inpatient hospital services as defined in
 17 Section (f)(2)(A) on page 11 of Attachment 4.19-A of the State Medicaid
 18 Plan as approved on December 15, 2005.
- 19 (13) UPL payment. – The amount required to be paid under G.S. 108A-124."

20 **SECTION 11H.24.(c)** G.S. 108A-122 reads as rewritten:

21 "**§ 108A-122. ~~Assessment~~ Assessment Percentage.**

22 (a) Assessment Imposed. – Except as provided in this section, the assessments
 23 authorized under this Article are imposed as a percentage of total hospital costs on all licensed
 24 North Carolina hospitals. The assessments are due quarterly in the time and manner prescribed
 25 by the Secretary. Payment of an assessment is considered delinquent if not paid within seven
 26 days of the due date. With respect to any past-due assessment, the Department may withhold
 27 the unpaid amount from Medicaid payments otherwise due or impose a late-payment penalty.
 28 The Secretary may waive a penalty for good cause shown.

29 (b) Allowable Cost. – An assessment paid under this Article may be included as
 30 allowable costs of a hospital for purposes of any applicable Medicaid reimbursement formula;
 31 assessments paid under this Article shall be excluded from cost settlement. An assessment
 32 imposed under this Article may not be added as a surtax or assessment on a patient's bill.

33 (c) Full Exemption. – The following hospitals are exempt from both the equity
 34 assessment and the UPL assessment:

- 35 (1) State-owned and State-operated hospitals.
- 36 (2) The primary affiliated teaching hospital for each University of North
 37 Carolina medical school.
- 38 (3) Critical access hospitals.
- 39 (4) Long-term care hospitals.
- 40 (5) Freestanding psychiatric hospitals.
- 41 (6) Freestanding rehabilitation hospitals.

42 (d) Partial Equity Assessment Exemption. – A public hospital is exempt from the equity
 43 assessment.

44 (e) Partial Professional Supplemental Payment Assessment Exemption. – All of the
 45 following hospitals are exempt from the professional supplemental payment assessment:

- 46 (1) Critical access hospitals.
- 47 (2) Freestanding psychiatric hospitals.
- 48 (3) Freestanding rehabilitation hospitals.
- 49 (4) Hospitals owned by the University Health Systems of Eastern Carolina,
 50 doing business as Vidant Health.
- 51 (5) Hospitals owned by the University of North Carolina Health Care System.

- 1 (6) Long-term care hospitals.
2 (7) Public hospitals.
3 (8) State-owned and State-operated hospitals."

4 **SECTION 11H.24.(d)** G.S. 108A-123 reads as rewritten:

5 **"§ 108A-123. Assessment amount.**

6 (a) Annual Calculation. – The Secretary must annually calculate the equity assessment
7 ~~amount and amount,~~ the UPL assessment ~~amount amount,~~ and the professional supplemental
8 payment assessment amount for each hospital subject to the respective assessment. Each
9 assessment must comply with applicable federal regulations and may be prorated for any partial
10 year.

11 The Secretary must notify each hospital that is assessed the amount of its individual UPL
12 assessment amount and, if applicable, its individual equity assessment amount and its
13 individual professional supplemental payment assessment. The notice must include all of the
14 following:

- 15 (1) The applicable assessment rates.
16 (2) The hospital costs on which the hospital's assessments are based.
17 (3) The elements of the calculation of the hospital's UPL.

18 (b) ~~Total Equity Assessment.~~ Assessment Amount. – The equity assessment consists of
19 both inpatient and outpatient components. The equity assessment percentage rate must be
20 calculated to produce an aggregate annual amount equal to the following:

- 21 (1) The amount needed ~~to make for the nonfederal share of~~ the Medicaid equity
22 payments under G.S. 108-124.
23 (2) The applicable portion of the State's annual Medicaid payment, as provided
24 in subsection (d) of this section.

25 (c) ~~Total UPL Assessment.~~ Assessment Amount. – The UPL assessment consists of both
26 inpatient and outpatient components. The UPL assessment percentage rate must be calculated
27 to produce an aggregate annual amount equal to the following:

- 28 (1) The amount needed ~~to make for the nonfederal share of~~ the UPL payments
29 under G.S. 108A-124.
30 (2) The applicable portion of the State's annual Medicaid payment, as provided
31 in subsection (d) of this section.

32 (c1) Total Professional Supplemental Payment Assessment Amount. – The professional
33 supplemental payment assessment consists of both inpatient and outpatient components. The
34 professional supplemental payment assessment percentage rate must be calculated to produce
35 an aggregate amount equal to the total of the following:

- 36 (1) The amount needed for the nonfederal share of the Medicaid professional
37 supplemental payments under G.S.108A-124(b)(4)a.
38 (2) The applicable portion of the State's annual Medicaid payment, as provided
39 in subsection (d) of this section.

40 (d) State's Annual Medicaid Payment. – The first forty-three million dollars
41 (\$43,000,000) of the State's annual Medicaid payment must be allocated between the equity
42 assessment and the UPL assessment based on the amount of gross payments received by
43 hospitals under ~~G.S. 108A-124.~~ G.S. 108A-124(b)(1) and G.S. 108A-124(b)(2). A portion of the
44 State's annual Medicaid payment equal to twenty-eight and eighty-five hundredths percent
45 (28.85%) of the amount needed under subdivision (1) of subsection (c1) of this section must be
46 allocated to the professional supplemental payment assessment. The remaining portion of the
47 State's annual Medicaid payment must be allocated to the UPL assessment.

48 (e) Appeal. – A hospital may appeal an assessment determination through a
49 reconsideration review. The pendency of an appeal does not relieve a hospital from its
50 obligation to pay an assessment amount when due."

51 **SECTION 11H.24.(e)** G.S. 108A-124 reads as rewritten:

1 **"§ 108A-124. Use of assessment proceeds.**

2 (a) Use. – The proceeds of the assessments imposed under this Article and all
3 corresponding matching federal funds must be used to make the State annual Medicaid
4 payment to the State and the Medicaid equity ~~payments and payments, professional~~
5 supplemental payments, and UPL payments to hospitals.

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

8 (1) Pay to each hospital that has paid its equity assessment for the respective
9 quarter twenty-five percent (25%) of its Medicaid equity payment amount. A
10 hospital's Medicaid equity payment amount is the sum of the hospital's
11 Medicaid inpatient and outpatient deficits after calculating all other
12 Medicaid payments, excluding disproportionate share hospital payments and
13 the UPL payment remitted to the hospital under subdivision (2) of this
14 ~~subsection-subsection and any professional supplemental payments remitted~~
15 to hospitals under sub-subdivision a. of subdivision (4) of this subsection.

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

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

26 (4) Pay, for the respective quarter, twenty-five percent (25%) of the hospital's
27 professional supplemental payment amount to the following hospitals:

28 a. Each hospital (i) that is a critical access hospital or a hospital that has
29 paid the required professional supplemental payment assessment and
30 (ii) that has eligible professionals.

31 b. Each hospital that is not a critical access hospital, that is exempt from
32 payment of a professional supplemental payment assessment under
33 G.S. 108A-122(e), and that has eligible professionals.

34 A professional supplemental payment amount is the amount calculated
35 pursuant to the Medicaid State Plan.

36 (c) UPL Payment Amount. – The aggregate UPL payments made to eligible hospitals
37 that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL
38 payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for
39 these hospitals. UPL payments are payable to the individual hospitals in the ratio of each
40 hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.

41 (d) Refund of Assessment. – If all or any part of a payment required to be made under
42 this section is not made to one or more hospitals when due, the Secretary must promptly refund
43 to each such hospital the corresponding assessment proceeds collected in proportion to the
44 amount of assessment paid by that hospital."

45 **SECTION 11H.24.(f)** Article 7 of Chapter 108A of the General Statutes is
46 amended by adding a new section to read:

47 **"§ 108A-129. Required intergovernmental transfers.**

48 Any hospital that (i) is not a critical access hospital, (ii) is exempt under G.S. 108A-122(e)
49 from the professional supplemental payment assessment, and (iii) is eligible to receive a
50 professional supplemental payment shall make an intergovernmental transfer to the Department

1 in an amount equal to the nonfederal share of the amount needed to make the professional
2 supplemental payment to that hospital."

3 **SECTION 11H.24.(g)** The Medicaid Retention Fund is established as a special
4 fund in the Office of State Budget and Management. The Department of Health and Human
5 Services, Division of Medicaid Assistance, shall transfer any receipts attributable to an increase
6 in the State's annual Medicaid payment under G.S. 108A-121(8) resulting from the professional
7 supplemental payment assessment under G.S. 108A-123(c1), as enacted by subsection (d) of
8 this section, to the Medicaid Retention Fund.

9 **SECTION 11H.24.(h)** If the Department of Health and Human Services, Division
10 of Medical Assistance (Department), has receipts resulting from the professional supplemental
11 payment assessment under G.S. 108A-123(c1), as enacted by subsection (d) of this section, that
12 are not required to be transferred to the Medicaid Retention Fund in accordance with subsection
13 (g) of this section, then those receipts shall be used to make the professional supplement
14 payments required under G.S. 108A-124, as amended by subsection (e) of section.

15 **SECTION 11H.24.(i)** Subsections (b) through (f) of this section are effective upon
16 approval by the Centers for Medicare and Medicaid Services (CMS) of the Medicaid State Plan
17 amendment required by subsection (a) of this section. The Secretary of the Department of
18 Health and Human Services shall certify to the Revisor of Statutes that approval by CMS of the
19 State Plan amendment has occurred and shall provide notice of State Plan amendment approval
20 by posting the effective date of the change on its Web site. The remainder of this section
21 becomes effective July 1, 2017.

22 23 **STUDY PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY**

24 **SECTION 11H.25.(a)** The Department of Health and Human Services, Division of
25 Medical Assistance (Department), shall conduct a study of the efficacy of the Program of
26 All-Inclusive Care for the Elderly (PACE). In conducting the study, the Department shall
27 engage a variety of stakeholders, including existing PACE organizations, PACE consumers,
28 and the general public. The study shall consist of the following:

- 29 (1) An evaluation of the existing program to include information on and an
30 assessment of the following:
31 a. An update on all of the information required to be reported on under
32 Section 12H.34(b) of S.L. 2014-100.
33 b. The structures of the various PACE organizations.
34 c. Any clinical outcome or quality measures available for each PACE
35 service or PACE organization.
36 (2) A statewide assessment of anticipated long-term care needs over the next 10
37 years, broken down by county.
38 (3) A review of PACE experiences in other states, including an analysis of costs
39 and quality.
40 (4) An evaluation of State regulations placed upon PACE providers. The study
41 shall include the identification of any regulations that could be eliminated in
42 order to reduce cost or unnecessary duplication.
43 (5) An assessment of the role of PACE in the continuum of care, including
44 opportunities to apply the PACE model to additional populations under the
45 PACE Innovations Act of 2015, P.L. 114-85.

46 **SECTION 11H.25.(b)** No later than March 1, 2018, the Department shall submit
47 to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice a report
48 containing the information outlined in subsection (a) of this section, as well as any
49 recommendations and proposed legislative changes that further the goal of providing the
50 highest quality programs at a low cost to keep aging individuals in their homes.

SUBPART XI-I. DIVISION OF HEALTH BENEFITS**DIVISION OF HEALTH BENEFITS FEDERAL FUNDS**

SECTION 11I.1. To the extent that the Department of Health and Human Services, Division of Health Benefits', net appropriations are made available as a result of increased federal receipts collected as federal match for the Division of Health Benefits' Medicaid transformation project expenditures, those net appropriations shall not be transferred or used for any other purpose and shall revert at the end of the 2017-2019 fiscal biennium.

SUBPART XI-J. MISCELLANEOUS**JOINT OVERSIGHT SUBCOMMITTEES ON MEDICAL EDUCATION PROGRAMS AND MEDICAL RESIDENCY PROGRAMS**

SECTION 11J.2.(a) The Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee shall each appoint a subcommittee to jointly examine the use of State funds to support medical education and medical residency programs. In conducting the study, the subcommittees shall examine at least all of the following:

- (1) The health care needs of the State's residents and the State's goals in meeting those health care needs through the support and funding of medical education and medical residency programs located within the State.
- (2) The short-term and long-term benefits to the State for allocating State funds to medical education and medical residency programs located within the State.
- (3) Recommended changes and improvements to the State's current policies with respect to allocating State funds and providing other support to medical education programs and medical residency programs located within the State.
- (4) Development of an evaluation protocol to be used by the State in determining (i) the particular medical education programs and medical residency programs to support with State funds and (ii) the amount of State funds to allocate to these programs.
- (5) Any other relevant issues the subcommittees deem appropriate.

SECTION 11J.2.(b) The subcommittees may seek input from other states, stakeholders, and national experts on medical education programs, medical residency programs, and health care as it deems necessary.

SECTION 11J.2.(c) By February 1, 2018, the Department of Health and Human Services and The University of North Carolina shall provide the subcommittees the following information regarding State funds and other support provided by the State to medical education programs and medical residency programs located in North Carolina:

- (1) The identity, location, and number of positions available in these medical education programs and medical residency programs, broken down by geographic area.
- (2) The specific amount of State funds or the nature of any other support provided by the State to medical education programs and medical residency programs, broken down by program.
- (3) The number of graduates of medical education programs and medical residency programs who are currently practicing in North Carolina, broken down by specialty areas in which North Carolina is experiencing a shortage, including:
 - a. Anesthesiology.

- 1 b. Neurology.
- 2 c. Neurosurgery.
- 3 c. Obstetrics/Gynecology.
- 4 d. Primary Care.
- 5 e. Psychiatry.
- 6 f. Surgery.
- 7 g. Urology.
- 8 h. Any other specialty areas determined by the Department of Health
- 9 and Human Services or The University of North Carolina to be
- 10 experiencing a shortage.

11 (4) The number of program graduates who practiced in North Carolina for at

12 least five years after graduation.

13 (5) Any other information requested by the subcommittees.

14 **SECTION 11J.2.(d)** The subcommittees shall jointly develop a proposal for a

15 statewide plan to support medical education programs and medical residency programs within

16 North Carolina in a manner that maximizes the State's financial and other support of these

17 programs and addresses the short-term and long-term health care needs of the State's residents.

18 Each subcommittee shall submit a report to its respective oversight committee on or before

19 March 15, 2018, at which time each subcommittee shall terminate.

20 **SECTION 11J.2.(e)** This section is effective when this act becomes law.

21

22 **SUBPART XI-K. DIVISIONS OF VOCATIONAL REHABILITATION, SERVICES**

23 **FOR THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF**

24 **HEARING [RESERVED]**

25

26 **SUBPART XI-L. DHHS BLOCK GRANTS**

27

28 **DHHS BLOCK GRANTS**

29 **SECTION 11L.1.(a)** Except as otherwise provided, appropriations from federal

30 block grant funds are made for each year of the fiscal biennium ending June 30, 2019,

31 according to the following schedule:

32

TEMPORARY ASSISTANCE FOR NEEDY	FY 2017-2018	FY 2018-2019
FAMILIES (TANF) FUNDS		

35

36 **Local Program Expenditures**

37

38 **Division of Social Services**

39

01. Work First Family Assistance	\$49,479,444	\$49,479,444
02. Work First County Block Grants	80,093,566	80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
05. Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391

50

51

1	06. Child Welfare Program Improvement Plan	775,176	775,176
2			
3	07. Child Welfare Collaborative	400,000	400,000
4			
5	08. Child Welfare Initiatives	1,400,000	1,400,000
6			
7	Division of Child Development and Early Education		
8			
9	09. Subsidized Child Care Program	53,605,680	58,112,735
10			
11	10. NC Pre-K Services	6,000,000	12,200,000
12			
13	10A. Swap Child Care Subsidy	392,420	294,697
14			
15	Division of Public Health		
16			
17	11. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
18			
19	DHHS Administration		
20			
21	12. Division of Social Services	2,482,260	2,482,260
22			
23	13. Office of the Secretary	34,042	34,042
24			
25	14. Eligibility Systems – Operations and		
26	Maintenance	2,908,598	2,765,192
27			
28	15. NC FAST Implementation	48,495	875,264
29			
30	Transfers to Other Block Grants		
31			
32	Division of Child Development and Early Education		
33			
34	16. Transfer to the Child Care and		
35	Development Fund	71,773,001	71,773,001
36			
37	Division of Social Services		
38			
39	17. Transfer to Social Services Block		
40	Grant for Child Protective Services –		
41	Training	1,300,000	1,300,000
42			
43	18. Transfer to Social Services Block		
44	Grant for Child Protective Services	5,040,000	5,040,000
45			
46	19. Transfer to Social Services Block		
47	Grant for County Departments of		
48	Social Services for Children's Services	7,500,000	7,500,000
49			
50	20. Transfer to Social Services Block		
51	Grant – Foster Care Services	1,385,152	1,385,152

1			
2	TOTAL TEMPORARY ASSISTANCE FOR		
3	NEEDY FAMILIES (TANF) FUNDS	\$301,385,315	\$312,678,010
4			
5	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
6	EMERGENCY CONTINGENCY FUNDS		
7			
8	Local Program Expenditures		
9			
10	Division of Child Development and Early Education		
11			
12	01. Subsidized Child Care	\$28,600,000	\$28,600,000
13			
14	TOTAL TEMPORARY ASSISTANCE FOR		
15	NEEDY FAMILIES (TANF) EMERGENCY		
16	CONTINGENCY FUNDS	\$28,600,000	\$28,600,000
17			
18	SOCIAL SERVICES BLOCK GRANT		
19			
20	Local Program Expenditures		
21			
22	Divisions of Social Services and Aging and Adult Services		
23			
24	01. County Departments of Social Services		
25	(Transfer From TANF \$7,500,000)	\$32,971,498	\$33,003,632
26			
27	02. EBCI Tribal Public Health and Human Services	244,740	244,740
28			
29	03. Child Protective Services		
30	(Transfer From TANF)	5,040,000	5,040,000
31			
32	04. State In-Home Services Fund	1,943,950	1,943,950
33			
34	05. Adult Protective Services	1,245,363	1,245,363
35			
36	06. State Adult Day Care Fund	1,994,084	1,994,084
37			
38	07. Child Protective Services/CPS		
39	Investigative Services – Child Medical		
40	Evaluation Program	901,868	901,868
41			
42	08. Special Children Adoption Incentive Fund	462,600	462,600
43			
44	09. Child Protective Services – Child		
45	Welfare Training for Counties		
46	(Transfer From TANF)	1,300,000	1,300,000
47			
48	10. Child Protective Services – Child		
49	Welfare Training for Counties	737,067	737,067
50			
51	11. Home and Community Care Block		

1	Grant (HCCBG)	1,696,888	1,696,888
2			
3	12. Child Advocacy Centers	582,000	582,000
4			
5	13. Guardianship – Division of Social Services	815,362	815,362
6			
7	14. Foster Care Services		
8	(Transfer From TANF)	1,385,152	1,385,152
9			
10	Division of Central Management and Support		
11			
12	15. DHHS Competitive Block Grants		
13	for Nonprofits	4,202,500	4,202,500
14			
15	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
16			
17	16. Mental Health Services – Adult and		
18	Child/Developmental Disabilities Program/		
19	Substance Abuse Services – Adult	4,563,078	4,530,944
20			
21	DHHS Program Expenditures		
22			
23	Division of Services for the Blind		
24			
25	17. Independent Living Program	3,361,323	3,361,323
26			
27	Division of Health Service Regulation		
28			
29	18. Adult Care Licensure Program	381,087	381,087
30			
31	19. Mental Health Licensure and		
32	Certification Program	190,284	190,284
33			
34	Division of Aging and Adult Services		
35			
36	20. Guardianship	3,766,119	3,766,119
37			
38	DHHS Administration		
39			
40	21. Division of Aging and Adult Services	577,745	577,745
41			
42	22. Division of Social Services	634,680	634,680
43			
44	23. Office of the Secretary/Controller's Office	127,731	127,731
45			
46	24. Legislative Increases/Fringe Benefits	236,278	236,278
47			
48	25. Division of Child Development and		
49	Early Education	13,878	13,878
50			
51	26. Division of Mental Health, Developmental		

1	Disabilities, and Substance Abuse Services	27,446	27,446
2			
3	27. Division of Health Service Regulation	118,946	118,946
4			
5	TOTAL SOCIAL SERVICES BLOCK GRANT	\$69,521,667	\$69,521,667
6			
7	LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
8			
9	Local Program Expenditures		
10			
11	Division of Social Services		
12			
13	01. Low-Income Energy Assistance		
14	Program (LIEAP)	\$36,402,610	\$35,419,272
15			
16	02. Crisis Intervention Program (CIP)	36,402,610	35,419,272
17			
18	Local Administration		
19			
20	Division of Social Services		
21			
22	03. County DSS Administration	5,978,512	5,817,014
23			
24	DHHS Administration		
25			
26	Division of Central Management and Support		
27			
28	04. Division of Social Services	10,000	10,000
29			
30	05. Office of the Secretary/DIRM	252,603	128,954
31			
32	06. Office of the Secretary/Controller's Office	18,378	18,378
33			
34	07. NC FAST Development	139,991	2,468,390
35			
36	08. NC FAST Operations and Maintenance	2,135,701	2,539,033
37			
38	Transfers to Other State Agencies		
39			
40	Department of Environmental Quality		
41			
42	09. Weatherization Program	10,716,043	10,426,573
43			
44	10. Heating Air Repair and Replacement		
45	Program (HARRP)	5,701,752	5,547,732
46			
47	11. Local Residential Energy Efficiency Service		
48	Providers – Weatherization	439,982	428,097
49			
50	12. Local Residential Energy Efficiency Service		
51	Providers – HARRP	234,105	227,781

1			
2	13. DENR – Weatherization Administration	439,982	428,097
3			
4	14. DENR – HARRP Administration	234,105	227,781
5			
6	Department of Administration		
7			
8	15. N.C. Commission on Indian Affairs	87,736	87,736
9			
10	TOTAL LOW-INCOME ENERGY		
11	ASSISTANCE BLOCK GRANT	\$99,194,110	\$99,194,110
12			
13	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
14			
15	Local Program Expenditures		
16			
17	Division of Child Development and Early Education		
18			
19	01. Child Care Services		
20	(Smart Start \$7,000,000)	\$152,923,849	\$152,416,794
21			
22	02. Transfer from TANF Block Grant		
23	for Child Care Subsidies	71,773,001	71,773,001
24			
25	03. Quality and Availability Initiatives		
26	(TEACH Program \$3,800,000)	45,761,678	45,761,678
27			
28	DHHS Administration		
29			
30	Division of Child Development and Early Education		
31			
32	04. DCDEE Administrative Expenses	9,042,159	8,929,324
33			
34	Division of Social Services		
35			
36	05. Local Subsidized Child Care		
37	Services Support	16,436,361	16,436,361
38			
39	06. Direct Deposit for Child Care Payments	505,100	505,100
40			
41	Division of Central Management and Support		
42			
43	07. NC FAST Development	24,237	427,865
44			
45	08. NC FAST Operations and Maintenance	2,758,389	2,581,225
46			
47	09. DHHS Central Administration – DIRM		
48	Technical Services	645,162	645,162
49			
50	10. Central Regional Maintenance	287,854	287,854
51			

1	11. DHHS Central Administration	7,346	7,346
2			
3	Division of Public Health		
4			
5	12. Child Care Health Consultation Contracts	62,205	62,205
6			
7	TOTAL CHILD CARE AND DEVELOPMENT		
8	FUND BLOCK GRANT	\$300,227,341	\$299,833,915
9			
10	MENTAL HEALTH SERVICES BLOCK GRANT		
11			
12	Local Program Expenditures		
13			
14	01. Mental Health Services – Child	\$3,619,833	\$3,619,833
15			
16	02. Mental Health Services – Adult/Child	10,967,792	10,967,792
17			
18	03. Crisis Solutions Initiative – Critical		
19	Time Intervention	750,000	750,000
20			
21	04. Mental Health Services – First		
22	Psychotic Symptom Treatment	1,430,851	1,430,851
23			
24	DHHS Administration		
25			
26	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
27			
28	05. Administration	200,000	200,000
29			
30	TOTAL MENTAL HEALTH SERVICES		
31	BLOCK GRANT	\$16,968,476	\$16,968,476
32			
33	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
34			
35	Local Program Expenditures		
36			
37	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
38			
39	01. Substance Abuse – HIV and IV Drug	\$3,919,723	\$3,919,723
40			
41	02. Substance Abuse Prevention	8,998,382	8,998,382
42			
43	03. Substance Abuse Services – Treatment for		
44	Children/Adults		
45	(Medication-Assisted Opioid Use Disorder		
46	Treatment Pilot Program \$500,000;		
47	First Step Farm of WNC, Inc. \$100,000)	27,722,717	27,621,286
48			
49	04. Crisis Solutions Initiatives – Walk-In		
50	Crisis Centers	420,000	420,000
51			

1	05. Crisis Solutions Initiatives – Collegiate		
2	Wellness/Addiction Recovery	1,085,000	1,085,000
3			
4	06. Crisis Solutions Initiatives – Community		
5	Paramedic Mobile Crisis Management	60,000	60,000
6			
7	07. Crisis Solutions Initiatives – Innovative		
8	Technologies	41,000	41,000
9			
10	DHHS Program Expenditures		
11			
12	Division of Central Management and Support		
13			
14	08. Competitive Block Grant	1,600,000	1,600,000
15			
16	DHHS Administration		
17			
18	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
19			
20	09. Administration	454,000	454,000
21			
22	10. Controlled Substance Reporting System		
23	Enhancement	326,224	427,655
24			
25	Division of Public Health		
26			
27	11. HIV Testing for Individuals in Substance		
28	Abuse Treatment	965,949	965,949
29			
30	Transfers to Other State Agencies		
31			
32	Department of Military and Veterans Affairs		
33			
34	12. Crisis Solutions Initiative – Veteran's Crisis	250,000	250,000
35			
36	TOTAL SUBSTANCE ABUSE PREVENTION		
37	AND TREATMENT BLOCK GRANT	\$45,842,995	\$45,842,995
38			
39	MATERNAL AND CHILD HEALTH BLOCK GRANT		
40			
41	Local Program Expenditures		
42			
43	Division of Public Health		
44			
45	01. Women and Children's Health Services		
46	(Safe Sleep Campaign \$45,000; Sickle Cell		
47	Centers \$100,000; Prevent Blindness \$575,000;		
48	March of Dimes \$350,000; Teen Pregnancy		
49	Prevention Initiatives \$650,000;		
50	17P Project \$52,000; Nurse-Family		
51	Partnership \$550,000; Carolina Pregnancy		

1	Care Fellowship \$400,000; Perinatal & Neonatal		
2	Outreach Coordinator Contracts \$440,000)	\$14,002,435	\$14,002,435
3			
4	02. Oral Health	48,227	48,227
5			
6	03. Evidence-Based Programs in Counties		
7	With Highest Infant Mortality Rates	1,575,000	1,575,000
8			
9	DHHS Program Expenditures		
10			
11	04. Children's Health Services	1,427,323	1,427,323
12			
13	05. Women's Health – Maternal Health	169,864	169,864
14			
15	06. Women and Children's Health – Perinatal		
16	Strategic Plan Support Position	68,245	68,245
17			
18	07. State Center for Health Statistics	158,583	158,583
19			
20	08. Health Promotion – Injury and		
21	Violence Prevention	87,271	87,271
22			
23	DHHS Administration		
24			
25	09. Division of Public Health Administration	552,571	552,571
26			
27	TOTAL MATERNAL AND CHILD		
28	HEALTH BLOCK GRANT	\$18,089,519	\$18,089,519
29			
30	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
31			
32	Local Program Expenditures		
33			
34	01. Physical Activity and Prevention	\$3,545,093	\$3,545,093
35			
36	02. Injury and Violence Prevention		
37	(Services to Rape Victims – Set-Aside)	180,778	180,778
38			
39	DHHS Program Expenditures		
40			
41	Division of Public Health		
42			
43	03. HIV/STD Prevention and		
44	Community Planning	145,819	145,819
45			
46	04. Oral Health Preventive Services	451,809	451,809
47			
48	05. Laboratory Services – Testing,		
49	Training, and Consultation	21,012	21,012
50			
51	06. Injury and Violence Prevention		

1	(Services to Rape Victims – Set-Aside)	192,315	192,315
2			
3	07. State Laboratory Services – Testing,		
4	Training, and Consultation	199,634	199,634
5			
6	08. Performance Improvement and		
7	Accountability	1,104,455	1,104,455
8			
9	09. State Center for Health Statistics	107,291	107,291
10			
11	DHHS Administration		
12			
13	Division of Public Health		
14			
15	10. Division of Public Health	172,820	172,820
16			
17	TOTAL PREVENTIVE HEALTH		
18	SERVICES BLOCK GRANT	\$6,121,026	\$6,121,026
19			
20	COMMUNITY SERVICES BLOCK GRANT		
21			
22	01. Community Action Agencies	\$24,187,142	\$24,187,142
23			
24	02. Limited Purpose Agencies	1,343,730	1,343,730
25			
26	03. Office of Economic Opportunity	1,343,730	1,343,730
27			
28	TOTAL COMMUNITY SERVICES		
29	BLOCK GRANT	\$26,874,602	\$26,874,602
30			

GENERAL PROVISIONS

SECTION 11L.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 11L.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal

1 fund availability, the Office of State Budget and Management shall not approve funding for
2 new programs or activities not appropriated in this section.

3 If the Congress of the United States decreases the federal fund availability for any of
4 the Block Grants or contingency funds and other grants related to existing Block Grants
5 administered by the Department of Health and Human Services from the amounts appropriated
6 in this section, the Department shall develop a plan to adjust the Block Grants based on reduced
7 federal funding.

8 Notwithstanding the provisions of this subsection, for fiscal years 2017-2018 and
9 2018-2019, increases in the federal fund availability for the Temporary Assistance to Needy
10 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy
11 program to pay for child care in four- or five-star rated facilities for four-year-old children and
12 shall not be used to supplant State funds.

13 Prior to allocating the change in federal fund availability, the proposed allocation
14 must be approved by the Office of State Budget and Management. If the Department adjusts the
15 allocation of any Block Grant due to changes in federal fund availability, then a report shall be
16 made to the Joint Legislative Oversight Committee on Health and Human Services and the
17 Fiscal Research Division.

18 **SECTION 11L.1.(d)** Except as otherwise provided, appropriations from federal
19 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2019,
20 according to the schedule enacted for State fiscal years 2017-2018 and 2018-2019 or until a
21 new schedule is enacted by the General Assembly.

22 **SECTION 11L.1.(e)** All changes to the budgeted allocations to the Block Grants
23 or contingency funds and other grants related to existing Block Grants administered by the
24 Department of Health and Human Services that are not specifically addressed in this section
25 shall be approved by the Office of State Budget and Management, and the Office of State
26 Budget and Management shall consult with the Joint Legislative Oversight Committee on
27 Health and Human Services for review prior to implementing the changes. The report shall
28 include an itemized listing of affected programs, including associated changes in budgeted
29 allocations. All changes to the budgeted allocations to the Block Grants shall be reported
30 immediately to the Joint Legislative Oversight Committee on Health and Human Services and
31 the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by
32 legislative salary increases and benefit adjustments.

33 **SECTION 11L.1.(f)** Except as otherwise provided, the Department of Health and
34 Human Services shall have flexibility to transfer funding between the Temporary Assistance
35 for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block
36 Grant so long as the total allocation for the line items within those block grants remains the
37 same.

38 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

39 **SECTION 11L.1.(g)** The sum of eighty million ninety-three thousand five hundred
40 sixty-six dollars (\$80,093,566) for each year of the 2017-2019 fiscal biennium appropriated in
41 this section in TANF funds to the Department of Health and Human Services, Division of
42 Social Services, shall be used for Work First County Block Grants. The Division shall certify
43 these funds in the appropriate State-level services based on prior year actual expenditures. The
44 Division has the authority to realign the authorized budget for these funds among the
45 State-level services based on current year actual expenditures. The Division shall also have the
46 authority to realign appropriated funds from Work First Family Assistance for electing counties
47 to the Work First County Block Grant for electing counties based on current year expenditures
48 so long as the electing counties meet Maintenance of Effort requirements.

49 **SECTION 11L.1.(h)** The sum of nine million four hundred twelve thousand three
50 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of
51

1 Health and Human Services, Division of Social Services, in TANF funds for each fiscal year of
2 the 2017-2019 fiscal biennium for child welfare improvements shall be allocated to the county
3 departments of social services for hiring or contracting staff to investigate and provide services
4 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
5 license, and support prospective foster and adoptive families; and to provide interstate and
6 post-adoption services for eligible families.

7 Counties shall maintain their level of expenditures in local funds for Child
8 Protective Services workers. Of the Block Grant funds appropriated for Child Protective
9 Services workers, the total expenditures from State and local funds for fiscal years 2017-2018
10 and 2018-2019 shall not be less than the total expended from State and local funds for the
11 2012-2013 fiscal year.

12 **SECTION 11L.1.(i)** The sum of two million twenty-six thousand eight hundred
13 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the
14 Department of Health and Human Services, Special Children Adoption Fund, for each fiscal
15 year of the 2017-2019 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The
16 Division of Social Services, in consultation with the North Carolina Association of County
17 Directors of Social Services and representatives of licensed private adoption agencies, shall
18 develop guidelines for the awarding of funds to licensed public and private adoption agencies
19 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received
20 from the Special Children Adoption Fund by participating agencies shall be used exclusively to
21 enhance the adoption services program. No local match shall be required as a condition for
22 receipt of these funds.

23 **SECTION 11L.1.(j)** The sum of one million four hundred thousand dollars
24 (\$1,400,000) appropriated in this section in TANF funds to the Department of Health and
25 Human Services, Division of Social Services, for each fiscal year of the 2017-2019 fiscal
26 biennium shall be used for child welfare initiatives to (i) enhance the skills of social workers to
27 improve the outcomes for families and children involved in child welfare and (ii) enhance the
28 provision of services to families in their homes in the least restrictive setting.

30 SOCIAL SERVICES BLOCK GRANT

31 **SECTION 11L.1.(k)** The sum of thirty-two million nine hundred seventy-one
32 thousand four hundred ninety-eight dollars (\$32,971,498) for the 2017-2018 fiscal year and the
33 sum of thirty-three million three thousand six hundred thirty-two dollars (\$33,003,632) for the
34 2018-2019 fiscal year appropriated in this section in the Social Services Block Grant to the
35 Department of Health and Human Services, Division of Social Services, shall be used for
36 county block grants. The Division shall certify these funds in the appropriate State-level
37 services based on prior year actual expenditures. The Division has the authority to realign the
38 authorized budget for these funds, as well as State Social Services Block Grant funds, among
39 the State-level services based on current year actual expenditures.

40 Of the funds appropriated in this subsection for each year of the 2017-2019 fiscal
41 biennium for county block grants, three million dollars (\$3,000,000) shall be used to assist
42 counties in the implementation of Project 4, Child Services, in North Carolina Families
43 Accessing Services Through Technology (NC FAST). These funds shall be available in each
44 fiscal year of the fiscal biennium for this purpose.

45 **SECTION 11L.1.(l)** The sum of one million three hundred thousand dollars
46 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department
47 of Health and Human Services, Division of Social Services, for each fiscal year of the
48 2017-2019 fiscal biennium shall be used to support various child welfare training projects as
49 follows:

- 50 (1) Provide a regional training center in southeastern North Carolina.
- 51 (2) Provide training for residential child caring facilities.

1 (3) Provide for various other child welfare training initiatives.

2 **SECTION 11L.1.(m)** The Department of Health and Human Services is
3 authorized, subject to the approval of the Office of State Budget and Management, to transfer
4 Social Services Block Grant funding allocated for departmental administration between
5 divisions that have received administrative allocations from the Social Services Block Grant.

6 **SECTION 11L.1.(n)** Social Services Block Grant funds appropriated for the
7 Special Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

8 **SECTION 11L.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)
9 appropriated in this section in the Social Services Block Grant for each fiscal year of the
10 2017-2019 fiscal biennium shall be allocated to the Department of Health and Human Services,
11 Division of Social Services. The Division shall allocate these funds to local departments of
12 social services to replace the loss of Child Protective Services State funds that are currently
13 used by county governments to pay for Child Protective Services staff at the local level. These
14 funds shall be used to maintain the number of Child Protective Services workers throughout the
15 State. These Social Services Block Grant funds shall be used to pay for salaries and related
16 expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of
17 twenty-five percent (25%).

18 **SECTION 11L.1.(p)** The sum of four million two hundred two thousand five
19 hundred dollars (\$4,202,500) for each year of the 2017-2019 fiscal biennium appropriated in
20 this section in the Social Services Block Grant to the Department of Health and Human
21 Services (DHHS), Division of Central Management and Support, shall be used for DHHS
22 competitive block grants pursuant to Section 11A.14 of this act. These funds are exempt from
23 the provisions of 10A NCAC 71R .0201(3).

24 **SECTION 11L.1.(q)** The sum of five hundred eighty-two thousand dollars
25 (\$582,000) appropriated in this section in the Social Services Block Grant for each fiscal year
26 of the 2017-2019 fiscal biennium to the Department of Health and Human Services, Division of
27 Social Services, shall be used to continue support for the Child Advocacy Centers, and the
28 funds are exempt from the provisions of 10A NCAC 71R .0201(3).

29 **SECTION 11L.1.(r)** The sum of three million seven hundred sixty-six thousand
30 one hundred nineteen dollars (\$3,766,119) for each fiscal year of the 2017-2019 fiscal
31 biennium appropriated in this section in the Social Services Block Grant to the Department of
32 Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall
33 be used for guardianship services pursuant to Chapter 35A of the General Statutes. The
34 Department may expend funds appropriated in this section to support existing corporate
35 guardianship contracts during the 2017-2018 and 2018-2019 fiscal years.

36 **SECTION 11L.1.(s)** The sum of seven hundred thirty-seven thousand sixty-seven
37 dollars (\$737,067) appropriated in this section in the Social Services Block Grant for each
38 fiscal year of the 2017-2019 fiscal biennium shall be allocated to the Department of Health and
39 Human Services, Division of Social Services. These funds shall be used to assist with training
40 needs for county child welfare training staff and shall not be used to supplant any other source
41 of funding for staff. County departments of social services are exempt from 10A NCAC 71R
42 .0201(3) requiring a local match of twenty-five percent (25%).

43 44 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

45 **SECTION 11L.1.(t)** Additional emergency contingency funds received may be
46 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
47 consultation with the Joint Legislative Oversight Committee on Health and Human Services.
48 Additional funds received shall be reported to the Joint Legislative Oversight Committee on
49 Health and Human Services and the Fiscal Research Division upon notification of the award.
50 The Department of Health and Human Services shall not allocate funds for any activities,

1 including increasing administration, other than assistance payments, without prior consultation
2 with the Joint Legislative Oversight Committee on Health and Human Services.

3 **SECTION 11L.1.(u)** The sum of thirty-six million four hundred two thousand six
4 hundred ten dollars (\$36,402,610) for the 2017-2018 fiscal year and the sum of thirty-five
5 million four hundred nineteen thousand two hundred seventy-two dollars (\$35,419,272) for the
6 2018-2019 fiscal year appropriated in this section in the Low-Income Energy Assistance Block
7 Grant to the Department of Health and Human Services, Division of Social Services, shall be
8 used for Energy Assistance Payments for the households of (i) elderly persons age 60 and
9 above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii)
10 disabled persons eligible for services funded through the Division of Aging and Adult Services.

11 County departments of social services shall submit to the Division of Social
12 Services an outreach plan for targeting households with 60-year-old household members no
13 later than August 1 of each year. The outreach plan shall comply with the following:

- 14 (1) Ensure that eligible households are made aware of the available assistance,
15 with particular attention paid to the elderly population age 60 and above and
16 disabled persons receiving services through the Division of Aging and Adult
17 Services.
- 18 (2) Include efforts by the county department of social services to contact other
19 State and local governmental entities and community-based organizations to
20 (i) offer the opportunity to provide outreach and (ii) receive applications for
21 energy assistance.
- 22 (3) Be approved by the local board of social services or human services board
23 prior to submission.

24 25 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

26 **SECTION 11L.1.(v)** Payment for subsidized child care services provided with
27 federal TANF funds shall comply with all regulations and policies issued by the Division of
28 Child Development and Early Education for the subsidized child care program.

29 **SECTION 11L.1.(w)** If funds appropriated through the Child Care and
30 Development Fund Block Grant for any program cannot be obligated or spent in that program
31 within the obligation or liquidation periods allowed by the federal grants, the Department may
32 move funds to child care subsidies, unless otherwise prohibited by federal requirements of the
33 grant, in order to use the federal funds fully.

34 35 **MENTAL HEALTH SERVICES BLOCK GRANT**

36 **SECTION 11L.1.(x)** The sum of one million four hundred thirty thousand eight
37 hundred fifty-one dollars (\$1,430,851) appropriated in this section in the Mental Health
38 Services Block Grant to the Department of Health and Human Services, Division of Mental
39 Health, Developmental Disabilities, and Substance Abuse Services, for each fiscal year of the
40 2017-2019 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom
41 Treatment. The Division shall report on (i) the specific evidence-based treatment and services
42 provided, (ii) the number of persons treated, and (iii) the measured outcomes or impact on the
43 participants served. The Division shall report to the House of Representatives Appropriations
44 Committee on Health and Human Services, the Senate Appropriations Committee on Health
45 and Human Services, and the Fiscal Research Division no later than December 31 of each year.

46 47 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

48 **SECTION 11L.1.(y)** The sum of two hundred fifty thousand dollars (\$250,000)
49 appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to
50 the Department of Health and Human Services, Division of Mental Health, Developmental
51 Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal

1 biennium shall be allocated to the Department of Military and Veterans Affairs, for the call-in
2 center established to assist veterans in locating service benefits and crisis services. The call-in
3 center shall be staffed by certified veteran peers within the Department of Military and
4 Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and
5 Substance Abuse Services.

6 **SECTION 11L.1.(z)** The sum of five hundred thousand dollars (\$500,000)
7 allocated in this section in the Substance Abuse Prevention and Treatment Block Grant to the
8 Department of Health and Human Services, Division of Mental Health, Developmental
9 Disabilities, and Substance Abuse Services, for each fiscal year of the 2017-2019 fiscal
10 biennium shall be used for a medication-assisted opioid use disorder treatment pilot program.

11 12 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

13 **SECTION 11L.1.(aa)** If federal funds are received under the Maternal and Child
14 Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193
15 (42 U.S.C. § 710), for the 2017-2018 fiscal year or the 2018-2019 fiscal year, then those funds
16 shall be transferred to the State Board of Education to be administered by the Department of
17 Public Instruction. The Department of Public Instruction shall use the funds to establish an
18 abstinence until marriage education program and shall delegate to one or more persons the
19 responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department
20 of Public Instruction shall carefully and strictly follow federal guidelines in implementing and
21 administering the abstinence education grant funds.

22 **SECTION 11L.1.(bb)** The sum of one million five hundred seventy-five thousand
23 dollars (\$1,575,000) appropriated in this section in the Maternal and Child Health Block Grant
24 to the Department of Health and Human Services, Division of Public Health, for each fiscal
25 year of the 2017-2019 fiscal biennium shall be used for evidence-based programs in counties
26 with the highest infant mortality rates. The Division shall report on (i) the counties selected to
27 receive the allocation, (ii) the specific evidence-based services provided, (iii) the number of
28 women served, and (iv) any impact on the counties' infant mortality rate. The Division shall
29 report its findings to the House of Representatives Appropriations Committee on Health and
30 Human Services, the Senate Appropriations Committee on Health and Human Services, and the
31 Fiscal Research Division no later than December 31 of each year.

32 **SECTION 11L.1.(cc)** No more than fifteen percent (15%) of the funds provided in
33 this section in the Maternal and Child Health Block Grant to Carolina Pregnancy Care
34 Fellowship shall be used for administrative purposes. The balance of those funds shall be used
35 for direct services.

36 **SECTION 11L.1.(dd)** The sum of sixty-eight thousand two hundred forty-five
37 dollars (\$68,245) allocated in this section in the Maternal and Child Health Block Grant to the
38 Department of Health and Human Services, Division of Public Health, Women and Children's
39 Health Section, for each fiscal year of the 2017-2019 fiscal biennium shall not be used to
40 supplant existing State or federal funds. This allocation shall be used for a Public Health
41 Program Consultant position assigned full-time to manage the North Carolina Perinatal Health
42 Strategic Plan and provide staff support for the stakeholder work group.

43 **SECTION 11L.1.(ee)** The sum of one hundred thousand dollars (\$100,000)
44 allocated in this section in the Maternal and Child Health Block Grant to the Department of
45 Health and Human Services, Division of Public Health, for each year of the 2017-2019 fiscal
46 biennium for community-based sickle cell centers shall not be used to supplant existing State or
47 federal funds.

48 49 **PART XII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

50 51 **ELIMINATE PESTICIDE ADVISORY COMMITTEE**

1 (b) Purposes. – Funds in the North Carolina Beehive Grant Fund shall be used, as
2 available, to encourage the establishment of new beehives in the State. Grants from the Fund
3 shall be made upon application to the Beehive Grant Program as set forth in G.S. 106-651.

4 **"§ 106-651. Beehive Grant Program.**

5 (a) Definitions. – The definitions in G.S. 105-164.3 and the following definitions apply
6 in this Article:

7 (1) Eligible activity. – Any of the following:

8 a. The purchase of a new hive for bees.

9 b. The purchase of materials or supplies to be used for the construction
10 of a new hive for bees.

11 (2) Eligible beekeeper. – A resident of the State who meets the following
12 requirements:

13 a. The person is at least 18 years of age.

14 b. The person is a Certified Beekeeper as determined by the North
15 Carolina State Beekeepers Association at the time of filing of the
16 grant application.

17 (3) Fund. – The Beehive Grant Fund established by G.S. 106-650.

18 (b) Grants. – Any eligible beekeeper may apply for a grant from the Fund for an eligible
19 activity. The Department shall specify the form and contents of the application, including
20 procedures for the submission of applications electronically. The Board may establish a fee for
21 grant applicants to recover the reasonable costs of reviewing and processing applications.
22 Grants shall be limited to two hundred dollars (\$200.00) per new hive, up to a maximum grant
23 of two thousand four hundred dollars (\$2,400) per grant recipient in any year, and shall be
24 issued in the order that each completed eligible application is received. In the event that the
25 amount of eligible grants requested in a fiscal year exceeds the funds available in the Fund, the
26 grants shall be paid in the next fiscal year in which funds are available.

27 (c) Rule making. – The Board may issue rules to implement the requirements of this
28 Article."

29
30 **NEW MARKET OPPORTUNITIES FOR FARMERS**

31 **SECTION 12.7.(a)** Notwithstanding any other provision of law to the contrary, the
32 nonrecurring funds appropriated to the Marketing Division of the Department of Agriculture
33 and Consumer Services for new market opportunities in the 2016-2017 fiscal year shall carry
34 forward to the 2017-2018 fiscal year.

35 **SECTION 12.7.(b)** The funds available to the Marketing Division of the
36 Department of Agriculture and Consumer Services for new market opportunities shall be used
37 to identify new market opportunities for agricultural and silvicultural producers related to
38 products that producers currently hold, produce, or are capable of producing. The funds are
39 available for activities including identifying new markets and barriers to market entry;
40 catalyzing efforts to accelerate and ease market participation; utilizing relevant agricultural,
41 forestry, and stakeholder networks; and creating mechanisms to ensure quality assurance for
42 products and service providers.

43
44 **SUPPLEMENTAL FUNDING FOR DEPARTMENT OF AGRICULTURE AND**
45 **CONSUMER SERVICES**

46 **SECTION 12.8.** The sum of two hundred fifty thousand dollars (\$250,000) in
47 nonrecurring funds for the 2017-2018 fiscal year appropriated in this act to the Department of
48 Agriculture and Consumer Services shall be used by the Department of Agriculture and
49 Consumer Services for costs incurred by the Department to employ private counsel to intervene
50 in federal litigation to protect the rights of landowners and citizens of the State impacted by the
51 Environmental Protection Agency's "Waters of the United States" rule. G.S. 147-17 and

1 G.S. 114-2.3 shall not apply to the Department's employment and supervision of private
2 counsel as authorized by this section. Funds not expended or encumbered by June 30, 2018,
3 shall revert.
4

5 **PART XIII. DEPARTMENT OF ENVIRONMENTAL QUALITY**

6 **I & M AIR POLLUTION CONTROL ACCOUNT**

7 **SECTION 13.1.** G.S. 143-215.3A(b1) reads as rewritten:

8 "(b1) The I & M Air Pollution Control Account is established as a nonreverting account
9 within the Department. Fees transferred to the Division of Air Quality of the Department
10 pursuant to G.S. 20-183.7(c) shall be credited to the I & M Air Pollution Control Account and
11 shall be applied to ~~the costs of developing and implementing an air pollution control program~~
12 ~~for mobile sources administering the air quality program.~~"
13
14

15 **VOLKSWAGEN SETTLEMENT FUNDS**

16 **SECTION 13.2.(a)** In developing the "Beneficiary Mitigation Plan" (Plan) as
17 mandated in the procedures for distribution of the State's share of the environmental mitigation
18 trust established in the consent decree resolving the case *In Re: Volkswagen "Clean Diesel"*
19 *Marketing, Sales Practices, and Products Liability Litigation*, Civil Case No. 3:15-md-02672
20 in the United States District Court for the Northern District of California, the agency designated
21 by the Governor as the lead agency under the procedures set forth in the trust agreement shall
22 consult with the Department of Transportation and other interested State agencies in the
23 formulation of the Plan. In addition, the lead agency shall consider the following parameters
24 when setting priorities and evaluating proposals for expenditure of the funds:

- 25 (1) The degree to which expenditures in an eligible funding category will attract
26 new employers to the State or will encourage job growth from existing
27 employers.
- 28 (2) The benefits to small businesses from the categories of expenditures
29 proposed in the Plan.
- 30 (3) The extent to which expenditures of funds under the Plan for replacement or
31 repowering of vehicles shall result in the use of new diesel or alternate
32 fueled vehicles, engines, and parts that are manufactured or assembled in
33 this State.
- 34 (4) The importance of reducing emissions from operation of transportation
35 infrastructure through the repowering or replacement of State-owned modes
36 of transportation.

37 **SECTION 13.2.(b)** As set forth in G.S. 114-2.4A(f), no funds may be expended
38 under the Plan until the lead agency has submitted the Plan to the Joint Legislative Commission
39 on Governmental Operations, the chairs of the House and Senate Appropriations Committees,
40 and the Fiscal Research Division and the General Assembly has appropriated the funds. The
41 lead agency designated by the Governor shall revise and resubmit the Plan to the trustee
42 following the procedures set forth in the trust agreement to be consistent with the appropriation.
43

44 **PRE-REGULATORY LANDFILL OWNER-LED CLEANUP**

45 **SECTION 13.4.(a)** G.S. 130A-310.6 reads as rewritten:

46 "**§ 130A-310.6. State action upon default of responsible parties or when no responsible**
47 **party can be located.**"

48 ...
49 (c) The Secretary shall use funds allocated to the Department under ~~G.S. 130A-295.9(1)~~
50 G.S. 130A-295.9 to assess pre-1983 landfills, to determine the priority for remediation of
51 pre-1983 landfills, and to develop and implement a remedial action plan for each pre-1983

1 landfill that requires remediation. Environmental and human health risks posed by a pre-1983
2 landfill may be mitigated using a risk-based approach for assessment and remediation.

3 (c1) The Secretary shall develop a program to permit owners of property containing a
4 pre-1983 landfill to undertake site assessment and risk-based remediation and development of a
5 remedial action plan without regard to the priority of the landfill established under subsection
6 (c) of this section if the owner complies with all of the following requirements:

7 (1) Assessment and remediation activities at the site (i) evaluate and address all
8 on-site and off-site risks and (ii) are conducted under work plans that are
9 timely reviewed and approved by the Department.

10 (2) The property owner provides financial assurance for any future impacts. The
11 Department shall set the financial assurance requirement in a reasonable
12 manner based on the information on current site conditions and historical
13 disposal records or other information provided by the property owner.

14 (3) In cases where the property owner is not a potentially responsible party, the
15 property owner signs an assumption of liability agreement agreeing to accept
16 all liability for potential on-site and off-site impacts caused by the pre-1983
17 landfill. Property owners assuming liability under this section shall retain the
18 cost recovery liability protections provided by subsection (d) of this section
19 if they comply with all requirements of this subsection.

20"

21 **SECTION 13.4.(b)** The Department may issue temporary and permanent rules to
22 implement this section.

23 **SECTION 13.4.(c)** The Department shall provide an interim report on its
24 implementation of this section no later than April 1, 2018, and recurring updates on February 1
25 of each subsequent year until the Department has issued either a final guidance document or
26 final rules implementing this section. The reports shall be submitted to the Joint Legislative
27 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the
28 House of Representatives Appropriations Committee on Agriculture and Natural and Economic
29 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
30 Economic Resources, and the Fiscal Research Division.

31 **STUDY SOLID WASTE DISPOSAL TAX**

32 **SECTION 13.5.** The Environmental Review Commission shall study North
33 Carolina's solid waste disposal tax imposed under Article 5G of Chapter 105 of the General
34 Statutes. In conducting this study, the Commission shall examine (i) a detailed history of the
35 annual revenue generated from the tax and its distribution over time to the Department of
36 Environmental Quality and local governments; (ii) a detailed history of expenditures by the
37 Department of Environmental Quality and by local governments of tax proceeds received to
38 date, including to whom and for what purposes the expenditures were made; (iii) all work
39 completed by the Department of Environmental Quality using proceeds of the tax, including
40 detailed information on the location of sites at which work was performed and a summary of
41 the status of the sites; (iv) plans for future work to be conducted by the Department of
42 Environmental Quality using proceeds of the tax, including detailed information on sites to be
43 addressed and proposed schedules for work; (v) the current balance of the Inactive Hazardous
44 Sites Cleanup Fund; and (vi) any other issue the Commission deems relevant. The
45 Environmental Review Commission shall report its findings and recommendations, including
46 any legislative proposals, to the 2018 Regular Session of the 2017 General Assembly upon its
47 convening.
48

49 **STUDY EROSION AND SEDIMENT CONTROL/NPDES STORMWATER MERGER**

50

1 **SECTION 13.6.** The Department of Environmental Quality shall study the
2 abolishment of the Sedimentation Control Commission and transfer of duties to the
3 Environmental Management Commission and a subsequent combination of the Sedimentation
4 and Erosion Control permitting program with the Department's NPDES Stormwater permitting
5 program. In its report, the Department shall set forth the potential cost savings from abolishing
6 the Sedimentation Control Commission and the program merger, any positive or negative
7 impacts on ease of environmental permitting and permit processing and issuance times, and any
8 other impacts on each program and on the workload of the Environmental Management
9 Commission. The Department shall provide its report no later than April 1, 2018, to the Joint
10 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the
11 chairs of the House of Representatives Appropriations Committee on Agriculture and Natural
12 and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture,
13 Natural, and Economic Resources, and the Fiscal Research Division.

14 15 **STUDY ACQUISITION OF DEDICATED DREDGING CAPACITY**

16 **SECTION 13.8.(a)** The Division of Water Resources of the Department of
17 Environmental Quality shall study the feasibility and cost-effectiveness of the acquisition by
18 the State of North Carolina of one or more dredges. The study shall include all of the following:

- 19 (1) The capital and annual operating costs of one or more dredges.
- 20 (2) The expected level of utilization of one or more State-owned dredges and
21 opportunities for defraying operating expenses by the sale of dredging
22 services to other states, the federal government, and private parties.
- 23 (3) Options for minimizing costs and increasing cost-effectiveness, including an
24 evaluation of public-private partnerships and shared ownership arrangements
25 with neighboring states or the United States Army Corps of Engineers.

26 **SECTION 13.8.(b)** The Department shall provide its study and any
27 recommendations for fiscal or legislative actions no later than April 1, 2018, to the Joint
28 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the
29 chairs of the House of Representatives Appropriations Committee on Agriculture and Natural
30 and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture,
31 Natural, and Economic Resources, and the Fiscal Research Division.

32 33 **WATER INFRASTRUCTURE STATE MATCH SURPLUS FUNDS**

34 **SECTION 13.10.** Notwithstanding G.S. 159G-22, funds appropriated in this act to
35 the Division of Water Infrastructure for the Clean Water State Revolving Fund and the
36 Drinking Water State Revolving Fund to provide State matching funds that are in excess of the
37 amount required to draw down the maximum amount of federal capitalization grant funds may
38 be used for State water and wastewater infrastructure grants awarded from the Wastewater
39 Reserve and the Drinking Water Reserve that benefit rural and economically distressed areas of
40 the State.

41 42 **COASTAL STORM DAMAGE PREVENTION FUND**

43 **SECTION 13.11.(a)** Article 21 of Chapter 143 of the General Statutes is amended
44 by adding a new Part to read:

45 "Part 8D. Coastal Storm Damage Prevention.

46 **"§ 143-215.73M. Coastal Storm Damage Prevention Fund.**

47 (a) Fund Established. – The Coastal Storm Damage Prevention Fund is established as a
48 special revenue fund. The Fund consists of General Fund appropriations, gifts, grants, devises,
49 monies contributed by a non-State entity for a particular beach nourishment or damage
50 prevention project or group of projects, and any other revenues specifically allocated to the
51 Fund by an act of the General Assembly.

1 **(b) Uses of the Fund.** – Revenue credited to the Fund may only be used for costs
2 associated with beach nourishment, artificial dunes, and other projects to prevent or remediate
3 coastal storm damage to the ocean beaches and dune systems of the State. The Fund shall not
4 be used for any project to construct, repair, or maintain a terminal groin or other permanent
5 erosion control structure. For purposes of this subsection, "erosion control structure" shall have
6 the definition set forth in G.S. 113A-115.1(a).

7 **(c) Conditions on Funding.** – Any project funded by revenue from the Fund shall be
8 cost shared with non-State dollars as follows:

9 **(1)** The cost share for projects located, in whole or part, in a development tier
10 one area, as defined in G.S. 143B-437.08, shall be at least one non-State
11 dollar for every three dollars from the Fund.

12 **(2)** The cost share for projects not located, in whole or part, in a development
13 tier one area shall be at least one non-State dollar for every two dollars from
14 the Fund.

15 **(d) Return of Non-State Entity Funds.** – Non-State entities that contribute to the Fund
16 for a particular project or group of projects may make a written request to the Secretary that the
17 contribution be returned if the contribution has not been spent or encumbered within two years
18 of receipt of the contribution by the Fund. If the written request is made prior to the funds being
19 spent or encumbered, the Secretary shall return the funds to the entity within 30 days after the
20 later of (i) receiving the request or (ii) the expiration of the two-year period described by this
21 subsection."

22 **SECTION 13.11.(b)** The Joint Legislative Oversight Committee on Agriculture
23 and Natural and Economic Resources shall study the benefits and impact on the General Fund
24 of dedicating the proceeds of the tax levied by Article 8E of Chapter 105 of the General
25 Statutes for the purposes set forth in G.S. 143-215.73M, as enacted by subsection (a) of this
26 section, and for other conservation-related purposes. The Committee shall report its findings
27 and legislative recommendations to the 2018 Regular Session of the 2017 General Assembly
28 upon its convening.

30 **OYSTER RESEARCH REPORTING**

31 **SECTION 13.12.** The Division of Marine Fisheries and the University of North
32 Carolina at Wilmington shall annually report no later than March 1 to the chairs of the Senate
33 and the House of Representatives appropriations committees with jurisdiction over natural and
34 economic resources and the Fiscal Research Division regarding the funding for oyster research
35 and restoration activities provided by this act. The report shall include details regarding the use
36 of the funds, including activities completed and additional personnel supported by the funds.

38 **CONTINUE RESEARCH SUPPORT FOR SHELLFISH INDUSTRY**

39 **SECTION 13.13.(a)** Section 14.11 of S.L. 2016-94 reads as rewritten:

40 **"PROMOTE SHELLFISH INDUSTRY**

41 ...

42 ~~"SECTION 14.11.(d) The Chief Sustainability Officer of the University of North Carolina~~
43 ~~at Chapel Hill North Carolina Sea Grant at North Carolina State University (Sea Grant) shall~~
44 ~~convene a stakeholder working group to study and advance efforts to ecologically restore and~~
45 ~~achieve economic stability of the shellfish aquaculture industry, including (i) how best to spend~~
46 ~~financial resources to counter declining native oyster populations and shellfish habitats; (ii) the~~
47 ~~use of nonnative-appropriate oyster species to accomplish oyster restoration; (iii) means of~~
48 ~~combating oyster disease and managing harvesting practices to balance the needs of the~~
49 ~~industry and promote long-term viability and health of oyster habitat and substrate; (iv)~~
50 ~~economic aquaculture-economically and scientifically sound mariculture methods to improve~~
51 ~~oyster stock and populations; (v) long-term, dedicated options for funding sources and water~~

1 quality improvements; (vi) means to increase oyster production for both population growth and
2 ~~harvest; harvest, including the use of triploid oyster species;~~ (vii) options that expand ~~the use of~~
3 private shellfish hatchery capacity in the State; (viii) options for promoting the use of cultch
4 planting to enhance and increase oyster habitat and population; (ix) other resources that might
5 be leveraged to enhance reform efforts; and (x) any other issue ~~the Institute-Sea Grant~~ deems
6 relevant.

7 **"SECTION 14.11.(e)** In the conduct of the study required by subsection (d) of this section,
8 ~~the Officer-Sea Grant~~ shall convene and consult with a stakeholders group that ~~includes~~
9 ~~representatives of the commercial and recreational oyster harvesting industries, the North~~
10 ~~Carolina Division of Marine Fisheries, the Marine Fisheries Commission, nature conservation~~
11 ~~entities, and experts in the fields of marine biology and marine ecology.~~may consist of
12 representatives from appropriate State and federal agencies; academic institutions;
13 nongovernmental organizations; representatives of any industry working in, or benefitting
14 from, shellfish mariculture; and any other individuals or groups deemed by Sea Grant as being
15 relevant to the overall success of the study. Nothing in this subsection is intended to require a
16 particular process or level of procedural formality for the stakeholders group.

17"

18 **SECTION 13.13.(b)** In addition to the study required by Subsection 14.11(d) of
19 S.L. 2016-94, North Carolina Sea Grant at North Carolina State University (Sea Grant) shall
20 also prepare and deliver a Shellfish Mariculture Plan by December 31, 2018. All State entities
21 shall provide all information, resources, and support deemed relevant by Sea Grant for the
22 creation of the Shellfish Mariculture Plan. The plan shall be submitted to the Joint Legislative
23 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the
24 House of Representatives Appropriations Committee on Agriculture and Natural and Economic
25 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
26 Economic Resources, and the Fiscal Research Division and shall include the following:

- 27 (1) A summary of available and relevant information on shellfish mariculture.
- 28 (2) An analysis of existing programs, policies, rules, and laws that govern or
29 affect shellfish mariculture operations within the State, including an
30 examination of workforce training and marketing programs that could
31 facilitate the growth of shellfish mariculture within the State.
- 32 (3) A summary of shellfish mariculture plans from other states and countries,
33 including a comparison of how these entities (i) promote and manage
34 shellfish mariculture, (ii) reduce barriers to entry for potential participants in
35 shellfish mariculture, and (iii) offer incentives to encourage entry into
36 shellfish mariculture.
- 37 (4) Analysis of siting strategies that reduce potential user conflicts impeding the
38 siting of shellfish mariculture operations and that protect riparian property
39 owners and the public trust uses of estuarine waters for navigation, fishing,
40 and recreation.
- 41 (5) Evaluation and consideration of enforcement mechanisms necessary to
42 protect shellfish mariculture operations from theft and degradation and to
43 ensure that shellfish mariculture operations make productive and fair use of
44 public trust coastal waters dedicated to these operations.
- 45 (6) Opportunities for local traditional fishermen to effectively compete for
46 shellfish mariculture sites in public waters and participate in enterprises in or
47 near their own communities.
- 48 (7) Examination of environmental policies that protect or enhance shellfish
49 mariculture operations.

- 1 (8) Consideration of the most appropriate substrate for cultch planting, with
2 consideration of regional differences in bottom conditions within the State
3 that may require different substrates to maximize shellfish sustainability.
4 (9) Strategies to mitigate or eliminate shellfish pests such as DMX, Dermo, and
5 boring sponges.
6 (10) Any other issues deemed relevant by Sea Grant to grow and support shellfish
7 mariculture within the State.

8 **SECTION 13.13.(c)** North Carolina State University shall not charge indirect
9 facilities and administrative costs against the funding for the studies required by this section.

10 **SECTION 13.13.(d)** North Carolina Sea Grant at North Carolina State University
11 (Sea Grant), in consultation with the Economic Development Partnership of North Carolina, the
12 Department of Commerce, the Department of Natural and Cultural Resources, and any other
13 stakeholders Sea Grant deems relevant, including the North Carolina Tourism Advisory Board,
14 the North Carolina Restaurant and Lodging Association, the North Carolina Shellfish Growers
15 Association, and the North Carolina Fisheries Association, shall develop conceptual plans and
16 recommendations for economic development related to promotion of the State's shellfish
17 harvesting heritage. The plans and recommendations shall include the creation of a North
18 Carolina Oyster Trail and a North Carolina Oyster Festival. Plan development shall be
19 congruent with the ongoing work of Sea Grant and its stakeholder group as described in
20 subsection (a) of this section and shall include recommendations of locations, oversight,
21 governmental support, cost, and timing of when such initiatives should be launched in the
22 future, in addition to any other information deemed relevant for inclusion. Sea Grant's
23 recommendations shall be provided no later than March 1, 2018, to the Joint Legislative
24 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the
25 House of Representatives Appropriations Committee on Agriculture and Natural and Economic
26 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and
27 Economic Resources, and the Fiscal Research Division. This study, as it may be subsequently
28 amended after submission, shall be included as an appendix to the Shellfish Mariculture Plan
29 required by subsection (b) of this section.
30

31 **MARINE PATROL/SHELLFISH SANITATION EQUIPMENT SALES**

32 **SECTION 13.14.(a)** The Division of Marine Fisheries of the Department of
33 Environmental Quality may sell the following equipment and vessels from its fleet in order to
34 modernize the fleet:

- 35 (1) 1991 Lull telehandler.
36 (2) 1984 LRT-100 crane.
37 (3) 1999 Hudson Brothers lowboy trailer.
38 (4) 1970s-era 135' M/V West Bay vessel.

39 Notwithstanding G.S. 143C-6-4 or any other provision of law, the Division may
40 spend funds received from the sales authorized by this subsection for future equipment
41 acquisitions to support the Shellfish Rehabilitation and Habitat Enhancement Programs. The
42 sales proceeds are appropriated for that purpose and shall be incorporated into the authorized
43 budget of the Division.

44 **SECTION 13.14.(b)** The Division shall report to the Fiscal Research Division and
45 the Joint Legislative Oversight Committee on Agriculture and Natural and Economic
46 Resources on the proceeds of the sales authorized by this section and the Division's plan for use
47 of the proceeds.
48

49 **ASSENT TO PROVISIONS OF CERTAIN FEDERAL FISHERIES ACTS**

50 **SECTION 13.15.(a)** The title of Article 23 of Chapter 113 of the General Statutes
51 reads as rewritten:

"Article 23.

"Administrative Provisions; ~~Regulatory Authority of Wildlife Resources Commission. Assent to~~
Certain Federal Acts."

SECTION 13.15.(b) G.S. 113-307.1 reads as rewritten:

"§ 113-307.1. Legislative assent to specific federal acts.

...

(b) The State of North Carolina hereby assents to the provisions of the act of Congress entitled "An act to provide that the United States shall aid the states in wildlife restoration projects, and for other purposes," approved September 2, 1937 (Public Law 415, 75th ~~Congress~~), ~~Congress~~, also known as the "Pittman-Robertson Act"), 16 U.S.C. § 669, et seq., as amended, and the Wildlife Resources Commission ~~is~~ and the Division of Marine Fisheries of the Department of Environmental Quality are hereby authorized, empowered, and directed to perform such acts as may be necessary to the conduct and establishment of cooperative wildlife restoration projects, as defined in ~~said act of Congress~~, the Pittman-Robertson Act, in compliance with ~~said act~~ the Act and rules and regulations promulgated by the Secretary of the Interior ~~thereunder~~; ~~and no~~ under the Act. No funds accruing to the State of North Carolina from license fees paid by hunters shall be diverted for any other purpose than the protection and propagation of game and wildlife in North Carolina and administration of the laws enacted for such purposes, which laws are and shall be administered by the Wildlife Resources Commission. No funds accruing to the State of North Carolina from license fees paid by fishermen for license programs administered by the Division of Marine Fisheries shall be diverted for any other purpose than the administration by the Division of Marine Fisheries of the Department of Environmental Quality of the portion of the State's fish programs applicable to the marine and estuarine resources over which the Division has authority under State law. Revenues collected from coastal recreational fishing licenses in accordance with the provisions of G.S. 113-175.1(c) and G.S. 113-175.5(c) shall be used solely for the administration of the Division of Marine Fisheries and for program functions described by this subsection.

(c) Assent is hereby given to the provisions of the act of Congress entitled "An act to provide that the United States shall aid the states in fish restoration and management projects, and for other purposes," approved August 9, 1950 (Public Law 681, 81st ~~Congress~~), ~~and Congress~~, also known as the "Dingell-Johnson Sport Fish Restoration Act"), 16 U.S.C. § 777, et seq., as amended, the Wildlife Resources ~~Commission is~~ Commission and the Division of Marine Fisheries of the Department of Environmental Quality are hereby authorized, empowered, and directed to perform such acts as may be necessary to the conduct and establishment of cooperative fish restoration projects, as defined in ~~said act of Congress~~, the Dingell-Johnson Sport Fish Restoration Act, in compliance with ~~said act~~ the Act and rules and regulations promulgated by the Secretary of the Interior ~~thereunder~~; under the Act; and no funds accruing to the State of North Carolina from license fees paid by fishermen shall be directed for any other purpose than the following:

(1) The administration of the Wildlife Resources Commission and for the protection, propagation, preservation, and investigation of fish and wildlife.

(2) The administration by the Division of Marine Fisheries of the Department of Environmental Quality of the portion of the State's fish programs applicable to the marine and estuarine resources over which the Division has authority under State law. Revenues collected from coastal recreational fishing licenses in accordance with the provisions of G.S. 113-175.1(c) and G.S. 113-175.5(c) shall be used solely for the administration of the Division of Marine Fisheries and for program functions described by this subdivision.

...."

SECTION 13.15.(c) G.S. 113-175.1 reads as rewritten:

"§ 113-175.1. North Carolina Marine Resources Fund.

1 ...
2 (b) The State Treasurer shall hold the Marine Resources Fund separate and apart from
3 all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine
4 Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all
5 marine resources investment income shall be deposited to the credit of the Marine Resources
6 Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and
7 marine resources investment income only upon the written direction of the ~~Marine Fisheries~~
8 ~~Commission~~Division of Marine Fisheries of the Department of Environmental Quality.

9 (c) ~~The Marine Fisheries Commission~~Division of Marine Fisheries of the Department
10 of Environmental Quality may authorize the disbursement of the principal of the Marine
11 Resources Fund and marine resources investment income only to manage, protect, restore,
12 develop, cultivate, conserve, and enhance the marine resources of the State. ~~The Marine~~
13 ~~Fisheries Commission is encouraged to consider supporting the Oyster Sanctuary Program~~
14 ~~managed by the Division of Marine Fisheries. The Marine Fisheries Commission~~The Division
15 of Marine Fisheries may not authorize the disbursement of the principal of the Marine
16 Resources Fund and marine resources investment income to establish positions without specific
17 authorization from the General Assembly. ~~All proposals to the Marine Fisheries Commission~~
18 ~~for the disbursement of funds from the Marine Resources Fund shall be made by and through~~
19 ~~the Fisheries Director.~~ Prior to authorizing disbursements from the Marine Resources Fund, the
20 ~~Marine Fisheries Commission~~Division of Marine Fisheries shall consult with the Wildlife
21 Resources Commission about these proposals. Expenditure of the assets of the Marine
22 Resources Fund shall be made through the State budget accounts of the Division of Marine
23 Fisheries in accordance with the provisions of the Executive Budget Act. The Marine
24 Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of
25 Chapter 147 of the General Statutes."

26 **SECTION 13.15.(d)** G.S. 113-175.5 reads as rewritten:

27 "**§ 113-175.5. North Carolina Marine Resources Endowment Fund.**

28 ...
29 (b) The State Treasurer shall hold the Endowment Fund separate and apart from all
30 other moneys, funds, and accounts. The State Treasurer shall invest the assets of the
31 Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The
32 State Treasurer shall disburse the endowment investment income only upon the written
33 direction of ~~both the Marine Fisheries Commission~~Division of Marine Fisheries of the
34 Department of Environmental Quality.

35 (c) Subject to the limitations set out in subsection (d) of this section, the ~~Marine~~
36 ~~Fisheries Commission~~Division of Marine Fisheries of the Department of Environmental
37 Quality may authorize the disbursement of endowment investment income only to manage,
38 protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State.
39 The ~~Marine Fisheries Commission~~Division of Marine Fisheries may not authorize the
40 disbursement of endowment investment income to establish positions without specific
41 authorization from the General Assembly. ~~All proposals to the Marine Fisheries Commission~~
42 ~~for the disbursement of funds from the Endowment Fund shall be made by and through the~~
43 ~~Fisheries Director.~~ Prior to authorizing disbursements from the Marine Resources Endowment
44 Fund, the ~~Marine Fisheries Commission~~Division of Marine Fisheries shall consult with the
45 Wildlife Resources Commission about ~~these proposals~~funding requests.

46"
47

48 **DMF ARTIFICIAL REEFS PROGRAM FUNDING CLARIFICATION**

49 **SECTION 13.16.** G.S. 113-175.1 is amended by adding a new subsection to read:

1 "(d) To enhance fishing opportunities, the Marine Resources Fund may be used to
2 construct artificial reefs in the estuarine and ocean waters of the State and federal waters up to
3 20 nautical miles from land."
4

5 **CRAB POT CLEANUP PROGRAM**

6 **SECTION 13.18.** Funds appropriated by this act to the Division of Marine
7 Fisheries of the Department of Environmental Quality to contract with the Coastal Federation
8 for a crab pot cleanup program are not subject to Article 3 of Chapter 143 of the General
9 Statutes. The Coastal Federation shall use these funds only for program expenses and not for
10 any indirect administrative or overhead costs. Funds not expended or encumbered by June 30,
11 2018, shall revert. The Coastal Federation shall report to the Department of Environmental
12 Quality by March 15, 2018 on the total amount of funds used, including amount spent per crab
13 pot recovered and amount paid to third parties utilized in the cleanup program. The Department
14 of Environmental Quality shall submit the report provided by the Coastal Federation along with
15 any recommendations to improve the program, including mechanisms to reuse or repurpose
16 recovered crab pots and to increase efficiency of the program, to the Joint Legislative Oversight
17 Committee on Agriculture and Natural and Economic Resources and the Fiscal Research
18 Division on or before April 15, 2018.
19

20 **UST PROGRAM RULE MAKING AND REPORT**

21 **SECTION 13.19.(a)** The Environmental Management Commission shall adopt
22 temporary rules implementing Section 14.16B of S.L. 2015-241 no later than October 1, 2017.
23 Notwithstanding G.S. 150B-21.1(d), the temporary rules shall remain in effect until the
24 effective date of the permanent rule adopted to replace the temporary rule.

25 **SECTION 13.19.(b)** The Commission shall report regarding the status of the rule
26 making required by this section and by Section 14.16B of S.L. 2015-241 to the chairs of the
27 Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources
28 and the Fiscal Research Division no later than December 31, 2017.
29

30 **MOTOR VEHICLE EMISSIONS INSPECTIONS**

31 **SECTION 13.20.(a)** G.S. 143-215.107A(c), as amended by Section 3.5(a) of S.L.
32 2017-10, reads as rewritten:

33 "(c) Counties Covered. – Motor vehicle emissions inspections shall be performed in the
34 following counties: Alamance, Buncombe, Cabarrus, Cumberland, Davidson, Durham, Forsyth,
35 Franklin, Gaston, Guilford, Iredell, Johnston, Lee, Lincoln, Mecklenburg, New Hanover,
36 ~~Onslow, Randolph, Rockingham, Rowan, Union, and Wake.~~"

37 **SECTION 13.20.(b)** The Department of Environmental Quality shall include the
38 change to the motor vehicle emissions testing program provided in subsection (a) of this section
39 in the amendment required to be prepared and submitted to the United States Environmental
40 Protection Agency under Section 3.5(c) of S.L. 2017-10.

41 **SECTION 13.20.(c)** This section becomes effective on the later of the following
42 dates and applies to motor vehicles inspected, or due to be inspected, on or after that effective
43 date:

- 44 (1) October 1, 2017.
- 45 (2) The first day of a month that is 60 days after the Secretary of the Department
46 of Environmental Quality certifies to the Revisor of Statutes that the United
47 States Environmental Protection Agency has approved an amendment to the
48 North Carolina State Implementation Plan submitted as required by Section
49 3.5(c) of S.L. 2017-10. The Secretary shall provide this notice along with the
50 effective date of this act on its Web site and by written or electronic notice to
51 emissions inspection mechanic license holders, emissions inspection station

licensees, and self-inspector licensees in the counties where motor vehicle emissions inspection requirements are removed by this section.

MERCURY SWITCH PROGRAM EXTENSION

SECTION 13.21.(a) Section 9 of S.L. 2007-142, as amended by Section 14.1(a) of S.L. 2016-94, reads as rewritten:

"**SECTION 9.** Sections 1, 2, 6, 7, and 9 of this act become effective when this act becomes law. Sections 3, 4, and 8 of this act become effective 1 July 2007. Section 5 of this act becomes effective 1 July 2007 and applies to violations that occur on or after that date. The Department shall submit the first annual report required by G.S. 130A-310.57, as enacted by Section 7 of this act, on or before 1 October 2008. Effective June 30, ~~2017~~,2021, Part 6 of Article 9 of Chapter 130A of the General Statutes, as amended by this act, is repealed."

SECTION 13.21.(b) Section 14.1(c) of S.L. 2016-94 reads as rewritten:

"**SECTION 14.1.(c)** Subsection (b) of this section becomes effective June 30, ~~2017~~,2021. Funds remaining in the Mercury Pollution Prevention Fund (Fund Code 24300-2119) on that date shall be transferred to the Division of Waste Management (Fund Code 14300-1760)."

SECTION 13.21.(c) This section becomes effective June 30, 2017.

WATER AND SEWER INFRASTRUCTURE GRANTS

SECTION 13.22. From funds appropriated by this act to the Division of Water Infrastructure of the Department of Environmental Quality for water and sewer infrastructure grants for the 2017-2018 fiscal year, the sum of one million dollars (\$1,000,000) is allocated for grants to grantees located in development tier one or tier two areas, as defined in G.S. 143B-437.08, for any of the following:

- (1) Construction, protection, or expansion of water intake structures located in surface water impoundments. For purposes of this subdivision, protection of water intake structures may include the stabilization or restoration of natural stream functions upstream and downstream of the water intake.
- (2) Repair or replacement of sewer lines, when the repair project is necessary to protect or enhance (i) natural habitats or (ii) water quality.

Notwithstanding G.S. 159G-33 and G.S. 159G-34, no non-State match will be required for grants allocated by this section.

LRC STUDY ON TRAFFICKING IN IVORY AND RHINOCEROS HORN

SECTION 13.23.(a) The Legislative Research Commission (LRC) shall study the trafficking of ivory and rhinoceros horn in the State. As part of its study, the LRC shall do all of the following:

- (1) Identify ivory and rhinoceros horn products that have a substantial likelihood of being imported, sold, offered for sale, purchased, bartered, or intended for sale in the State.
- (2) Examine actions other states have taken with regard to the trafficking of ivory and rhinoceros horns.
- (3) Determine prohibitions and enforcement mechanisms that may be appropriate for the State, taking into account exceptions that may be warranted.

SECTION 13.23.(b) The LRC shall report its findings, together with any proposed legislation, to the 2018 Regular Session of the 2017 General Assembly upon its convening.

IN SITU NUTRIENT MANAGEMENT STRATEGIES

SECTION 13.24. Section 14.13(e) of S.L. 2016-94 reads as rewritten:

1 "SECTION 14.13.(e) The Department of Environmental Quality shall study alternative
2 technologies for in situ approaches to nutrient management in Falls Lake and Jordan Lake. In
3 its study, the Department shall consider in situ treatments, including algaecide and
4 phosphorus-locking technologies, that have been certified by the United States Environmental
5 Protection Agency for use in drinking water sources. Of the funds appropriated in this act to the
6 Department of Environmental Quality, the sum of one million three hundred thousand dollars
7 (\$1,300,000) for the 2016-2017 fiscal year may be used to implement only for permitting and
8 implementation of a trial of these technologies. If the Department decides to implement a trial,
9 it shall enter into a contract for the trial by December 31, 2016. The Department shall begin any
10 testing or sampling activities required to support permit applications for the trial by September
11 1, 2017. Any contract entered into under this subsection shall not be subject to Article 3 or
12 Article 8 of Chapter 143 of the General Statutes. The study shall determine whether these
13 treatments would provide improvements in water ~~quality and whether the improvements would~~
14 ~~be more cost effective than more conventional nutrient mitigation strategies.~~quality. The
15 Department shall submit an interim report no later than ~~March 1, 2017,~~September 1 of each
16 year the study and trial required by this section are ongoing and a final report no later than
17 ~~March 1, 2018,~~December 31, 2020, to the Environmental Review Commission, the Joint
18 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the
19 Fiscal Research Division. If the Department finds these strategies to be effective, it shall
20 incorporate them into the Nutrient Strategies reoption required by subsection (d) of this
21 section. Funds allocated by this subsection shall remain available until the conclusion of the
22 study, and any funds unused at that time shall revert to the General Fund."
23

24 **SUBPART XIII-A. WILDLIFE RESOURCES COMMISSION**

25 **MATTAMUSKEET LODGE REPAIRS**

26 **SECTION 13A.1.** From funds available to it, the Wildlife Resources Commission
27 shall repair the roof and stabilize the tower at the Mattamuskeet Lodge in Hyde County. The
28 Commission shall complete the repairs required by this section no later than June 30, 2019.
29
30

31 **WILDLIFE ENDOWMENT FUND CHANGES**

32 **SECTION 13A.2.(a)** G.S. 143-250.1(f1) reads as rewritten:

33 "(f1) At all times during which the cash balance in the Wildlife Endowment Fund is equal
34 to or greater than the sum of one hundred million dollars (\$100,000,000), the Wildlife
35 Resources Commission shall budget at least ~~fifty percent (50%)~~twenty-five percent (25%) of
36 the annual expendable interest from the Fund, as determined by the Board of Trustees of the
37 Fund, to implement the conservation goals set forth in the Wildlife Resource Commission's
38 strategic plan."

39 **SECTION 13A.2.(b)** G.S. 147-69.2(a) is amended by adding a new subdivision to
40 read:

41 "(17k) The Wildlife Endowment Fund."

42 **SECTION 13A.2.(c)** G.S. 147-69.2(d) reads as rewritten:

43 "(d) The State Treasurer may invest funds deposited pursuant to ~~subdivisions (a)(17i) or~~
44 ~~(a)(17j)~~subdivisions (17i), (17j), and (17k) of subsection (a) of this section in any of the
45 investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b)
46 of this section. The State Treasurer may require a minimum deposit, up to one hundred
47 thousand dollars (\$100,000), and may assess a reasonable fee, not to exceed 15 basis points, as
48 a condition of participation pursuant to this subsection. Fees assessed by the State Treasurer
49 may be used to defray the costs of administering the funds and expenditures authorized under
50 this section. Funds deposited pursuant to this subsection shall remain the funds of the North
51 Carolina Conservation Easement Endowment ~~Fund or Fund,~~ the Conservation Grant Fund, or

1 the Wildlife Endowment Fund, as applicable, and interest or other investment income earned
2 thereon shall be prorated and credited to the North Carolina Conservation Easement
3 Endowment Fund or Fund, the Conservation Grant Fund-Fund, or the Wildlife Endowment
4 Fund on the basis of the amounts contributed to the respective Funds, figured according to
5 sound accounting principles."

7 **MODIFY LICENSE FEES REQUIRED TO HUNT, FISH, OR TRAP**

8 **SECTION 13A.3.** G.S. 113-270.1B(e) reads as rewritten:

9 "(e) The Wildlife Resources Commission shall adopt rules to establish fees for the
10 hunting, fishing, trapping, and activity licenses issued and administered by the Wildlife
11 Resources Commission. No rule to increase fees above January 1, 2015, levels may increase a
12 fee in excess of the ~~average-total~~ increase in the Consumer Price Index for All Urban
13 Consumers over the ~~preceding five years-period of time since the last fee change.~~

14 The statutory fees for the hunting, fishing, trapping, and activity licenses issued and
15 administered by the Wildlife Resources Commission shall expire when the rules adopted
16 pursuant to this subsection become effective."

18 **PART XIV. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES**

20 **MILITARY BUFFERS**

21 **SECTION 14.2.** The funds appropriated in this act to the Clean Water
22 Management Trust Fund and the North Carolina Agricultural Development and Farmland
23 Preservation Trust Fund for the purpose of military buffers shall only be expended on land that
24 buffers a military facility from incompatible use encroachment.

26 **CLARIFYING CHANGES TO DEPARTMENT OF NATURAL AND CULTURAL 27 RESOURCES FUNDS**

28 **SECTION 14.3.(a)** G.S. 121-5(e) reads as rewritten:

29 "(e) Archives and Records Management Fund. The Archives and Records Management
30 Fund is established as a special revenue fund. The Fund consists of donations, gifts, devises,
31 and the fees credited to it under Chapter 161 of the General Statutes. Revenue in the Fund may
32 be used only to offset the Department's costs in providing essential records management and
33 archival services for public records pursuant to Chapter 121 and Chapter 132 of the General
34 Statutes."

35 **SECTION 14.3.(b)** G.S. 121-7.6(a) reads as rewritten:

36 "(a) Fund Established. – The North Carolina Transportation Museum Fund is created as
37 a special ~~interest-bearing, interest-bearing, nonreverting~~ enterprise fund in the Department of
38 Natural and Cultural Resources. The Fund shall be used to pay all costs associated with the
39 ~~operation-operation, interpretation, development, expansion, preservation,~~ and maintenance of
40 the North Carolina Transportation Museum."

41 **SECTION 14.3.(c)** G.S. 121-7.7(a) reads as rewritten:

42 "(a) Fund. – The State Historic Sites and Museums Fund is created as a special,
43 interest-bearing revenue fund in the Division of State Historic Sites and the Division of State
44 History Museums. The Fund consists of all receipts derived from the lease or rental of property
45 or facilities, disposition of structures or products of the land, ~~private donations,~~ donations, gifts,
46 devises, and admissions and fees collected at the State Historic Sites, State History Museums,
47 and Maritime Museums. The revenues in the Fund may be used only for the operation,
48 interpretation, maintenance, preservation, development, and expansion of the individual State
49 Historic Site, State History Museum, and Maritime Museum where the receipts are generated.
50 The respective Division and the staff from each State Historic Site, State History Museum, and

1 Maritime Museum ~~will~~shall determine how the funds ~~will~~shall be used at that Historic Site,
2 State History Museum, and Maritime Museum."

3 **SECTION 14.3.(d)** G.S. 143B-53.3(a) reads as rewritten:

4 "(a) Fund. – The Queen Anne's Revenge Project Special Fund is created as a special,
5 interest-bearing revenue fund within the Department of Natural and Cultural Resources, Office
6 of Archives and History. The Fund shall consist of all receipts derived from ~~private donations,~~
7 ~~grant funds,~~ donations, gifts, devises, and earned revenue. The monies in the Fund may be used
8 only for contracted services, personal services and operations, conference and meeting
9 expenses, travel, staff salaries, operations for laboratory needs, museum exhibits, and other
10 administrative costs related to the Queen Anne's Revenge Project. The staff of the Office of
11 Archives and History and the Department of Natural and Cultural Resources shall determine
12 how the funds ~~will~~shall be used for the purposes of the Queen Anne's Revenge Project, and
13 those funds are hereby appropriated for those purposes."

14 **SECTION 14.3.(e)** G.S. 143B-79(7) reads as rewritten:

15 "(7) The Committee may dispose of property held in the Executive Mansion after
16 consultation with a review committee comprised of one person from the
17 Executive Mansion Fine Arts Committee, appointed by its chairman; one
18 person from the Department of Administration appointed by the Secretary of
19 Administration; and two qualified professionals from the Department of
20 Natural and Cultural Resources, Division of Archives and History, appointed
21 by the Secretary of Natural and Cultural Resources. Upon request of the
22 Executive Mansion Fine Arts Committee, the review committee ~~will~~shall
23 view proposed items for disposition and shall make a recommendation to the
24 North Carolina Historical Commission who ~~will~~shall make a final decision.
25 The Historical Commission ~~must~~shall consider whether the disposition is in
26 the best interest of the State of North Carolina. If any property is sold, the
27 net proceeds of each sale and any interest earned thereon shall be deposited
28 in the State Treasury to the credit of the Executive Mansion, Special Fund,
29 and shall be used only for the purchase, conservation, ~~restoration~~restoration,
30 or repair of other property for use in the Executive Mansion."

31 **SECTION 14.3.(f)** G.S. 143B-87.2(a) reads as rewritten:

32 "(a) Fund. – The A+ Schools Special Fund is created as a special interest-bearing
33 revenue fund in the Department of Natural and Cultural Resources, North Carolina Arts
34 Council. The Fund shall consist of all receipts derived from ~~private donations,~~ ~~grant funds,~~
35 donations, gifts, devises, and earned revenue. The revenue in the Fund may be used only for
36 contracted services, conference and meeting expenses, travel, staff salaries, and other
37 administrative costs related to the A+ Schools program. The staff of the North Carolina Arts
38 Council and the Department shall determine how the funds ~~will~~shall be used for the purposes
39 of the A+ Schools program."

40 **SECTION 14.3.(g)** G.S. 143B-135.56(a) reads as rewritten:

41 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State
42 Treasurer's Office. The Trust Fund shall be a special revenue fund consisting of ~~gifts and grants~~
43 donations, gifts, and devises to the Trust Fund and other monies appropriated to the Trust Fund
44 by the General Assembly."

45 **SECTION 14.3.(h)** G.S. 143B-135.188 reads as rewritten:

46 "**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

47 ...

48 (b) Fund. – The North Carolina Aquariums Fund is hereby created as a special fund.
49 The North Carolina Aquariums Fund shall be used for the following purposes with respect to
50 the aquariums and the pier operated by the Division of North Carolina Aquariums:

- 1 (1) Repair, renovation, expansion, maintenance, and educational exhibit
 2 construction. Funds used for repair, renovation, and expansion projects may
 3 be transferred to a capital projects fund to account for use of the funds for
 4 each project.

5 ...

6 (c) Disposition of Receipts. – All receipts derived from the collection of admissions
 7 charges and other fees and the lease or rental of property or facilities shall be credited to the
 8 aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may
 9 transfer from the North Carolina aquariums' General Fund operating budget to the North
 10 Carolina Aquariums Fund an amount not to exceed the sum of the following:

11 ...

- 12 (3) Any ~~private donations, donations, gifts, and devises~~ received by the North
 13 Carolina aquariums.

14"

15 **SECTION 14.3.(i)** G.S. 143B-135.209 reads as rewritten:

16 "**§ 143B-135.209. North Carolina Zoo Fund.**

17 (a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North
 18 Carolina Zoo Fund shall be used for the following types of projects at the North Carolina
 19 Zoological Park and to match private funds raised for these types of projects:

- 20 (1) Repair, renovation, expansion, maintenance, and educational exhibit
 21 construction. Funds used for repair, renovation, and expansion projects may
 22 be transferred to a capital projects fund to account for use of the funds for
 23 each project.

24 ...

25 (b) Disposition of Receipts. – All receipts derived from the collection of admissions
 26 charges and other ~~fees and fees~~, the lease or rental of property or facilities, and the disposition
 27 of products of the land or structures shall be credited to the North Carolina Zoological Park's
 28 General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from
 29 the North Carolina Zoological Park's General Fund operating budget to the North Carolina Zoo
 30 Fund an amount not to exceed the sum of one million five hundred thousand dollars
 31 (\$1,500,000) and any ~~private donations, donations, gifts, and devises~~ received by the North
 32 Carolina Zoological Park.

33"

34 **SECTION 14.3.(j)** G.S. 143B-135.213 is amended by adding a new subsection to
 35 read:

36 "(c) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4),
 37 or any other law pertaining to surplus State property, the Council may dispose of any exhibit,
 38 exhibit component, or object from the collections of the North Carolina Zoological Park by
 39 sale, lease, or trade. A sale, lease, or trade under this subsection shall be conducted in
 40 accordance with generally accepted practices for zoos and aquariums that are accredited by the
 41 American Association of Zoos and Aquariums. After deducting the expenses attributable to the
 42 sale or lease, the net proceeds of any sale or lease shall be credited to the North Carolina Zoo
 43 Fund."

44
 45 **PROMOTE ACCESS TO AND EXCHANGE OF LIBRARY MATERIALS**

46 **SECTION 14.5.** G.S. 125-2 reads as rewritten:

47 "**§ 125-2. Powers and duties of Department of Natural and Cultural Resources.**

48 The Department of Natural and Cultural Resources shall have the following powers and
 49 duties:

50 ...

- 1 (10) ~~To plan and coordinate cooperative programs between the various types of~~
2 ~~libraries within the State of North Carolina, and to coordinate State~~
3 ~~development with regional and national cooperative library programs; and to~~
4 ~~assist nonprofit corporations in organization and operation for the purposes~~
5 ~~of cooperative programs.~~do the following:
6 a. Plan and coordinate cooperative programs between the various types
7 of libraries within the State of North Carolina.
8 b. Coordinate State development with regional and national cooperative
9 library programs.
10 c. Assist nonprofit corporations in the organization and operation of
11 cooperative programs.
12 d. Enter into contracts to coordinate cooperative programs or to
13 promote the access and exchange of library materials under this
14 subdivision."
15

16 **EXEMPTION FOR FOOD AND VENDING FACILITIES AT NORTH CAROLINA** 17 **ZOO**

18 **SECTION 14.6.(a)** Article 3 of Chapter 111 of the General Statutes is amended by
19 adding a new section to read:

20 **"§ 111-47.4. Food service at North Carolina Zoological Park.**

21 Notwithstanding any other provision of this Article, the North Carolina Zoological Park
22 may operate or contract for the operation of food or vending services at the North Carolina
23 Zoological Park. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food
24 and vending services operated by the North Carolina Zoological Park or a vendor with whom
25 the North Carolina Zoological Park has contracted shall be credited to the North Carolina Zoo
26 Fund."

27 **SECTION 14.6.(b)** This section becomes effective July 1, 2017, and applies to any
28 contract for food or vending services at the North Carolina Zoological Park entered into on or
29 after that date.
30

31 **CORRECT DNCR SALARY AND BENEFIT BASE BUDGET EXPENDITURES**

32 **SECTION 14.7.** Notwithstanding G.S. 143C-6-4, the Office of State Budget and
33 Management, after coordination with the Department of Natural and Cultural Resources and
34 the Fiscal Research Division, shall adjust personal services line items, as appropriate, within
35 the Division of Parks and Recreation, the North Carolina Aquariums, and the North Carolina
36 Zoological Park within the Department of Natural and Cultural Resources to correct errors in
37 the base budget. The line item adjustments shall be corrected as part of the 2017-2019 biennial
38 budget certification process. The Department shall make corresponding adjustments in the
39 BEACON system to reflect the updated source of funds as necessary.
40

41 **SCIENCE MUSEUM FUNDING**

42 **SECTION 14.11.** G.S. 143B-135.227(b1) reads as rewritten:

43 "(b1) Tier-Based Funding Preferences. – The Museum of Natural Sciences shall reserve
44 seven hundred fifty thousand dollars (\$750,000) for the purpose of awarding grants to museums
45 located in development tier one counties and six hundred thousand dollars (\$600,000) for
46 museums located in development tier two counties. The development tier designation of a
47 county shall be determined as provided in G.S. 143B-437.08. If, after the initial awarding of
48 grants to all museum applicants who meet the eligibility criteria provided for in subsection (d)
49 of this section, there are funds remaining in any development tier category, the Museum of
50 Natural Sciences may reallocate those funds to another development tier category. The
51 maximum amount of each grant awarded in any fiscal year shall be (i) seventy-five thousand

1 dollars (\$75,000) for a museum in a development tier one county; (ii) sixty thousand dollars
2 (\$60,000) for a museum in a development tier two county; and (iii) fifty thousand dollars
3 (\$50,000) for a museum in a development tier three county. For purposes of this subsection, a
4 museum located in a rural census tract, as defined in G.S. 143B-472.127(a)(2), in a
5 development tier two or development tier three county shall be subject to the maximum grant
6 amount for a development tier one county."
7

8 YOUTH CONSERVATION CORPS

9 SECTION 14.12. Article 3 of Chapter 143 of the General Statutes is amended by
10 adding a new section to read:

11 "§ 143-58.7. Contracts with Youth Conservation Corps.

12 State departments, institutions, and agencies may contract with the North Carolina Youth
13 Conservation Corps to perform trail construction and maintenance, invasive species removal,
14 and other conservation projects in State parks, State forests, and other State-owned facilities
15 where the projects provide direct public benefits to the citizens of the State and offer youth and
16 young adults of the State a structured program that connects them to natural resources and
17 teaches job skills, leadership, community service, and personal responsibility."
18

19 MAYO RIVER STATE PARK ACCESS

20 SECTION 14.13. Two hundred fifty thousand dollars (\$250,000) of the
21 nonrecurring funds available to the Parks and Recreation Trust Fund for the 2017-2018 fiscal
22 year shall be held in a reserve at the Office of State Budget and Management to provide
23 matching funds in the ratio of one State dollar for each dollar available from non-State sources
24 for construction of an access bridge from real property owned by the State of North Carolina
25 over the Mayo River for the purpose of addressing public safety issues and service vehicle
26 access to monitor, maintain, repair, or replace the existing sewer line traversing portions of
27 Mayo River State Park.
28

29 CWMTF/PARTF FUNDS

30 SECTION 14.14. Five hundred forty-five thousand dollars (\$545,000) of the
31 nonrecurring funds available to the Clean Water Management Trust Fund for the 2017-2018
32 fiscal year and five hundred thousand dollars (\$500,000) of the nonrecurring funds available to
33 the Parks and Recreation Trust Fund for the 2017-2018 fiscal year shall be held in a reserve at
34 the Office of State Budget and Management to provide matching funds for a Readiness and
35 Environmental Protection Integration grant to purchase the Archers Creek tract on Bogue
36 Banks in Carteret County. Funds allocated by this section but not encumbered at the end of the
37 2017-2018 fiscal year shall revert to the respective funds.
38

39 UPPER HICKORY NUT GORGE TRAIL

40 SECTION 14.15. The General Assembly authorizes the Department of Natural and
41 Cultural Resources to add the Upper Hickory Nut Gorge trail to the State Parks System as a
42 State trail as provided in G.S. 143B-135.54(b). The Department shall support, promote,
43 encourage, and facilitate the establishment of trail segments on State park lands and on lands of
44 other federal, State, local, and private landowners. On segments of the Upper Hickory Nut
45 Gorge trail that cross property controlled by agencies or owners other than the Department's
46 Division of Parks and Recreation, the laws, rules, and policies of those agencies or owners shall
47 govern the use of the property. The requirement of G.S. 143B-135.54(b) that additions be
48 accompanied by adequate appropriations for land acquisition, development, and operations
49 shall not apply to the authorization set forth in this section.
50

51 PART XV. DEPARTMENT OF COMMERCE

1
2 **NER BLOCK GRANTS FOR 2018 AND 2019 PROGRAM YEARS/USE OF**
3 **DEOBLIGATED FUNDS**

4 **SECTION 15.1.(a)** Appropriations from federal block grant funds are made for the
5 fiscal years ending June 30, 2018, and June 30, 2019, according to the following schedule:
6

7 **COMMUNITY DEVELOPMENT BLOCK GRANT**

8	01. State Administration	\$	1,037,500
9	02. Neighborhood Revitalization		9,750,000
10	03. Economic Development		10,737,500
11	04. Infrastructure		21,725,000
12	05. Public Services		250,000
13	TOTAL COMMUNITY DEVELOPMENT		
14	BLOCK GRANT – 2018 Program Year	\$	43,500,000
15	2019 Program Year	\$	43,500,000

16
17
18
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20
21
22
23 **SECTION 15.1.(b)** If federal funds are reduced below the amounts specified in
24 this section after the effective date of this act, then every program in each of these federal block
25 grants shall be reduced by the same percentage as the reduction in federal funds.

26 **SECTION 15.1.(c)** Any block grant funds appropriated by the Congress of the
27 United States in addition to the funds specified in this section shall be expended as follows:
28 each program category under the Community Development Block Grant shall be increased by
29 the same percentage as the increase in federal funds.

30 **SECTION 15.1.(d)** Of the funds appropriated in this section for the Community
31 Development Block Grant, the following shall be allocated in each category for each program
32 year: up to one million thirty-seven thousand five hundred dollars (\$1,037,500) may be used for
33 State Administration; up to nine million seven hundred fifty thousand dollars (\$9,750,000) may
34 be used for Neighborhood Revitalization; up to ten million seven hundred thirty-seven
35 thousand five hundred dollars (\$10,737,500) may be used for Economic Development; up to
36 twenty-one million seven hundred twenty-five thousand dollars (\$21,725,000) may be used for
37 infrastructure; and up to two hundred fifty thousand dollars (\$250,000) may be used for Public
38 Services. If federal block grant funds are reduced or increased by the Congress of the United
39 States after the effective date of this act, then these reductions or increases shall be allocated in
40 accordance with subsection (b) or (c) of this section, as applicable.

41 **SECTION 15.1.(e)** The Department of Commerce shall consult with the Joint
42 Legislative Commission on Governmental Operations prior to reallocating Community
43 Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever
44 the Director of the Budget finds that:

- 45 (1) A reallocation is required because of an emergency that poses an imminent
46 threat to public health or public safety, the Director of the Budget may
47 authorize the reallocation without consulting the Commission. The
48 Department of Commerce shall report to the Commission on the reallocation
49 no later than 30 days after it was authorized and shall identify in the report
50 the emergency, the type of action taken, and how it was related to the
51 emergency.

- 1 (2) The State will lose federal block grant funds or receive less federal block
2 grant funds in the next fiscal year unless a reallocation is made. The
3 Department of Commerce shall provide a written report to the Commission
4 on the proposed reallocation and shall identify the reason that failure to take
5 action will result in the loss of federal funds. If the Commission does not
6 hear the issue within 30 days of receipt of the report, the Department may
7 take the action without consulting the Commission.

8 **SECTION 15.1.(f)** By September 1, 2017, and September 1, 2018, the Department
9 of Commerce shall report to the chairs of the House of Representatives Appropriations
10 Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate
11 Appropriations Committee on Agriculture, Natural, and Economic Resources, the Joint
12 Legislative Economic Development and Global Engagement Oversight Committee, and the
13 Fiscal Research Division on the use of Community Development Block Grant Funds
14 appropriated in the prior fiscal year. The report shall include the following:

- 15 (1) A discussion of each of the categories of funding and how the categories
16 were selected, including information on how a determination was made that
17 there was a statewide need in each of the categories.
18 (2) Information on the number of applications that were received in each
19 category and the total dollar amount in each category.
20 (3) A list of grantees, including the grantee's name, county, category under
21 which the grant was funded, the amount awarded, and a narrative description
22 of the project.

23 **SECTION 15.1.(g)** For purposes of this section, eligible activities under the
24 category of infrastructure in subsection (a) of this section shall be defined as provided in the
25 HUD State Administered Community Development Block Grant definition of the term
26 "infrastructure." Notwithstanding the provisions of subsection (e) of this section, funds
27 allocated to the infrastructure category in subsection (a) of this section shall not be reallocated
28 to any other category.

29 **SECTION 15.1.(h)** Throughout each year, deobligated funds arise in the various
30 funding categories and program years of the Community Development Block Grant (CDBG)
31 program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii)
32 projects being required to repay funds. Surplus federal administrative funds in the CDBG
33 program may vary from year-to-year based upon the amount of State-appropriated funds
34 allocated and the amount of eligible in-kind funds identified.

35 **SECTION 15.1.(i)** To allow the Department of Commerce and the Department of
36 Environmental Quality to quickly deploy deobligated and surplus federal administrative funds
37 as they are identified throughout the program year, the following shall apply to the use of
38 deobligated CDBG funds and surplus federal administrative funds:

- 39 (1) All surplus federal administrative funds shall be divided equally between the
40 Departments of Commerce and Environmental Quality and shall be used as
41 provided in subdivisions (2) and (3) of this subsection.
42 (2) All deobligated funds allocated to the Department of Commerce and any
43 surplus federal administrative funds, as provided for in subdivision (1) of
44 this subsection, may be used by the Department for all of the following:
45 a. To issue grants in the CDBG economic development or
46 neighborhood revitalization program category.
47 b. For providing training and guidance to local governments relative to
48 the CDBG program, its management, and administrative
49 requirements.

- 1 c. For any other purpose consistent with the Department's
 2 administration of the CDBG program if an equal amount of State
 3 matching funds is available.
- 4 (3) All deobligated funds allocated to the Department of Environmental Quality
 5 and any surplus federal administrative funds, as provided for in subdivision
 6 (1) of this subsection, may be used by the Department for all of the
 7 following:
- 8 a. To issue grants in the CDBG infrastructure program category.
- 9 b. For any other purpose consistent with the Department's
 10 administration of the CDBG program if an equal amount of State
 11 matching funds is available.
 12

13 TRAVEL AND TOURISM BOARD TECHNICAL CORRECTION

14 SECTION 15.2. G.S. 143B-434.1(d) reads as rewritten:

15 "(d) The members of the Board shall serve the following terms: the Secretary of
 16 Commerce, the chief executive officer of the nonprofit corporation with which the Department
 17 contracts pursuant to G.S. 143B-431.01(b), and the Chair of the Travel and Tourism Coalition
 18 shall serve on the Board while they hold their respective offices. Each member of the Board
 19 appointed by the Governor shall serve during his or her term of office. The members of the
 20 Board appointed by the ~~General Assembly~~ Speaker of the House of Representatives and the
 21 President Pro Tempore of the Senate shall serve two-year terms beginning on September 1 of
 22 ~~odd-numbered~~ even-numbered years and ending on August 31. The first such term shall begin
 23 on September 1, 2016, or as soon thereafter as the member is appointed to the Board, and end
 24 on August 31, 2018. All other members of the Board shall serve a term which includes the
 25 portion of calendar year 2016 that remains following their appointment or designation and ends
 26 on August 31, 2017, and, thereafter, two-year terms which shall begin on September 1 of an
 27 ~~even-numbered~~ odd-numbered year and end on August 31. The first such two-year term shall
 28 begin on September 1, 2017, and end on August 31, 2019."
 29

30 EDPNC REPORTING DATE CHANGE

31 SECTION 15.3.(a) G.S. 143B-431.01 reads as rewritten:

32 "§ 143B-431.01. Department of Commerce – contracting of functions.

33 ...

34 (e) Mandatory Contract Terms. – Any contract entered into under this section ~~must~~
 35 shall include all of the following:

36 ...

- 37 (2) A provision requiring the nonprofit corporation to provide by ~~September 1~~
 38 January 31 of each year, and more frequently as requested, a report to the
 39 Department on prior ~~State fiscal calendar~~ calendar year program activities, objectives,
 40 and accomplishments and prior ~~State fiscal calendar~~ calendar year itemized
 41 expenditures and fund sources. The report shall also include all of the
 42 following:
 43

44 ...

45 (f) Report. – By ~~September 30~~ March 1 of each year, and more frequently as requested,
 46 the Department shall submit a report to the Joint Legislative Commission on Governmental
 47 Operations, the Joint Legislative Economic Development and Global Engagement Oversight
 48 Committee, and the Fiscal Research Division on any performance for which the Department
 49 has contracted pursuant to this section. The report shall contain, at a minimum, each of the
 50 ~~following:~~ following presented on a calendar year basis:

...."

1 **SECTION 15.3.(b)** To enable data comparison, portions of the report required
2 pursuant to G.S. 143B-431.01(f) that contain references to prior submitted reports or data shall,
3 where possible, be presented on a calendar year basis.

4 **SECTION 15.3.(c)** This section becomes effective October 1, 2017, and applies to
5 the report due on or before March 1 of 2018 and subsequent years.

6 7 **BUDGET CODE REORGANIZATION FOR COMMERCE**

8 **SECTION 15.5.(a)** The Office of State Budget and Management shall establish a
9 fund code for the International Recruitment Coordination Office (IRCO) in the budget for the
10 Department of Commerce in Budget Code 14600 for the purpose of removing the IRCO from
11 the Administrative Services fund code. Notwithstanding any other provision of law to the
12 contrary, the nonrecurring funds appropriated to IRCO in fund code 1111 in the 2016-2017
13 fiscal year shall carry forward to the 2017-2018 fiscal year.

14 **SECTION 15.5.(b)** The Office of State Budget and Management shall reorganize
15 the various economic development funds by moving the following funds within Budget Code
16 14602 (Commerce – Economic Development):

- 17 (1) Site and Building Development Fund.
- 18 (2) Job Maintenance and Capital Development Fund.
- 19 (3) Job Development Investment Grant Fund.
- 20 (4) One NC Fund.
- 21 (5) Film and Entertainment Grant Fund.
- 22 (6) The nonadministrative portion of the Main Street Solutions Fund.
- 23 (7) Downtown Revitalization and Economic Development Grants Fund.
- 24 (8) The nonadministrative portion of the Rural Grants Fund.

25 **SECTION 15.5.(c)** The Office of Budget and Management shall move the fund
26 code for the Economic Development Partnership of North Carolina (14600-1114) to Budget
27 Code 14602 (Commerce – Economic Development) and shall update the fund code
28 accordingly.

29 **SECTION 15.5.(d)** The fund code changes authorized by this section shall be
30 completed by September 30, 2017, but are effective from July 1, 2017, and shall be reflected in
31 the base budget for the 2019-2021 fiscal biennium.

32 33 **SITE AND BUILDING DEVELOPMENT FUND**

34 **SECTION 15.7.(a)** Article 10 of Chapter 143B of the General Statutes is amended
35 by adding a new section to read:

36 **"§ 143B-437.02B. Site and Building Development Fund.**

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

- 38 (1) Code. – Defined in G.S. 105-228.90.
- 39 (2) Department. – The Department of Commerce.
- 40 (3) Development plan. – A strategic analysis of potential qualified business
41 facilities required by this section to be maintained by the Department and
42 updated every four years.
- 43 (4) Fund. – The Site and Building Development Fund established in this section.
- 44 (5) Local government. – Any of the following:
 - 45 a. A city as defined in G.S. 160A-1.
 - 46 b. A county.
 - 47 c. A consolidated city-county as defined in G.S. 160B-2.
- 48 (6) Local government unit. – The term includes a local government, a nonprofit
49 economic development corporation, and any combination of local
50 governments or nonprofit economic development corporations.

- 1 (7) Long-term lease. – A lease agreement with a maximum duration exceeding
2 three years, including any extensions allowed by the lease agreement.
- 3 (8) Nonprofit economic development corporation. – A corporation meeting all
4 of the following requirements:
- 5 a. Exempt from income tax under Section 501(c)(3) or Section
6 501(c)(6) of the Code.
- 7 b. Established to assist one or more local governments in reducing the
8 burden of economic development efforts.
- 9 c. Acknowledged through a resolution of one or more local
10 governments that contains all of the following:
- 11 1. Statement that the corporation is acting in support of the local
12 government in economic development efforts.
- 13 2. Nonbinding pledge to repay the Fund if the corporation fails
14 to make any required loan payments.
- 15 (9) Qualified business facilities. – Real property, improvements to real property,
16 and planned improvements to real property. Improvements to real property
17 include the following:
- 18 a. New buildings, renovations to buildings, and upfitting buildings.
- 19 b. Water lines, sewer lines, and other utility improvements.
- 20 c. Roads, grading, signage, and other access improvements.
- 21 d. Measures necessary for permitting, including services.
- 22 e. Any other measures necessary for the land to be marketable for
23 immediate use in commercial operations, including necessary
24 services.
- 25 (10) Sale. – Any transfer of ownership, including involuntary transfers.
- 26 (b) Fund Established. – The Site and Building Development Fund is created as a
27 restricted reserve in the Department. The Fund does not revert but remains available to the
28 Department for the purposes of this section.
- 29 (c) Use of the Fund. – The Department shall use the Fund for the following purposes:
- 30 (1) Loans to local government units for the acquisition and development of
31 qualified business facilities in accordance with this section.
- 32 (2) Up to three percent (3%) of the funds available in the Fund for expenses
33 directly related to the operation of the Fund and administering loans from the
34 Fund.
- 35 (d) Application. – The Department shall require a local government unit to submit an
36 application in order for a project to be considered for a loan from the Fund. The Department
37 shall prescribe the form of the application, the application process, and the information to be
38 provided, including all information necessary to evaluate the qualified business facility in
39 accordance with this section.
- 40 (e) Selection. – The Department shall administer the selection of qualified business
41 facilities to receive loans from the Fund. The Department shall develop written guidelines to
42 identify and evaluate qualified business facilities. The Department shall issue written findings
43 addressing any application approved for a loan from the Fund. The Department shall consider
44 the following factors in approving applications for loans from the Fund:
- 45 (1) Consistency with the economic development goals of the State and of the
46 area where the qualified business facility will be located.
- 47 (2) The priority recommendations in the development plan.
- 48 (3) Preference for qualified business facilities located in rural or less-developed
49 areas of the State.
- 50 (4) Evaluation of the application to determine if the qualified business facilities
51 are merited and appropriate for the proposed use.

- 1 (5) Necessity of a loan from the Fund for the completion of the qualified
2 business facility.
- 3 (f) Development Plan. – The Department shall obtain a strategic analysis of potential
4 qualified business facilities and an update to the analysis every four years. The Department
5 may contract with another entity with demonstrated experience in site selection services for
6 businesses and in evaluating sites for business recruitment purposes.
- 7 (g) Awards. – If the Department approves an application for a qualified business
8 facility, the Department shall determine the amount of the loan from the Fund, the preferred
9 form and details of the loan participation, and the safeguards to protect the State's investment.
- 10 (h) Maximum Award to Tier Three Counties. – The maximum outstanding loan balance
11 from the Fund to qualified business facilities located in tier three counties, based on the
12 designation assigned pursuant to G.S. 143B-437.08, shall be thirty percent (30%) of the
13 difference between the cumulative total appropriations into the Fund and total expenses paid
14 from the Fund.
- 15 (i) Loan Terms. – Loans from the Fund shall meet the following requirements:
- 16 (1) The loan is evidenced by a promissory note and secured by a first deed of
17 trust on the qualified business facility.
- 18 (2) The maximum duration of a loan is 15 years.
- 19 (3) The loan is due upon the sale or long-term lease of the qualified business
20 facility. Principal and accrued interest must be paid when the loan is due or
21 more frequently.
- 22 (4) The interest rate of a loan is zero percent (0%) for tier one counties, one
23 percent (1%) for tier two counties, and two percent (2%) for tier three
24 counties, based on the designation assigned to counties pursuant to
25 G.S. 143B-437.08.
- 26 (5) The loan agreement shall require the local government unit to obtain from
27 any entity leasing or purchasing the qualified business facility the following:
- 28 a. An agreement that the entity will not use the qualified business
29 facility for retail, professional office, sporting event, museum, or
30 governmental purposes for at least five years after the lease or
31 purchase.
- 32 b. A legal opinion based on a search of public records that the entity
33 leasing or purchasing the qualified business facility has no debts
34 related to unpaid taxes.
- 35 (j) Multiple Loans. – One or more financial institutions may hold a security interest on
36 the qualified business facility with a priority equal to the security interest for the loan from the
37 Fund if there is a written intercreditor agreement between the Department and other equal
38 priority creditors that provides that, in the event of default, any loss is shared among the
39 creditors in proportion to the amount loaned.
- 40 (k) Payments. – The Department shall be responsible for monitoring the loan and
41 administering the repayment. The Department shall remit all amounts paid under this section to
42 the Fund.
- 43 (l) Release. – The Department, at its discretion, may release property from the first
44 deed of trust if adequate security remains for the outstanding balance of the loan from the Fund.
45 The Department may use this authority to release property to restructure the terms of the loan
46 and participate in financing transactions involving the qualified business facility.
- 47 (m) Limitation. – Nothing in this section constitutes or authorizes a guarantee or
48 assumption by the State of any debt of any business or authorizes the taxing power or the full
49 faith and credit of the State to be pledged.
- 50 (n) Notice of Guidelines. – At least 20 days before the effective date of any guidelines,
51 the Department shall publish the proposed guidelines on the Department's Web site and provide

1 notice to persons who have requested notice. In addition, the Department shall accept written
2 comments on the proposed guidelines during the 15 business days beginning on the first day
3 the Department has completed the notice requirement of this subsection. Amendments to the
4 guidelines to correct spelling, grammatical, or typographical errors do not require notice.

5 (o) Reports. – On September 1 of each year until the Fund has no assets, the
6 Department shall submit a written report on the Fund to the chairs of the Senate Appropriations
7 Committee on Agriculture, Natural, and Economic Resources, the chairs of the House of
8 Representatives Appropriations Committee on Agriculture and Natural and Economic
9 Resources, the Joint Legislative Economic Development and Global Engagement Oversight
10 Committee, and the Fiscal Research Division and publish this report on its Web site. This
11 report shall contain at least all of the following:

12 (1) A listing of each outstanding loan, including the date of loan, amount of
13 loan, outstanding amount of loan, interest rate, maturity date, location of
14 qualified business facility acting as security, brief property description,
15 identity of local government unit receiving the loan, status of repayment,
16 current use of the qualified business facility, and identification of loans made
17 since the last report.

18 (2) Written findings addressing any application approved for a loan from the
19 Fund since the last report, as required by subsection (e) of this section.

20 (3) Detailed information about any defaults and repayment since the last report.

21 (4) Information contained in the report required by G.S. 105-277.15A(g)."

22 **SECTION 15.7.(b)** G.S. 150B-1(d) is amended by adding a new subdivision to
23 read:

24 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the
25 following:

26 ...
27 (29) The Department of Commerce in developing criteria and guidelines under
28 G.S. 143B-437.02B."

29 **SECTION 15.7.(c)** The provisions of this section are not subject to the terms of
30 G.S. 160A-20.

31 **SECTION 15.7.(d)** This section does not obligate the General Assembly to
32 appropriate funds to implement it.

33 **PROSPERITY ZONE REPORTING**

34 **SECTION 15.10.(a)** For each Collaboration for Prosperity Zone established in
35 G.S. 143B-28.1, the employees of the Department of Commerce in the zone shall submit a
36 report on or before September 1 of each year to the Joint Legislative Oversight Committee on
37 Agriculture and Natural and Economic Resources, the Joint Legislative Economic
38 Development and Global Engagement Oversight Committee, and the Fiscal Research Division
39 on the following criteria:

40 (1) Jobs anticipated to result from efforts of the employees, including the name
41 and contact person of each company creating new jobs in the zone.

42 (2) The location of each project, including the development tier designation of
43 the location.

44 (3) Project leads that were not submitted to the Department for possible
45 discretionary incentives pursuant to Chapter 143B of the General Statutes.

46 (4) Proactive local government outreach to share information and planning
47 services that are available.

48 (5) Coordination of regular meetings with Prosperity Zones agency
49 representatives to increase collaboration of services and resources to local
50 communities.
51

1 (6) Completion of strategic economic development plans, downtown
2 revitalization project plans, implementation services, market studies,
3 Geographical Information Systems (GIS) mapping, and assistance with
4 development policies for local governments that can be measured for
5 economic impact, including investment, business growth, and jobs as a result
6 of the planning effort.

7 (7) Existing business expansion activities, service requests, and number of
8 contacts and inquiries.

9 (8) New business location activities and number of contacts and inquiries.

10 **SECTION 15.10.(b)** The Department of Commerce shall develop performance
11 metrics for Community Planners for the Collaboration for Prosperity Zones established in
12 G.S. 143B-28.1 using the criteria listed in subsection (a) of this section. The Department of
13 Commerce shall submit a report on or before September 1 of each year to the Joint Legislative
14 Oversight Committee on Agriculture and Natural and Economic Resources, the Joint
15 Legislative Economic Development and Global Engagement Oversight Committee, and the
16 Fiscal Research Division detailing the performance metrics and the measurements observed for
17 each Community Planner within the Collaboration for Prosperity Zones.

18 **WASTEWATER FUNDING REPORT**

19 **SECTION 15.11.** The Johnston County Research and Training Zone shall submit a
20 report detailing its use of State funds appropriated by the General Assembly. The report shall
21 be submitted to the Joint Legislative Oversight Committee on Agriculture and Natural and
22 Economic Resources, the chairs of the House of Representatives Appropriations Committee on
23 Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations
24 Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division
25 by September 1, 2017, and September 1 of each subsequent year State funds are received, and
26 more frequently as requested, and shall include the information required by this section for the
27 most recently ended fiscal year.
28

29 **YOUTH WORKFORCE INVESTMENT PROGRAM CHANGES**

30 **SECTION 15.12.(a)** The local Workforce Development Boards created pursuant to
31 G.S. 143B-438.11 shall include in their State-developed criteria to be used in awarding grants
32 for youth workforce investment activities pursuant to Section 129 of the federal Workforce
33 Innovation and Opportunity Act a competitive process that requires grant recipients to provide
34 at least the following information as part of the application process and consideration of grant
35 awards:
36

37 (1) The extent to which the organization specifically focuses on serving at-risk
38 youth, including youth who are at risk of school dropout or at risk of school
39 displacement due to suspension or expulsion.

40 (2) Whether the organization leverages community-based resources, including
41 partnerships with organizations that provide mentoring services and
42 private-sector employer involvement.

43 (3) The use of an evidence-based program model by the organization with a
44 proven track record of success.

45 (4) The inclusion of rigorous, quantitative performance measures by the
46 organization to confirm effectiveness of the program.

47 (5) The deployment of comprehensive support services to youth, including
48 addressing behavioral issues, emphasizing academic and career growth, and
49 enhancing parent and family engagement.

50 **SECTION 15.12.(b)** The local Workforce Development Boards shall coordinate
51 with the NCWorks Commission to update the Workforce Innovation and Opportunity Act

1 Unified State Plan, as needed, to reflect the inclusions to the State-developed criteria required
2 by subsection (a) of this section.

3 **SECTION 15.12.(c)** On or before October 1 of each year, the local Workforce
4 Development Boards shall submit a report to the Joint Legislative Oversight Committee on
5 Agriculture and Natural and Economic Resources, the chairs of the House of Representatives
6 Appropriations Committee on Agriculture and Natural and Economic Resources, the Joint
7 Legislative Education Oversight Committee, and the Fiscal Research Division on prior State
8 fiscal year program activities, objectives, and accomplishments and prior State fiscal year
9 itemized expenditures and fund sources. The report shall also contain a list of grant recipients
10 and the amount received by the grant recipients.

11 **APPRENTICESHIPNC/TRANSFER STATE APPRENTICESHIP PROGRAM**

12 **SECTION 15.13.(a)** All functions, powers, duties, obligations, resources, and
13 appropriations vested in the Apprenticeship Program and the Apprenticeship Council are
14 transferred to, vested in, and consolidated into the North Carolina Community Colleges System
15 Office as a Type I transfer, as defined in G.S. 143A-6. The State Board of Community
16 Colleges, the Community Colleges System Office, and the Office of State Budget and
17 Management are authorized to take all other steps necessary to consolidate the Apprenticeship
18 Program and the Apprenticeship Council into the Community Colleges System Office. Joint
19 delivery of Apprenticeship and Community College workforce training programs shall ensure
20 coordination of program delivery and appropriate classroom training supporting the needs of
21 students and employers.

22 **SECTION 15.13.(b)** Chapter 94 of the General Statutes is repealed.

23 **SECTION 15.13.(c)** Chapter 115D of the General Statutes is amended by adding a
24 new Article to read:

25 "Article 1A.

26 "ApprenticeshipNC.

27 "§ 115D-11.5. Purpose.

28 The purposes of this Article are to open to young people the opportunity to obtain training
29 that will equip them for profitable employment and citizenship; to set up, as a means to this
30 end, a program of voluntary apprenticeship under approved apprentice agreements providing
31 facilities for their training and guidance in the arts and crafts of industry and trade, with parallel
32 instruction in related and supplementary education; to promote employment opportunities for
33 young people under conditions providing adequate training and reasonable earnings; to relate
34 the supply of skilled workers to employment demands; to establish standards for apprentice
35 training; to coordinate workforce education and customized training tools to fill talent pipeline
36 gaps, as appropriate, with local business and industry; to establish an Apprenticeship Council
37 and apprenticeship committees and sponsors to assist in effectuating the purposes of this
38 Article; to leverage the collaborative and regional structure of the community college service
39 areas with the Collaboration for Prosperity Zones set out in G.S. 143B-28.1; to provide for a
40 Director of ApprenticeshipNC within the Community Colleges System Office; to provide for
41 reports to the legislature and to the public regarding the status of apprentice training in the
42 State; to establish a procedure for the determination of apprentice agreement controversies; and
43 to accomplish related ends.

44 "§ 115D-11.6. Apprenticeship Council.

45 The State Board of Community Colleges shall appoint an Apprenticeship Council
46 composed of four representatives each from employer and employee organizations respectively
47 and three representatives from the public at large. One State official designated by the
48 Department of Public Instruction and one State official designated by the Department of
49 Commerce shall be a member ex officio of the council, without vote. The terms of office of the
50 members of the Apprenticeship Council shall be designated by the State Board. Any member
51

1 appointed to fill a vacancy occurring prior to the expiration of the term of his or her
2 predecessor shall be appointed for the remainder of the term. Each member of the Council not
3 otherwise compensated by public moneys, shall be reimbursed for transportation and shall
4 receive such per diem compensation as is provided generally for boards and commissions under
5 the biennial maintenance appropriation acts for each day spent in attendance at meetings of the
6 Apprenticeship Council. The State Board of Community Colleges shall annually appoint one
7 member of the Council to act as its chair.

8 The Apprenticeship Council shall meet at the call of the State Board of Community
9 Colleges and shall aid the State Board and the Community Colleges System Office in
10 formulating policies for the effective administration of this Article. The Apprenticeship Council
11 shall establish standards for apprentice agreements which in no case shall be lower than those
12 prescribed by this Article, shall recommend rules and regulations to the State Board of
13 Community Colleges as may be necessary to carry out the intent and purposes of this Article,
14 and shall perform other functions as the State Board of Community Colleges may direct. Not
15 less than once a year the Apprenticeship Council shall make a report through the Community
16 Colleges System Office of its activities and findings to the legislature and to the public.

17 **"§ 115D-11.7. ApprenticeshipNC.**

18 The State Board of Community Colleges is hereby directed to appoint a Director of
19 ApprenticeshipNC, which appointment shall be subject to the confirmation of the State
20 Apprenticeship Council by a majority vote. Upon the recommendation of the Director, the State
21 Board of Community Colleges may appoint and employ clerical, technical, and professional
22 help as necessary to effectuate the purposes of this Article. The Director shall supervise
23 clerical, technical, and professional staff appointed to administer the ApprenticeshipNC
24 program.

25 **"§ 115D-11.8. Powers and duties of Director of ApprenticeshipNC.**

26 The Director, under the supervision of the President of the North Carolina Community
27 College System or the President's designee and with the advice and guidance of the
28 Apprenticeship Council, is authorized to administer the provisions of this Article; in
29 cooperation with the Apprenticeship Council and apprenticeship committees and sponsors, to
30 set up conditions and training standards for apprentice agreements, which conditions or
31 standards shall in no case be lower than those prescribed by this Article; to act as secretary of
32 the Apprenticeship Council; to approve for the Council any apprentice agreement that meets
33 the standards established under this Article; to terminate or cancel any apprentice agreement in
34 accordance with the provisions of the agreement; to keep a record of apprentice agreements and
35 their disposition; to issue certificates of completion of apprenticeship; and to perform other
36 duties as are necessary to carry out the intent of this Article, including other on-the-job training
37 necessary for emergency and critical civilian production. The administration and supervision of
38 related and supplemental instruction for apprentices, coordination of instruction with job
39 experiences, and the selection and training of teachers and coordinators for the instruction is the
40 responsibility of State and local boards responsible for career and technical education.

41 **"§ 115D-11.9. Apprenticeship committees and program sponsors.**

42 (a) As used in this Article:

43 (1) "Apprenticeship agreement" means a written agreement between an
44 apprentice and either his or her employer or an apprenticeship committee or
45 sponsor acting as agent for employers, which agreement satisfies the
46 requirements of G.S. 115D-11.11.

47 (2) "Apprenticeship committee" means those persons designated by the sponsor,
48 and approved by the Apprenticeship Council, to act for it in the
49 administration of the apprenticeship program. A committee may be "joint,"
50 i.e., it is composed of an equal number of representatives of the employer
51 and of the employees represented by a bona fide collective bargaining agent

1 and has been established to conduct, operate, or administer an apprenticeship
2 program and enter into apprenticeship agreements with apprentices. A
3 committee may be "unilateral" or "nonjoint" which shall mean a program
4 sponsor in which employees or a bona fide collective bargaining agent is not
5 a party.

6 (3) "ApprenticeshipNC" means the statewide apprenticeship program
7 administered by the Community Colleges System Office in accordance with
8 this Article.

9 (4) "Apprenticeship program" means a plan containing all terms and conditions
10 for the qualification, recruitment, selection, employment, and training of
11 apprentices, including such matters as the requirement for a written
12 apprenticeship agreement.

13 (5) "Employer" means any person, firm, corporation, or organization employing
14 an apprentice whether or not such person, firm, corporation, or organization
15 is a party to an apprenticeship agreement with the apprentice.

16 (6) "Sponsor" means any person, firm, corporation, organization, association, or
17 committee operating an apprenticeship program and in whose name the
18 apprenticeship program is approved.

19 (b) An apprenticeship committee may be appointed by the Apprenticeship Council in
20 any trade or group of trades in a city or trade area, whenever the apprentice training needs of
21 the trade or group of trades justifies such establishment.

22 (c) The function of the apprenticeship committee, or sponsor when there is no
23 apprenticeship committee, shall be to cooperate with school authorities in regard to the
24 education of apprentices; in accordance with the standards set up by the apprenticeship
25 committee for the same trade or group of trades, where a committee has been appointed, to
26 work in an advisory capacity with employers and employees in matters regarding schedule of
27 operations, application of wage rates, and working conditions for apprentices and to specify the
28 number of apprentices which shall be employed locally in the trade under the apprenticeship
29 agreements under this Article; to adjust apprenticeship disputes, subject to the approval of the
30 Director; to ascertain the prevailing rate for journeymen in the city or trade area and specify the
31 graduated scale of wages applicable to apprentices in the trade in that area; to ascertain
32 employment needs in the trade or group of trades and specify the appropriate current ratio of
33 apprentices to journeymen; and to make recommendations for the general good of apprentices
34 engaged in the trade or trades represented by the committee. An apprenticeship committee may
35 appoint a representative and delegate to the representative the authority for implementation and
36 performance of any standards adopted by the committee pursuant to any of the aforementioned
37 functions.

38 **"§ 115D-11.10. Definition of an apprentice.**

39 The term "apprentice" means a person at least 16 years of age who is covered by a written
40 apprenticeship agreement approved by the Apprenticeship Council, which apprenticeship
41 agreement provides for not less than 2,000 hours of reasonably continuous employment for the
42 person for his or her participation in an approved schedule of work experience and for
43 organized, related supplemental instruction in technical subjects related to the trade. A
44 minimum of 144 hours of related supplemental instruction for each year of apprenticeship is
45 recommended. The required hours for apprenticeship agreements and the recommended hours
46 for related supplemental instruction may be decreased or increased in accordance with
47 standards adopted by the apprenticeship committee or sponsor, subject to approval of the State
48 Board of Community Colleges.

49 **"§ 115D-11.11. Contents of agreement.**

50 Every apprentice agreement entered into under this Article shall contain:

51 (1) The names of the contracting parties.

- 1 (2) The date of birth of the apprentice.
2 (3) A statement of the trade, craft, or business which the apprentice is to be
3 taught, and the time at which the apprenticeship will begin and end.
4 (4) A statement showing (i) the number of hours to be spent by the apprentice in
5 work on the job and (ii) the number of hours to be spent in related and
6 supplemental instruction, which is recommended to be not less than 144
7 hours per year. In no case shall the combined weekly hours of work and of
8 required related and supplemental instruction of the apprentice exceed the
9 maximum number of hours of work prescribed by law for a person of the age
10 of the apprentice.
11 (5) A statement setting forth a schedule of the processes in the trade or industry
12 division in which the apprentice is to be taught and the approximate time to
13 be spent at each process.
14 (6) A statement of the graduated scale of wages to be paid the apprentice and
15 whether the required school time shall be compensated.
16 (7) A statement providing for a period of probation of not more than 500 hours
17 of employment and instruction extending over not more than four months,
18 during which time the apprentice agreement shall be terminated by the
19 Director at the request in writing of either party, and providing that after the
20 probationary period the apprentice agreement may be terminated by the
21 Director by mutual agreement of all parties or canceled by the Director for
22 good and sufficient reason. The Council at the request of a joint apprentice
23 committee may lengthen the period of probation.
24 (8) A provision that all controversies or differences concerning the apprentice
25 agreement which cannot be adjusted locally in accordance with
26 G.S. 115D-11.9 shall be submitted to the Director for determination.
27 (9) A provision that an employer who is unable to fulfill his or her obligation
28 under the apprentice agreement may with the approval of the Director
29 transfer the contract to any other employer; provided, that the apprentice
30 consents and that the other employer agrees to assume the obligations of the
31 apprentice agreement.
32 (10) Any additional terms and conditions as may be prescribed or approved by
33 the Director not inconsistent with the provisions of this Article.

34 **"§ 115D-11.12. Approval of apprentice agreements; signatures.**

35 No apprentice agreement under this Article shall be effective until approved by the
36 Director. Every apprentice agreement shall be signed by the employer, or by an association of
37 employers or an organization of employees as provided in G.S. 115D-11.13, and by the
38 apprentice, and if the apprentice is a minor, by either of the minor's parents, or by any person,
39 agency, organization, or institution standing in loco parentis. Where a minor enters into an
40 apprentice agreement under this Article for a period of training extending into his or her
41 majority, the apprentice agreement shall likewise be binding for a period as may be covered
42 during the apprentice's majority.

43 **"§ 115D-11.13. Rotation of employment.**

44 For the purpose of providing greater diversity of training or continuity of employment, any
45 apprentice agreement made under this Article may in the discretion of the Director of
46 ApprenticeshipNC be signed by an association of employers or an organization of employees
47 instead of by an individual employer. In this case, the apprentice agreement shall expressly
48 provide that the association of employers or organization of employees does not assume the
49 obligation of an employer but agrees to use its best endeavors to procure employment and
50 training for the apprentice with one or more employers who will accept full responsibility for
51 all the terms and conditions of employment and training set forth in the agreement between the

1 apprentice and employer association or employee organization during the period of each
2 employment. The apprentice agreement in this case shall also expressly provide for the transfer
3 of the apprentice, subject to the approval of the Director, to such employer or employers who
4 shall sign in written agreement with the apprentice, and if the apprentice is a minor with his or
5 her parent or guardian, as specified in G.S. 115D-11.12, contracting to employ the apprentice
6 for the whole or a definite part of the total period of apprenticeship under the terms and
7 conditions of employment and training set forth in the agreement entered into between the
8 apprentice and employer association or employee organization.

9 **"§ 115D-11.14. Limitation.**

10 Nothing in this Article or in any apprentice agreement approved under this Article shall
11 invalidate any apprenticeship provision in any collective agreement between employers and
12 employees that sets up higher apprenticeship standards. None of the terms or provisions of this
13 Article apply to any person, firm, corporation, or crafts unless, until, and only so long as the
14 person, firm, corporation, or crafts voluntarily elects that the terms and provisions of this
15 Article apply. Any person, firm, corporation, or crafts terminating an apprenticeship agreement
16 shall notify the Director of ApprenticeshipNC."

17 **SECTION 15.13.(d)** Notwithstanding G.S. 115D-11.6, as enacted by this section,
18 the current members serving on the Apprenticeship Council pursuant to G.S. 94-2 as of July 1,
19 2017, shall serve the remainder of their terms. Thereafter, as terms expire, or when a vacancy
20 occurs prior to the expiration of a term, members of the Apprenticeship Council shall be
21 appointed by the State Board of Community Colleges in accordance with G.S. 115D-11.6, as
22 enacted by this section.

23 **SECTION 15.13.(e)** Within 90 days of the date this act becomes law, the
24 Department of Commerce shall submit a Workforce Innovation and Opportunity Act State Plan
25 amendment to the United States Department of Labor to designate the Community Colleges
26 System Office as the State agency responsible for the administration of ApprenticeshipNC as
27 provided for in this section.

28
29 **JMAC ELIGIBILITY MODIFICATION**

30 **SECTION 15.14.(a)** G.S. 143B-437.012 reads as rewritten:

31 **"§ 143B-437.012. Job Maintenance and Capital Development Fund.**

32 ...
33 (d) Eligibility. – A business is eligible for consideration for a grant under this section if
34 it satisfies the conditions of either subdivision ~~(1)~~(1), (1a), or (2) of this subsection and satisfies
35 subdivision (4) of this subsection:

- 36 (1) The business is a major employer. A business is a major employer if the
37 business meets the following requirements:
- 38 a. The Department certifies that the business has invested or intends to
39 invest at least two hundred million dollars (\$200,000,000) of private
40 funds in improvements to real property and additions to tangible
41 personal property in the project within a six-year period beginning
42 with the time the investment commences.
 - 43 b. The business employs at least 2,000 full-time employees or
44 equivalent full-time contract employees at the project that is the
45 subject of the grant at the time the application is made, and the
46 business agrees to maintain at least 2,000 full-time employees or
47 equivalent full-time contract employees at the project for the full
48 term of the grant agreement.
 - 49 c. The project is located in a development tier one area at the time the
50 business applies for a grant.

1 (1a) The business previously received a grant as a major employer under this
2 section and meets the following requirements:

3 a. The Department certifies that the business has invested or intends to
4 invest at least two hundred million dollars (\$200,000,000) of private
5 funds in improvements to real property and additions to tangible
6 personal property in the project within a 10-year period beginning
7 with the time the investment commences. Amounts certified as
8 invested under sub-subdivision a. of subdivision (1) of this
9 subsection shall not be included in the amount required by this
10 sub-subdivision.

11 b. The business employs at least 2,000 full-time employees or
12 equivalent full-time contract employees at the project that is the
13 subject of the grant at the time the application is made and the
14 business agrees to maintain at least 2,000 full-time employees or
15 equivalent full-time contract employees at the project for the full
16 term of the grant agreement.

17 c. The project is at the same location as that for which a grant was
18 previously awarded under subdivision (1) of this subsection.

19 ...
20 (4) All newly hired employees of the business must be citizens of the United
21 States or have proper identification and documentation of their authorization
22 to reside and work in the United States.

23 ...
24 (n) Limitations. – The Department may enter into no more than ~~five~~six agreements
25 under this section. The total aggregate cost of all agreements entered into under this section
26 may not exceed ~~seventy-nine million dollars (\$79,000,000)~~one hundred thirty-nine million
27 dollars (\$139,000,000). The total annual cost of an agreement entered into under this section
28 may not exceed six million dollars (\$6,000,000)."

29 **SECTION 15.14.(b)** This section is effective when it becomes law.

30 31 **EXTEND JDIG SUNSET**

32 **SECTION 15.15.(a)** G.S. 143B-437.62 reads as rewritten:

33 "**§ 143B-437.62. Expiration.**

34 The authority of the Committee to award new grants expires January 1, ~~2019~~2025."

35 **SECTION 15.15.(b)** This section is effective when it becomes law.

36 37 **KEEP WELCOME CENTERS OPEN**

38 **SECTION 15.16.** The Department of Commerce shall not close any welcome
39 center in this State during the 2017-2019 fiscal biennium without authorization from the
40 General Assembly.

41 42 **INDUSTRIAL COMMISSION SERVICE OF PROCESS**

43 **SECTION 15.17.** G.S. 97-86 reads as rewritten:

44 "**§ 97-86. Award conclusive as to facts; appeal; certified questions of law.**

45 The award of the Industrial Commission, as provided in G.S. 97-84, if not reviewed in due
46 time, or an award of the Commission upon such review, as provided in G.S. 97-85, shall be
47 conclusive and binding as to all questions of fact; but either party to the dispute may, within 30
48 days from the date of such award or within 30 days after receipt of notice to be sent by
49 ~~registered mail~~any class of U.S. mail that is fully prepaid or ~~certified mail~~electronic mail of
50 such award, but not thereafter, appeal from the decision of said Commission to the Court of
51 Appeals for errors of law under the same terms and conditions as govern appeals from the

1 superior court to the Court of Appeals in ordinary civil actions. The procedure for the appeal
2 shall be as provided by the rules of appellate procedure.

3 The Industrial Commission of its own motion may certify questions of law to the Court of
4 Appeals for decision and determination by said Court. In case of an appeal from the decision of
5 the Commission, or of a certification by said Commission of questions of law, to the Court of
6 Appeals, said appeal or certification shall operate on a supersedeas except as provided in
7 G.S. 97-86.1, and no employer shall be required to make payment of the award involved in said
8 appeal or certification until the questions at issue therein shall have been fully determined in
9 accordance with the provisions of this Article. If the employer is a noninsurer, then the appeal
10 of such employer shall not act as a supersedeas and the plaintiff in such case shall have the
11 same right to issue execution or to satisfy the award from the property of the employer pending
12 the appeal as obtains to the successful party in an action in the superior court.

13 When any party to an appeal from an award of the Commission is unable, by reason of his
14 poverty, to make the deposit or to give the security required by law for said appeal, any
15 member of the Commission or any deputy commissioner shall enter an order allowing said
16 party to appeal from the award of the Commission without giving security therefor. The party
17 appealing from the judgment shall, within 30 days from the filing of the appeal from the award,
18 make an affidavit that he is unable by reason of his poverty to give the security required by law.
19 The request shall be passed upon and granted or denied by a member of the Commission or
20 deputy commissioner within 20 days from receipt of the affidavit specified above."
21

22 **INDUSTRIAL COMMISSION LITIGATION EXPENSE CARRYFORWARD**

23 **SECTION 15.18.(a)** The North Carolina Industrial Commission (Commission)
24 may carry forward up to two hundred fifty thousand dollars (\$250,000) of State funds
25 appropriated in the 2016-2017 fiscal year for legal services. Any funds remaining after
26 completion of the legal services for which the funds were appropriated shall be retained by the
27 Commission.

28 **SECTION 15.18.(b)** Notwithstanding G.S. 147-17 and G.S. 114-2.3, the North
29 Carolina Industrial Commission is authorized to use the funds carried forward under subsection
30 (a) of this section to employ and supervise private counsel.

31 **SECTION 15.18.(c)** Notwithstanding G.S. 1-521, G.S. 147-17, and G.S. 114-2.3,
32 of the funds appropriated to the North Carolina Industrial Commission in this act, the sum of
33 three hundred thousand dollars (\$300,000) for the 2017-2018 fiscal year may be used for
34 private legal services, litigation-related expenses, and the defense of any member in their
35 official capacity arising from S.L. 2016-125. The funds allocated in this section shall not revert.
36

37 **INDUSTRIAL COMMISSION CASE MANAGEMENT SYSTEMS**

38 **SECTION 15.19.(a)** The Industrial Commission shall coordinate with the
39 Department of Information Technology and other State agencies to replace the Industrial
40 Commission's case management systems by assessing system requirements and to find the most
41 cost-effective means of meeting those requirements.

42 **SECTION 15.19.(b)** Of the funds appropriated in this act to the Industrial
43 Commission, the sum of three million dollars (\$3,000,000) in nonrecurring funds for the
44 2017-2018 fiscal year shall be allocated for the purpose of replacing and maintaining the
45 Industrial Commission's case management systems and related expenditures.

46 **SECTION 15.19.(c)** The Industrial Commission may retain the additional revenue
47 up to one million two hundred thousand dollars (\$1,200,000) of the fee charged to parties for
48 the filing of compromise settlement agreements to be used for the purpose of replacing and
49 maintaining the Industrial Commission's case management systems and related expenditures.

50 **SECTION 15.19.(d)** The funds in subsection (b) of this section shall not revert.
51 The fee retention authorization in subsection (c) of this section shall expire on June 30, 2021.

1
2 **UTILITIES COMMISSION/STUDY COST RECOVERY FROM QUALIFYING**
3 **FACILITIES**

4 **SECTION 15.20.** The North Carolina Utilities Commission shall study the cost
5 recovery of capacity and energy costs associated with purchases of electric power production
6 from qualifying cogeneration facilities and small power production facilities. The Commission
7 shall provide its report and any recommended legislation no later than February 1, 2018, to the
8 Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources
9 and the Fiscal Research Division. For purposes of this subsection, "qualifying cogeneration
10 facility" and "small power production facility" shall have the definition provided by 16 U.S.C.
11 § 796.
12

13 **SUBPART XV-A. COMMERCE – STATE AID**

14
15 **NC BIOTECHNOLOGY CENTER**

16 **SECTION 15A.1.(a)** Of the funds appropriated in this act to the Department of
17 Commerce, the sum of thirteen million six hundred thousand three hundred thirty-eight dollars
18 (\$13,600,338) for each fiscal year in the 2017-2019 biennium shall be allocated to the North
19 Carolina Biotechnology Center (hereinafter "Center") for the following purposes:

- 20 (1) Job Creation: AgBiotech Initiative, Economic and Industrial Development,
21 and related activities – two million nine hundred twenty-four thousand
22 seventy-three dollars (\$2,924,073).
23 (2) Science and Commercialization: Science and Technology Development,
24 Centers of Innovation, Business and Technology Development, Education
25 and Training, and related activities – eight million eight hundred thirteen
26 thousand nineteen dollars (\$8,813,019).
27 (3) Center Operations: Administration, Professional and Technical Assistance
28 and Oversight, Corporate Communications, Human Resource Management,
29 Financial and Grant Administration, Legal, and Accounting – one million
30 eight hundred sixty-three thousand two hundred forty-six dollars
31 (\$1,863,246).

32 **SECTION 15A.1.(b)** The Center shall prioritize funding and distribution of loans
33 over existing funding and distribution of grants.

34 **SECTION 15A.1.(c)** Except to provide administrative flexibility, up to ten percent
35 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or
36 more of the other allocations in subsection (a) of this section if, in the judgment of Center
37 management, the reallocation will advance the mission of the Center.
38

39 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

40 **SECTION 15A.2.** High Point Furniture Market Authority, North Carolina
41 Biotechnology Center, Carolina Small Business Development Fund, and RTI International shall
42 do the following for each year that State funds are expended:

- 43 (1) By September 1 of each year, and more frequently as requested, report to the
44 Joint Legislative Oversight Committee on Agriculture and Natural and
45 Economic Resources, the chairs of the House of Representatives
46 Appropriations Committee on Agriculture and Natural and Economic
47 Resources, the chairs of the Senate Appropriations Committee on
48 Agriculture, Natural, and Economic Resources, and the Fiscal Research
49 Division on prior State fiscal year program activities, objectives, and
50 accomplishments and prior State fiscal year itemized expenditures and fund
51 sources.

- (2) Provide to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

CREATE DIVISIONS – ALCOHOL LAW ENFORCEMENT AND STATE CAPITOL POLICE IN DEPARTMENT OF PUBLIC SAFETY

CREATE DIVISION OF ALCOHOL LAW ENFORCEMENT IN THE DEPARTMENT OF PUBLIC SAFETY

SECTION 16.1.(a) The Alcohol Law Enforcement Branch of the State Bureau of Investigation shall be relocated as a Division of the Department of Public Safety.

SECTION 16.1.(b) Part 4 of Article 13 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart F. Alcohol Law Enforcement Division.

"§ 143B-990. Creation of Alcohol Law Enforcement Division of the Department of Public Safety.

There is created the Alcohol Law Enforcement Division of the Department of Public Safety with the organization, powers, and duties defined in Article 1 of this Chapter, except as modified in this Part."

SECTION 16.1.(c) G.S. 143B-928 is repealed.

SECTION 16.1.(d) G.S. 18B-500 reads as rewritten:

"§ 18B-500. Alcohol law-enforcement agents.

(a) Appointment. – The Director of the State Bureau of Investigation shall Division of Alcohol Law Enforcement of the Department of Public Safety may appoint alcohol law enforcement agents and other enforcement personnel, a sufficient number of assistants who shall be competent and qualified to do the work of the Division. The Director may also appoint regular employees of the Commission as alcohol law enforcement agents, shall have the sole authority to make all personnel-related decisions regarding employees of the Division subject to the applicable provisions of Chapter 126 of the General Statutes. G.S. 143A-9 shall not function as a limitation upon the authority granted to the Director by this section. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the Alcohol Law Enforcement Branch Division for workers' compensation purposes while performing duties assigned or approved by the Head-Director of the Alcohol Law Enforcement Branch Division or the Head's-Director's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ABC and lottery laws, lottery laws, and Article 5 of Chapter 90 of the General Statutes (North Carolina Controlled Substances Act).

...

(g) Shifting of Personnel From One District to Another. – The Head-Director of the Alcohol Law Enforcement Branch, Division, under rules adopted by the Department of Public Safety may, from time to time, shift the forces from one district to another or consolidate more than one district force at any point for special purposes. Whenever an agent of the Alcohol Law

1 Enforcement ~~Section~~Division is transferred from one district to another for the convenience of
 2 the State or for reasons other than the request of the agent, the Department shall be responsible
 3 for transporting the household goods, furniture, and personal apparel of the agent and members
 4 of the agent's household."

5 **SECTION 16.1.(f)** The Department of Public Safety shall continue to consolidate
 6 ALE and SBI Regions and Regional Offices in the same manner so that all district offices
 7 remain co-located.

8 **SECTION 16.1.(g)** G.S. 143B-919(c) reads as rewritten:

9 **"§ 143B-919. Investigations of lynchings, election frauds, etc.; services subject to call of**
 10 **Governor; witness fees and mileage for employees.**

11 ...

12 (c) The State Bureau of Investigation is further authorized, upon request of the
 13 Governor or the Attorney General, to investigate the commission or attempted commission of
 14 the crimes defined in the following statutes:

15 (1) ~~All sections of~~ Article 4A of Chapter 14 of the General Statutes;

16 (1a) G.S. 14-43.11;

17 (2) G.S. 14-277.1;

18 (3) G.S. 14-277.2;

19 (4) G.S. 14-283;

20 (5) G.S. 14-284;

21 (6) G.S. 14-284.1;

22 (7) G.S. 14-288.2;

23 (8) G.S. 14-288.7;

24 (9) G.S. 14-288.8;

25 (10) G.S. 14-288.20;

26 (10a) G.S. 14-288.21;

27 (10b) G.S. 14-288.22;

28 (10c) G.S. 14-288.23;

29 (10d) G.S. 14-288.24;

30 (11) G.S. 14-284.2;

31 (12) G.S. 14-399(e);

32 (12a) G.S. 15A-287 and G.S. 15A-288;

33 (13) G.S. 130A-26.1;

34 (14) G.S. 143-215.6B;

35 (15) G.S. 143-215.88B; and

36 (16) G.S. 143-215.114B."

37 **SECTION 16.1.(h)** G.S. 143-651 reads as rewritten:

38 **"§ 143-651. Definitions.**

39 The following definitions apply in this Article:

40 ...

41 ~~(4a) Branch. — The Alcohol Law Enforcement Branch of the State Bureau of~~
 42 ~~Investigation.~~

43 ...

44 (7a) Division. — The Alcohol Law Enforcement Division of the Department of
 45 Public Safety.

46 ...

47 (23b) Sanctioned amateur match. — Any match regulated by an amateur sports
 48 organization that has been recognized and approved by the ~~Branch~~Division.

49"

50 **SECTION 16.1.(i)** The following statutes are amended by deleting the word
 51 "Branch" wherever it appears in uppercase and substituting "Division": G.S. 18B-101(5),

1 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, 18B-903, 18B-904, 18C-163(b),
2 19-2.1, 105-259(b)(15), and 143-652.1 through 143-656.

3 **SECTION 16.1.(j)** Notwithstanding any other provision of law, there shall be no
4 transfer of positions to or from the Alcohol Law Enforcement Branch (Budget Code 14550,
5 fund code 1401) and no changes to the total authorized budget of the Alcohol Law
6 Enforcement Branch, as it existed on March 1, 2017, prior to the transfer of the Alcohol Law
7 Enforcement Branch from the State Bureau of Investigation to the Department of Public Safety.
8 Under no circumstances shall funds be expended from Budget Code 24555-2410 – Law
9 Enforcement – ALE Federal Forfeiture – US DOJ or Budget Code 24555-2415 – Law
10 Enforcement – ALE Federal Forfeiture – US Treasury prior to the transfer of the Alcohol Law
11 Enforcement Branch to the Department of Public Safety, unless those expenditures were
12 reported to the General Assembly on or before March 1, 2017. This subsection shall not apply
13 to transfers of positions or changes to the total authorized budget of the Alcohol Law
14 Enforcement Branch that are expressly required by the Committee Report described in Section
15 39.2 of this act.

16 **SECTION 16.1.(j1)** G.S. 143-341(8) reads as rewritten:

17 **"§ 143-341. Powers and duties of Department.**

18 The Department of Administration has the following powers and duties:

19 ...

20 (8) General Services:

21 ...

22 i. To establish and operate a central motor fleet and such subsidiary
23 related facilities as the Secretary may deem necessary, and to that
24 end:

25 ...

26 3. To require on a schedule determined by the Department all
27 State agencies to transfer ownership, custody or control of
28 any or all passenger motor vehicles within the ownership,
29 custody or control of that agency to the Department, except
30 those motor vehicles under the ownership, custody or control
31 of the Highway Patrol, the State Bureau of
32 ~~Investigation, Investigation, the Alcohol Law Enforcement~~
33 Division, the State Capitol Police, or the constituent
34 institutions of The University of North Carolina which are
35 used primarily for law-enforcement purposes."

36 **SECTION 16.1.(j2)** G.S. 143B-1325(c) reads as rewritten:

37 **"§ 143B-1325. Transition to Department of Information Technology.**

38 ...

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

43 ...

44 (13) Department of Public Safety, with the exception of the following:

- 45 a. State Bureau of Investigation.
46 b. State Highway Patrol.
47 c. Division of Emergency Management.
48 d. Alcohol Law Enforcement Division.
49 e. State Capitol Police."

1 **SECTION 16.1.(j3)** The following statutes are amended by deleting the language
2 "State Bureau of Investigation" wherever it appears and substituting "Alcohol Law
3 Enforcement Division": G.S. 14-309.7, 14-309.11, and 14-309.14.

4 **SECTION 16.1.(j4)** The following statutes are amended by deleting the language
5 "Bureau" wherever it appears in uppercase and substituting "Division": G.S. 14-309.7 and
6 14-309.14."
7

8 **CREATE DIVISION OF STATE CAPITOL POLICE IN THE DEPARTMENT OF** 9 **PUBLIC SAFETY**

10 **SECTION 16.1.(k)** The State Capitol Police Section of the State Highway Patrol
11 shall be relocated as a Division of the Department of Public Safety.

12 **SECTION 16.1.(l)** Subpart B of Part 4 of Article 13 of Chapter 143B of the
13 General Statutes reads as rewritten:

14 "Subpart B. State Capitol ~~Police~~Police Division.

15 "**§ 143B-911. Creation of State Capitol Police Section—Division; powers and duties.**

16 (a) ~~Section—Division Established. – There is hereby established, within the State~~
17 ~~Highway Patrol of the Department of Public Safety.~~ There is created the State Capitol Police
18 Section, which shall be organized and staffed in accordance with applicable laws and
19 regulations and within the limits of authorized appropriations. The Chief, special officers, and
20 employees of the State Capitol Police Section are not considered members of the State
21 Highway Patrol. Division of the Department of Public Safety with the organization, powers, and
22 duties defined in Article 1 of this Chapter, except as modified in this Part.

23 (b) Purpose. – The State Capitol Police ~~Section~~Division shall serve as a special police
24 agency of the Department of Public Safety. The Chief of the State Capitol Police, appointed by
25 the Secretary pursuant to G.S. 143B-602, with the approval of the Governor, may appoint as
26 special police officers such reliable persons as ~~he~~the Chief may deem necessary.

27 "

28 **SECTION 16.1.(m)** G.S. 143B-602(8) reads as rewritten:

29 "**§ 143B-602. Powers and duties of the Secretary of Public Safety.**

30 The Secretary of Public Safety shall have the powers and duties as are conferred on the
31 Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the
32 Secretary by the Constitution and laws of this State. These powers and duties include the
33 following:

34 ...

35 (8) Other powers and duties. – The Secretary has the following additional
36 powers and duties:

37 ...

38 f. Appointing, with the Governor's approval, a special police officer to
39 serve as Chief of the State Capitol Police ~~Section of the State~~
40 Highway Patrol. Division.

41 "

42 **SECTION 16.1.(n)** Notwithstanding any other provision of law, there shall be no
43 transfer of positions to or from the State Capitol Police Section (Budget Code 14550, fund code
44 1402) and no changes to the total authorized budget of the State Capitol Police Section, as it
45 existed on March 1, 2017, prior to the transfer of the State Capitol Police from the State
46 Highway Patrol to the Department of Public Safety. This subsection shall not apply to transfers
47 of positions or changes to the total authorized budget of the State Capitol Police that are
48 expressly required by the Committee Report described in Section 39.2 of this act.

49 **NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES**

50

1 **SECTION 16.2.(a)** Notwithstanding any other provision of law, the Office of State
2 Budget and Management shall not transfer any positions, personnel, or funds from the
3 Department of Public Safety to any other State agency during the 2017-2019 fiscal biennium
4 unless the transfer was included in the base budget for one or both fiscal years of the biennium.
5 This subsection shall not apply to any of the following annual transfers to the Office of the
6 Governor:

- 7 (1) Two hundred thirty-four thousand eight hundred ninety-one dollars
8 (\$234,891) for administrative support.
- 9 (2) Up to fifty thousand dollars (\$50,000) for litigation expenses.

10 **SECTION 16.2.(b)** This section becomes effective July 1, 2017. If any transfers
11 that violate this section are made prior to this section becoming effective, those transfers shall
12 be undone within 15 days of this section becoming effective.
13

14 **LAPSED SALARY REPORT**

15 **SECTION 16.3.** The Department of Public Safety shall report on February 1 and
16 August 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and
17 Public Safety and the chairs of the House of Representatives Appropriations Committee on
18 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public
19 Safety. The report shall include the following:

- 20 (1) Amount of lapsed salary generated by fund code for the previous six months.
- 21 (2) An itemized accounting of the use of lapsed salary funds including:
 - 22 a. Fund code.
 - 23 b. Current certified budget.
 - 24 c. Annual projected expenditure.
 - 25 d. Annual projected shortfall.
 - 26 e. Amount of lapsed salary funds transferred to date.

27 The August 1 report shall include an annual accounting of this information for the previous
28 fiscal year.
29

30 **PILOT PROJECT TO TREAT OPIATE OVERDOSE**

31 **SECTION 16.3A.(a)** Pilot Project. – The Department of Public Safety, in
32 conjunction with the City of Wilmington, shall develop and implement a pilot project to
33 establish a Quick Response Team (QRT) to address the needs of opiate and heroin overdose
34 victims who are not getting follow-up treatment. The QRT shall be staffed by firefighters,
35 police officers, medics, behavioral health specialists, and other law enforcement as determined
36 by the Department of Public Safety and the City of Wilmington. The Department of Public
37 Safety and the City of Wilmington shall work together to develop the policy and procedures for
38 the QRT. In doing so, all of the following shall be considered:

- 39 (1) Increase engagement and treatment with family counseling and recovery
40 groups.
- 41 (2) Provide follow-up care to survivable overdose incidents with police or
42 medics and licensed counselors.
- 43 (3) Provide short-term and long-term support to overdose victims and families.
- 44 (4) Provide follow-up within three to five days after an initial incident.
- 45 (5) Create a fatality review panel to analyze and keep track of the deaths of
46 those served by QRT.

47 **SECTION 16.3A.(b)** Report. – The Department of Public Safety and the City of
48 Wilmington shall report on the results of the pilot project to the chairs of the Joint Legislative
49 Oversight Committee on Justice and Public Safety by February 1, 2019.
50

51 **GRANT REPORTING AND MATCHING FUNDS**

1 **SECTION 16.5.(a)** The Department of Public Safety, the Department of Justice,
2 and the Judicial Department shall each report by May 1 of each year to the chairs of the House
3 of Representatives Appropriations Committee on Justice and Public Safety and the Senate
4 Appropriations Committee on Justice and Public Safety on grant funds received or preapproved
5 for receipt by those departments. The report shall include information on the amount of grant
6 funds received or preapproved for receipt by each department, the use of the funds, the State
7 match expended to receive the funds, and the period to be covered by each grant. If a
8 department intends to continue the program beyond the end of the grant period, that department
9 shall report on the proposed method for continuing the funding of the program at the end of the
10 grant period. Each department shall also report on any information it may have indicating that
11 the State will be requested to provide future funding for a program presently supported by a
12 local grant.

13 **SECTION 16.5.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the
14 Department of Public Safety may use up to the sum of one million two hundred thousand
15 dollars (\$1,200,000) during the 2017-2018 fiscal year and up to the sum of one million two
16 hundred thousand dollars (\$1,200,000) during the 2018-2019 fiscal year from funds available to
17 the Department to provide the State match needed in order to receive grant funds. Prior to using
18 funds for this purpose, the Department shall report to the chairs of the House of Representatives
19 Appropriations Committee on Justice and Public Safety and the Senate Appropriations
20 Committee on Justice and Public Safety on the grants to be matched using these funds.

21 **EXPAND CRIME VICTIMS' SERVICES**

22 **SECTION 16.6.(a)** G.S. 15B-2 reads as rewritten:

23 **"§ 15B-2. Definitions.**

24 As used in this Article, the following definitions apply, unless the context requires
25 otherwise:

- 26 (1) Allowable expense. – Reasonable charges incurred for reasonably needed
27 products, services, and accommodations, including those for medical care,
28 rehabilitation, medically-related property, and other remedial treatment and
29 care.
30

31 Allowable expense includes a total charge not in excess of five thousand
32 dollars (\$5,000) for expenses related to funeral, cremation, and burial,
33 including transportation of a body, but excluding expenses for flowers,
34 gravestone, and other items not directly related to the funeral service.

35 Allowable expense for medical care, counseling, rehabilitation,
36 medically-related property, and other remedial treatment and care of a victim
37 shall be limited to sixty-six and two-thirds percent (66 2/3%) of the amount
38 usually charged by the provider for the treatment or care. By accepting the
39 compensation paid as allowable expense pursuant to this subdivision, the
40 provider agrees that the compensation is payment in full for the treatment or
41 care and shall not charge or otherwise hold a claimant financially
42 responsible for the cost of services in addition to the amount of allowable
43 expense.

44 Allowable expense also includes:

- 45 a. A charge not in excess of three thousand dollars (\$3,000) for
46 counseling for immediate family members of children under the age
47 of 18 who are victims of rape, sexual assault, or domestic violence.
48 b. A charge not in excess of three thousand dollars (\$3,000) for family
49 and/or grief counseling for immediate family members of homicide
50 victims.

(2) Claimant. – Any of the following persons who claims an award of compensation under this Article:

...

f. An immediate family member applying for benefits for the purpose of obtaining family or grief counseling.

g. An immediate family member of an adolescent rape, sexual assault, or domestic violence victim for the purpose of obtaining counseling.

The claimant, however, may not be the offender or an accomplice of the offender who committed the criminally injurious conduct, except as provided in sub-subdivision e. of this subdivision.

...."

SECTION 16.6.(b) This section is effective when it becomes law.

GRANTS FOR LAW ENFORCEMENT CAMERAS

SECTION 16.7.(a) Funds appropriated in S.L. 2015-241 to the Department of Public Safety for body-worn camera grants shall be used to provide matching grants to local and county law enforcement agencies to purchase and place into service body-worn or dashboard video cameras, as defined by G.S. 132-1.4, and for training and related expenses. These grant funds shall be administered by the Governor's Crime Commission, which shall develop guidelines and procedures for the administration and distribution of grants to those agencies. These guidelines and procedures shall include the following requirements and limitations:

- (1) The maximum grant amount shall not exceed one hundred thousand dollars (\$100,000).
- (2) Recipient law enforcement agencies shall be required to provide one dollar (\$1.00) of local funds for every one dollar (\$1.00) of grant funds received.
- (3) Grantees shall be required to have appropriate policies and procedures in place governing the operation of body-worn or dashboard cameras, as defined by G.S. 132-1.4, and the proper storage of images recorded with those cameras.

SECTION 16.7.(b) The Governor's Crime Commission shall submit a report on the grant funds distributed pursuant to this section during the 2017-2018 fiscal year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety no later than August 1, 2018.

SECTION 16.7.(c) Definition. – The term "body-worn camera" means an operational video camera, including a microphone or other mechanism for allowing audio capture, affixed to a law enforcement officer's uniform and positioned in a way that allows the video camera to capture interactions the law enforcement officer has with the public.

SUBPART XVI-A. GENERAL PROVISIONS [RESERVED]

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS

SECTION 16B.1.(a) Creation of Receipt-Supported Positions Authorized. – The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 16B.1.(b) Annual Report Required. – No later than September 1 of each fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on Justice and Public Safety the following information for the fiscal year in which the report is due:

- 1 (1) A list of all positions in the State Capitol Police. For each position listed, the
2 report shall include at least the following information:
3 a. The position type.
4 b. The agency to which the position is assigned.
5 c. The source of funding for the position.
6 (2) For each receipt-supported position listed, the contract and any other terms
7 of the contract.

8 **SECTION 16B.1.(c)** Additional Reporting Required Upon Creation of
9 Receipt-Supported Positions. – In addition to the report required by subsection (b) of this
10 section, the State Capitol Police shall report the creation of any position pursuant to subsection
11 (a) of this section to the chairs of the House of Representatives Appropriations Committee on
12 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public
13 Safety and to the Fiscal Research Division within 30 days of the position's creation. A report
14 submitted pursuant to this section shall include at least the following information:

- 15 (1) The position type.
16 (2) The agency to which the position is being assigned.
17 (3) The position salary.
18 (4) The total amount of the contract.
19 (5) The terms of the contract.

20 **SECTION 16B.1.(d)** Format of Reports. – Reports submitted pursuant to this
21 section shall be submitted electronically and in accordance with any applicable General
22 Assembly standards.
23

24 **USE OF SEIZED AND FORFEITED PROPERTY**

25 **SECTION 16B.2.(a)** Seized and forfeited assets transferred to the Department of
26 Justice or to the Department of Public Safety during the 2017-2019 fiscal biennium pursuant to
27 applicable federal law shall be credited to the budget of the recipient department and shall
28 result in an increase of law enforcement resources for that department. The Department of
29 Public Safety and the Department of Justice shall each make the following reports to the chairs
30 of the House of Representatives Appropriations Committee on Justice and Public Safety and
31 Senate Appropriations Committee on Justice and Public Safety:

- 32 (1) A report upon receipt of any assets.
33 (2) A report that shall be made prior to use of the assets on their intended use
34 and the departmental priorities on which the assets may be expended.
35 (3) A report on receipts, expenditures, encumbrances, and availability of these
36 assets for the previous fiscal year, which shall be made no later than
37 September 1 of each year.

38 **SECTION 16B.2.(b)** The General Assembly finds that the use of seized and
39 forfeited assets transferred pursuant to federal law for new personnel positions, new projects,
40 acquisition of real property, repair of buildings where the repair includes structural change, and
41 construction of or additions to buildings may result in additional expenses for the State in
42 future fiscal periods. Therefore, the Department of Justice and Department of Public Safety are
43 prohibited from using these assets for such purposes without the prior approval of the General
44 Assembly.

45 **SECTION 16B.2.(c)** Nothing in this section prohibits State law enforcement
46 agencies from receiving funds from the United States Department of Justice, the United States
47 Department of the Treasury, and the United States Department of Health and Human Services.

48 **SECTION 16B.2.(d)** The Joint Legislative Oversight Committee on Justice and
49 Public Safety shall study the impact on State and local law enforcement efforts of the receipt of
50 seized and forfeited assets. The Committee shall report its findings and recommendations prior
51 to the convening of the 2018 Regular Session of the 2017 General Assembly.

LIEUTENANT GOVERNOR EXECUTIVE PROTECTION DETAIL

SECTION 16B.4.(a) Article 4 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"§ 20-189.1. Lieutenant Governor Executive Protection Detail.

(a) Creation. – There is created within the Highway Patrol a Lieutenant Governor's Executive Protection Detail. The Lieutenant Governor shall submit the names of three sworn members in good standing of the North Carolina Highway Patrol to the Commander, and the Commander shall assign those officers to serve in the Lieutenant Governor's Executive Protection Detail. The Lieutenant Governor is authorized to remove any members of the detail, with or without cause. If the Lieutenant Governor removes a member of the detail, the Lieutenant Governor shall submit to the Commander the name of an officer to replace the member who has been removed and the Commander shall assign the replacement. Members of the Lieutenant Governor's Executive Protection Detail shall continue to be employed by the North Carolina Highway Patrol subject to the laws, rules, and regulations of the Highway Patrol. The North Carolina Highway Patrol shall provide vehicles necessary for the carrying out of the Detail's duties under this Article.

(b) Duties. – The members of the Lieutenant Governor's Executive Protection Detail shall protect the Lieutenant Governor and the Lieutenant Governor's immediate family and perform duties as assigned by the Lieutenant Governor relating to the protection of the Lieutenant Governor."

SECTION 16B.4.(b) This section is effective when this act becomes law.

STUDIES TO ENHANCE PUBLIC SAFETY/PED

SECTION 16B.5.(a) The Joint Legislative Program Evaluation Oversight Committee shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include the following:

- (1) An evaluation of the Voice Interoperability Plan for Emergency Responders (VIPER) and FirstNet technologies. Specifically, the Program Evaluation Division shall:
 - a. Examine the current state of VIPER and FirstNet technology and identify long-term future equipment needs and upgrades.
 - b. Examine the services provided by VIPER and FirstNet, the interoperability of the two systems, whether or not there are duplications in the system functions, and any opportunities for efficiencies and cost-sharing.
 - c. Evaluate the need for VIPER upgrades, including the immediate transition to GTR base stations and the potential establishment of regularly scheduled updates to ensure the system remains current and reliable in the future.
 - d. Identify the most effective governance and operational financing structure to ensure equitable and reasonable cost-sharing and optimal system adoption by public safety agency stakeholders.
- (2) An evaluation of the current security measures for the downtown Raleigh State Government complex and options to create cost-efficient and comprehensive security plans.

SECTION 16B.5.(b) The Program Evaluation Division shall submit the evaluation required under subdivision (a)(1) of this section to the Joint Legislative Program Evaluation Oversight Committee and to the Joint Legislative Oversight Committee on Justice and Public Safety no later than March 1, 2018.

1 **SECTION 16B.5.(c)** Pursuant to G.S. 132-1.7, the public security information
2 collected by the Program Evaluation Division as a result of the evaluation required under
3 subdivision (a)(2) of this section is not a public record. The Program Evaluation Division shall
4 complete its evaluation no later than March 1, 2018. Notwithstanding G.S. 120-36.16(3), the
5 Program Evaluation Division shall submit its evaluation, including findings and
6 recommendations to the Governor, the President Pro Tempore of the Senate, and the Speaker of
7 the House of Representatives. The evaluation is not a public record as defined in G.S. 132-1.

8 9 **SHP ELIGIBLE FOR PSAP GRANT/911 PROJECTS**

10 **SECTION 16B.7.** G.S. 143B-1407 is amended by adding a new subsection to read:
11 "(f) Application to State Highway Patrol. – The State Highway Patrol is an eligible
12 PSAP for purposes of applying to the 911 Board for a grant from the PSAP Grant and
13 Statewide 911 Projects Account. This subsection applies to funds collected on or after July 1,
14 2017."

15 16 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

17 18 **USE OF CLOSED FACILITIES**

19 **SECTION 16C.1.(a)** In conjunction with the closing of prison facilities, youth
20 detention centers, and youth development centers, the Department of Public Safety shall
21 consult with the county or municipality in which the facility is located, with elected State and
22 local officials, and with State and federal agencies about the possibility of converting that
23 facility to other use. The Department may also consult with any private for-profit or nonprofit
24 firm about the possibility of converting the facility to other use. In developing a proposal for
25 future use of each facility, the Department shall give priority to converting the facility to other
26 criminal justice use. Consistent with existing law and the future needs of the Department of
27 Public Safety, the State may provide for the transfer or the lease of any of these facilities to
28 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert
29 them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to
30 this section. The Department of Public Safety may also consider converting some of the
31 facilities recommended for closing from one security custody level to another, where that
32 conversion would be cost-effective. A prison unit under lease to a county pursuant to the
33 provisions of this section for use as a jail is exempt for the period of the lease from any of the
34 minimum standards adopted by the Secretary of Health and Human Services pursuant to
35 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater
36 standards than those required of a unit of the State prison system.

37 **SECTION 16C.1.(b)** The Department may convert closed facilities for the
38 following purposes:

- 39 (1) Training needs.
- 40 (2) Behavior modification facilities.
- 41 (3) Transitional housing.

42 Sixty days prior to converting facilities to these purposes, the Department shall
43 report to the Joint Legislative Oversight Committee on Justice and Public Safety. The report
44 shall include the justification for the conversion, operational requirements for the facility, and
45 available resources for staffing and operating the facility. If the proposed facility will require
46 additional funding in the future, the report shall provide a five-year projection of those funding
47 needs.

48 49 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL** 50 **EXPENSES**

1 **SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public
2 Safety may use funds available to the Department for the 2017-2019 fiscal biennium to
3 reimburse counties for the cost of housing convicted inmates, parolees, and post-release
4 supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The
5 reimbursement may not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer.
6 The Department shall report annually by February 1 of each year to the chairs of the Joint
7 Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of
8 Representatives Appropriations Committee on Justice and Public Safety and the Senate
9 Appropriations Committee on Justice and Public Safety on the expenditure of funds to
10 reimburse counties for prisoners awaiting transfer.

11 12 **CENTER FOR COMMUNITY TRANSITIONS/ CONTRACT AND REPORT**

13 **SECTION 16C.3.** The Department of Public Safety may continue to contract with
14 The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison
15 beds for minimum security female inmates during the 2017-2019 fiscal biennium. The Center
16 for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the
17 House of Representatives Appropriations Committee on Justice and Public Safety and the
18 Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate
19 and the average daily inmate population compared to bed capacity using the same methodology
20 as that used by the Department of Public Safety.

21 22 **INMATE CONSTRUCTION PROGRAM**

23 **SECTION 16C.4.** Notwithstanding any other provision of law but subject to
24 Article 3 of Chapter 148 of the General Statutes, during the 2017-2019 fiscal biennium, the
25 State Construction Office may utilize inmates in the custody of the Division of Adult
26 Correction of the Department of Public Safety through the Inmate Construction Program for
27 repair and renovation projects on State-owned facilities, with priority given to Department of
28 Public Safety construction projects. State agencies utilizing the Inmate Construction Program
29 shall reimburse the Division of Adult Correction of the Department of Public Safety for the
30 cost of transportation, custody, and wages for the inmate crews.

31 32 **STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM**

33 **SECTION 16C.5.(a)** The North Carolina Sheriffs' Association shall report no later
34 than the 15th day of each month to the Office of State Budget and Management and the Fiscal
35 Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report
36 shall include all of the following:

- 37 (1) The daily population, delineated by misdemeanor or DWI monthly housing.
- 38 (2) The cost of housing prisoners under the Program.
- 39 (3) The cost of transporting prisoners under the Program.
- 40 (4) Personnel costs.
- 41 (5) Inmate medical care costs.
- 42 (6) The number of counties that volunteer to house inmates under the Program.
- 43 (7) The administrative costs paid to the Sheriffs' Association and to the
44 Department of Public Safety.

45 **SECTION 16C.5.(b)** The North Carolina Sheriffs' Association shall report no later
46 than October 1 of each year to the chairs of the House of Representatives Appropriations
47 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
48 and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety
49 on the Statewide Misdemeanant Confinement Program. The report shall include the following
50 with respect to the prior fiscal year:

- 51 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.

- 1 (2) The cost of housing prisoners by county under the Program.
- 2 (3) The cost of transporting prisoners by county under the Program.
- 3 (4) Personnel costs by county.
- 4 (5) Inmate medical care costs by county.
- 5 (6) The number of counties that volunteer to house inmates under the Program.
- 6 (7) The administrative costs paid to the Sheriffs' Association and to the
- 7 Department of Public Safety.

8 **SECTION 16C.5.(c)** Of the funds appropriated in this act for the Statewide
9 Misdemeanant Confinement Program:

- 10 (1) The sum of one million dollars (\$1,000,000) shall be transferred to the North
11 Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the
12 Program and for administrative and operating expenses of the Association
13 and its staff.
- 14 (2) The sum of two hundred twenty-five thousand dollars (\$225,000) shall be
15 allocated to the Division of Adult Correction for its administrative and
16 operating expenses for the Program.
- 17

18 **WESTERN YOUTH INSTITUTION ASSET REPORT**

19 **SECTION 16C.6.** The Department of Public Safety (DPS) shall make every effort
20 to ensure that equipment and other State resources in buildings that are scheduled for
21 demolition or otherwise not being used are recovered for use elsewhere. DPS shall report by
22 March 1, 2018, on assets salvaged from the Western Youth Institution prior to demolition. The
23 report shall include the type of asset salvaged, the estimated value of the asset, where it was
24 used, and the savings associated with relocating the asset to another facility.

25 **ELIMINATE OBSOLETE PILOT PROGRAM**

26 **SECTION 16C.7.** G.S. 143B-706 is repealed.

27 **DOT CONTRACT FOR INMATE LITTER CREW**

28 **SECTION 16C.8.** After the issuance of a request for information (RFI) and receipt
29 of bids by the Department of Transportation for litter pickup on State highways and roads, the
30 Department of Transportation shall first offer the contract to the Division of Adult Correction
31 upon the same terms and conditions as the most favorable bid received by the Department of
32 Transportation from a suitable contractor. The Division of Adult Correction shall have 30 days
33 to accept or decline the offered contract.

34 **WORKERS' COMPENSATION/PRISON INMATES**

35 **SECTION 16C.9.(a)** G.S. 97-13 reads as rewritten:

36 **"§ 97-13. Exceptions from provisions of Article.**

37 (a) Employees of Certain Railroads. – This Article shall not apply to railroads or
38 railroad employees nor in any way repeal, amend, alter or affect Article 8 of Chapter 60 or any
39 section thereof relating to the liability of railroads for injuries to employees, nor upon the trial
40 of any action in tort for injuries not coming under the provisions of this Article, shall any
41 provision herein be placed in evidence or be permitted to be argued to the jury. Provided,
42 however, that the foregoing exemption to railroads and railroad employees shall not apply to
43 employees of a State-owned railroad company, as defined in G.S. 124-11, or to electric street
44 railroads or employees thereof; and this Article shall apply to electric street railroads and
45 employees thereof and to this extent the provisions of Article 8 of Chapter 60 are hereby
46 amended.

47 (b) Casual Employment, Domestic Servants, Farm Laborers, Federal Government,
48 Employer of Less than Three Employees. – This Article shall not apply to casual employees,
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50
51

1 farm laborers when fewer than 10 full-time nonseasonal farm laborers are regularly employed
2 by the same employer, federal government employees in North Carolina, and domestic
3 servants, nor to employees of such persons, nor to any person, firm or private corporation that
4 has regularly in service less than three employees in the same business within this State, except
5 that any employer without regard to number of employees, including an employer of domestic
6 servants, farm laborers, or one who previously had exempted himself, who has purchased
7 workers' compensation insurance to cover his compensation liability shall be conclusively
8 presumed during life of the policy to have accepted the provisions of this Article from the
9 effective date of said policy and his employees shall be so bound unless waived as provided in
10 this Article; provided however, that this Article shall apply to all employers of one or more
11 employees who are employed in activities which involve the use or presence of radiation.

12 (c) Most Prisoners. – This Article shall not apply to prisoners being worked by the State
13 or any subdivision thereof, ~~except to the following extent: as provided in this subsection and~~
14 subsection (c1) of this section. Whenever any prisoner assigned to the Division of Adult
15 Correction of the Department of Public Safety shall suffer accidental injury or accidental death
16 arising out of and in the course of the employment to which he had been assigned, if there be
17 death or if the results of such injury continue until after the date of the lawful discharge of such
18 prisoner to such an extent as to amount to a disability as defined in this Article, then such
19 discharged prisoner or the dependents or next of kin of such discharged prisoner may have the
20 benefit of this Article by applying to the Industrial Commission as any other employee;
21 provided, such application is made within 12 months from the date of the discharge; and
22 provided further that the maximum compensation to any prisoner or to the dependents or next
23 of kin of any deceased prisoner shall not exceed thirty dollars (\$30.00) per week and the period
24 of compensation shall relate to the date of his discharge rather than the date of the accident. If
25 any person who has been awarded compensation under the provisions of this subsection shall
26 be recommitted to prison upon conviction of an offense committed subsequent to the award,
27 such compensation shall immediately cease. Any awards made under the terms of this
28 subsection shall be paid by the Department of Public Safety from the funds available for the
29 operation of the Division of Adult Correction of the Department of Public Safety. The
30 provisions of G.S. 97-10.1 and 97-10.2 shall apply to prisoners and discharged prisoners
31 entitled to compensation under this subsection and to the State in the same manner as said
32 section applies to employees and employers.

33 (c1) Certain Inmates. – The average weekly wage of inmates employed pursuant to the
34 Prison Industry Enhancement Program shall be calculated pursuant to G.S. 97-2(5).

35 (d) Sellers of Agricultural Products. – This Article shall not apply to persons, firms or
36 corporations engaged in selling agricultural products for the producers thereof on commission
37 or for other compensation, paid by the producers, provided the product is prepared for sale by
38 the producer."

39 **SECTION 16C.9.(b)** This section is effective when this act becomes law.
40

41 **STATE REENTRY COUNCIL COLLABORATIVE**

42 **SECTION 16C.10.** Part 1 of Article 13 of Chapter 143B of the General Statutes is
43 amended by adding a new section to read:

44 **"§ 143B-604. State Reentry Council Collaborative.**

45 (a) The Secretary shall establish the State Reentry Council Collaborative (SRCC). The
46 SRCC shall include up to two representatives from each of the following:

47 (1) The Division of Motor Vehicles.

48 (2) The Department of Health and Human Services.

49 (3) The Administrative Office of the Courts.

50 (4) The North Carolina Community College System.

51 (5) The Division of Adult Correction of the Department of Public Safety.

1 (6) Any other agency that the Secretary deems relevant.

2 (b) The Secretary, or the Secretary's designee, shall chair the SRCC which shall meet at
3 least quarterly upon the call of the chair. The SRCC shall study the needs of ex-offenders who
4 have been recently released from a correctional institution and to increase the effectiveness of
5 local reentry councils.

6 (c) Beginning November 1, 2017, and annually thereafter, the SRCC shall report its
7 findings and recommendations to the Joint Legislative Oversight Committee on Justice and
8 Public Safety."

9
10 **INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND**
11 **EQUIPMENT PURCHASES SECTIONS**

12 **SECTION 16C.11.** Notwithstanding the provisions of G.S. 148-65.7, fees
13 collected for the Interstate Compact Fund during the 2017-2019 fiscal biennium may be used
14 by the Division of Adult Correction of the Department of Public Safety during the 2017-2019
15 fiscal biennium to provide training programs and equipment purchases for the Section of
16 Community Corrections, but only to the extent sufficient funds remain available in the Fund to
17 support the mission of the Interstate Compact Program.

18
19 **STUDY INMATE HEALTH INFORMATION EXCHANGE SOFTWARE**

20 **SECTION 16C.11A.** The Department of Public Safety, in collaboration with the
21 Department of Health and Human Services, shall study the feasibility of the State acquiring and
22 implementing an inmate health information exchange program to allow for the secure and
23 effective transfer of pertinent medical information on an inmate, including the ability to upload
24 and transmit test results, so that the need for replication of tests is either minimized or
25 eliminated. The Departments shall report their findings and recommendations, including any
26 legislative proposals, to the Joint Legislative Committees on Justice and Public Safety and
27 Health and Human Services by February 1, 2018.

28
29 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

30
31 **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

32 **SECTION 16D.1.(a)** Funds appropriated in this act to the Department of Public
33 Safety for the 2017-2019 fiscal biennium for community program contracts that are not
34 required for or used for community program contracts may be used only for the following:

- 35 (1) Other statewide residential programs that provide Level 2 intermediate
36 dispositional alternatives for juveniles.
37 (2) Statewide community programs that provide Level 2 intermediate
38 dispositional alternatives for juveniles.
39 (3) Regional programs that are collaboratives of two or more Juvenile Crime
40 Prevention Councils which provide Level 2 intermediate dispositional
41 alternatives for juveniles.
42 (4) The Juvenile Crime Prevention Council funds to be used for the Level 2
43 intermediate dispositional alternatives for juveniles listed in
44 G.S. 7B-2506(13) through (23).

45 **SECTION 16D.1.(b)** Funds appropriated by this act to the Department of Public
46 Safety for the 2017-2019 fiscal biennium for community programs may not be used for
47 staffing, operations, maintenance, or any other expenses of youth development centers or
48 detention facilities.

49 **SECTION 16D.1.(c)** The Department of Public Safety shall submit an electronic
50 report by October 1 of each year of the 2017-2019 fiscal biennium on all expenditures made in
51 the preceding fiscal year from the miscellaneous contract line in Fund Code 1230 to the chairs

1 of the House of Representatives Appropriations Committee on Justice and Public Safety and
2 the Senate Appropriations Committee on Justice and Public Safety and the Fiscal Research
3 Division. The report shall include all of the following: an itemized list of the contracts that have
4 been executed, the amount of each contract, the date the contract was executed, the purpose of
5 the contract, the number of juveniles that will be served and the manner in which they will be
6 served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an
7 itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention
8 Council fund.

10 STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

11 **SECTION 16D.2.** Funds appropriated in this act to the Department of Public
12 Safety for each fiscal year of the 2017-2019 fiscal biennium may be used as matching funds for
13 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile
14 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State
15 Budget and Management and the Governor's Crime Commission shall consult with the
16 Department of Public Safety regarding the criteria for awarding federal funds. The Office of
17 State Budget and Management, the Governor's Crime Commission, and the Department of
18 Public Safety shall report to the chairs of the House of Representatives Appropriations
19 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
20 and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety
21 prior to allocation of the federal funds. The report shall identify the amount of funds to be
22 received for the 2017-2018 fiscal year, the amount of funds anticipated for the 2018-2019 fiscal
23 year, and the allocation of funds by program and purpose.

25 JUVENILE CRIME PREVENTION COUNCIL FUNDS

26 **SECTION 16D.3.** G.S. 143B-852(a) reads as rewritten:

27 "(a) On or before February 1 of each year, the Department of Public Safety shall submit
28 to the Chairs of the Joint Legislative ~~Commission on Governmental Operations Oversight~~
29 Committee on Justice and Public Safety and the Chairs of the ~~Senate and House of~~
30 Representatives Appropriations Subcommittees Committee on Justice and Public Safety and the
31 Senate Appropriations Committee on Justice and Public Safety a list of the recipients of the
32 grants awarded, or preapproved for award, from funds appropriated to the Department for local
33 Juvenile Crime Prevention Council (JCPC) grants, including the following information:

- 34 (1) The amount of the grant awarded.
- 35 (2) The membership of the local committee or council administering the award
36 funds on the local level.
- 37 (3) The type of program funded.
- 38 (4) A short description of the local services, programs, or projects that will
39 receive funds.
- 40 (5) Identification of any programs that received grant funds at one time but for
41 which funding has been eliminated by the Department.
- 42 (6) The number of at-risk, diverted, and adjudicated juveniles served by each
43 county.
- 44 (7) The Department's actions to ensure that county JCPCs prioritize funding for
45 dispositions of intermediate and community-level sanctions for
46 court-adjudicated juveniles under minimum standards adopted by the
47 Department.
- 48 (8) The total cost for each funded program, including the cost per juvenile and
49 the essential elements of the program."
- 50

51 SUBPART XVI-E. EMERGENCY MANAGEMENT AND NATIONAL GUARD

1
2 **SEARCH AND RESCUE CHANGES**

3 **SECTION 16E.2.** Article 6 of Chapter 166A of the General Statutes reads as
4 rewritten:

5 "Article 6.

6 "~~Urban-State~~ Search and Rescue.

7 **"§ 166A-65. Definitions.**

8 The following definitions apply in this Article:

- 9 (1) Contract response team. – ~~An urban-A~~ search and rescue team, specialty
10 rescue team, or incident support team.
- 11 (2) Incident support team. – A team of trained emergency response personnel,
12 organized to provide coordination between governmental agencies and
13 nongovernmental organizations as well as technical and logistical support to
14 ~~urban~~-search and rescue teams and specialty rescue teams.
- 15 (2a) Search and rescue team. – A specialized team or group of teams, organized
16 with capabilities equivalent to search and rescue teams established under the
17 Federal Emergency Management Agency in order to assist in the removal of
18 trapped victims during emergencies, including, but not limited to, collapsed
19 structures, trench excavations, elevated locations, and other technical rescue
20 situations.
- 21 (3) Secretary. – The Secretary of the Department of Public Safety.
- 22 (4) Specialty rescue team. – A specialized response team, organized to provide
23 technical rescue assistance to first responders. The term includes, but is not
24 limited to, a canine search and rescue or disaster response team, a cave
25 search and rescue team, a collapse search and rescue team, a mine and tunnel
26 search and rescue team, and a swift water or flood search and rescue team. A
27 specialty rescue team shall be aligned with one or more of the search and
28 rescue categories within the Federal Emergency Management Agency's
29 national resource typing system.
- 30 (5) ~~Urban search and rescue team. – A specialized team or group of teams,~~
31 ~~organized with capabilities equivalent to urban search and rescue teams~~
32 ~~established under the Federal Emergency Management Agency in order to~~
33 ~~assist in the removal of trapped victims during emergencies, including, but~~
34 ~~not limited to, collapsed structures, trench excavations, elevated locations,~~
35 ~~and in other technical rescue situations.~~

36 **"§ 166A-66. ~~Urban-State~~ Search and Rescue Program.**

37 (a) The Secretary shall adopt rules establishing a program for ~~urban~~-search and rescue
38 that relies on contracts with contract response teams. The program shall be administered by the
39 Division of Emergency Management. To the extent possible, the program shall be coordinated
40 with other emergency planning activities of the State. The program shall include contract
41 response teams located strategically across the State that are available to provide 24-hour
42 dispatch from the Division of Emergency Management Operations Center. The rules for the
43 program shall include:

- 44 (1) Standards, including training, equipment, and personnel standards required
45 to operate a contract response team.
- 46 (2) Guidelines for the dispatch of a contract response team to ~~an urban-a~~ search
47 and rescue team or specialty rescue team mission.
- 48 (3) Guidelines for the on-site operations of a contract response team.
- 49 (4) Standards for administration of a contract response team, including
50 procedures for reimbursement of response costs.
- 51 (5) Refresher and specialist training for members of contract response teams.

- 1 (6) Procedures for recovering the costs of ~~an urban~~ a search and rescue team or
2 specialty rescue team mission.
- 3 (7) Procedures for bidding and contracting for ~~urban~~ search and rescue team and
4 specialty rescue team missions.
- 5 (8) Criteria for evaluating bids for ~~urban~~ search and rescue team and specialty
6 rescue team missions.
- 7 (9) Delineation of the roles of the contract response team, local public safety
8 personnel, the Division of Emergency Management's area coordinator, and
9 other State agency personnel participating in ~~an urban~~ a search and rescue
10 team or specialty rescue team mission.
- 11 (10) Procedures for the Division of Emergency Management to audit the contract
12 response teams to ensure compliance with State and federal guidelines.

13 (b) Within available appropriations, the Division of Emergency Management shall
14 spend the necessary funds for training, equipment, and other items necessary to support the
15 operations of contract response teams. The Division of Emergency Management may also
16 administer any grants of other funds made available for contract response teams, in accordance
17 with applicable rules and regulations approved by the Director of the State Budget.

18 (c) In developing the Urban-State Search and Rescue Program and adopting the rules
19 required by this section, the Secretary shall consult with the Urban-State Search and Rescue
20 Team Advisory Committee established pursuant to G.S. 166A-69.

21 **"§ 166A-67. Contracts; equipment loans.**

22 (a) The Secretary may contract with any unit or units of local government for the
23 provision of a contract response team to implement the Urban-State Search and Rescue
24 Program. Contracts are to be let consistent with the bidding and contract standards and
25 procedures adopted pursuant to G.S. 166A-66(a)(7) and G.S. 166A-66(a)(8). In entering into
26 contracts with units of local government, the Secretary may agree to provide any of the
27 following:

- 28 (1) A loan of equipment.
- 29 (2) Reimbursement of personnel costs, including the cost of callback personnel,
30 when a contract response team is authorized by the Department to respond to
31 ~~urban~~ search and rescue team and specialty rescue team missions.
- 32 (3) Reimbursement for use of equipment and vehicles owned by the contract
33 response team.
- 34 (4) Replacement of disposable materials and damaged equipment.
- 35 (5) Training expenses.
- 36 (6) Anything else agreed to by the Secretary and the contract response team.

37 (b) The Secretary shall not agree to provide reimbursement for standby time.

38 (c) Any contract entered into between the Secretary and a unit of local government for
39 the provision of a contract response team shall specify that the members of the contract
40 response team, when performing under the contract, shall not be employees of the State and
41 shall not be entitled to benefits under the Teachers' and State Employees' Retirement System or
42 for the payment by the State of federal Social Security, employment insurance, or workers'
43 compensation.

44 (d) Contract response teams that have the use of a State vehicle may use the vehicle for
45 local purposes. Where a State vehicle is used for purposes other than authorized contract
46 response to ~~an urban~~ a search and rescue team and specialty rescue team mission, the contract
47 response team shall be liable for repairs or replacements directly attributable to that use.

48 **"§ 166A-68. Immunity of contract response team personnel.**

49 Members of a contract response team shall be protected from liability under the provisions
50 of G.S. 166A-19.60(a) while on ~~an urban~~ a search and rescue team or specialty rescue team
51 mission pursuant to authorization from the Division of Emergency Management.

"§ 166A-69. ~~Urban-State~~ Search and Rescue Team Advisory Committee.

(a) The ~~Urban-State~~ Search and Rescue Team Advisory Committee is created. The Secretary shall appoint the members of the Committee and shall designate the Director or Deputy Director of the North Carolina Division of Emergency Management as the chair. In making appointments, the Secretary shall take into consideration the expertise of the appointees in the management of ~~urban~~-search and rescue or specialty response team missions. The Secretary shall appoint one representative from each of the following:

- (1) The Division of North Carolina Emergency Management, who shall be the Director or Deputy Director of the North Carolina Division of Emergency Management and who shall serve as the chair.
- (2) Each state ~~USAR~~-regional contract response team's Chief or Deputy Chief.
- (3) The North Carolina Office of State Fire Marshal.
- (4) The North Carolina Highway Patrol.
- (5) The North Carolina National Guard.
- (6) The North Carolina Association of Rescue and E.M.S., Inc.
- (7) The North Carolina Association of Fire Chiefs.
- (8) The North Carolina State Firefighters' Association.
- (9) The North Carolina Emergency Management Association.

(b) The Advisory Committee shall meet on the call of the chair, or at the request of the Secretary, provided that the Committee shall meet no less than once every year. The Department of Public Safety shall provide space for the Advisory Committee to meet. The Department shall also provide the Advisory Committee with necessary support staff and supplies to enable the Committee to carry out its duties in an effective manner.

(c) Members of the Advisory Committee shall serve without pay, but shall receive travel allowance, lodging, subsistence, and per diem as provided by G.S. 138-5.

(d) The Contract Response Team Advisory Committee shall advise the Secretary on the establishment of the ~~Urban-State~~ Search and Rescue Program. The Committee shall also evaluate and advise the Secretary of the need for additional contract response teams to serve the State."

PART XVII. DEPARTMENT OF JUSTICE**NO HIRING OF SWORN STAFF POSITIONS FOR NC STATE CRIME LAB**

SECTION 17.1. The Department of Justice shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be construed to require the termination of sworn personnel or to affect North Carolina State Crime Laboratory personnel who are sworn and employed by the Laboratory as of the effective date of this section and who continue to meet the sworn status retention standards mandated by the North Carolina Criminal Justice Education and Standards Commission.

PED TO STUDY ALLOCATION OF ATTORNEYS BETWEEN THE ATTORNEY GENERAL'S OFFICE AND DEPARTMENTS

SECTION 17.3. The Joint Legislative Program Evaluation Oversight Committee shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include an evaluation of the allocation of attorneys in State Government, including the use of general counsel within State agencies, the use of private attorneys, and the use of attorneys in the Department of Justice. The Program Evaluation Division shall submit its evaluation to the Joint Legislative Program Evaluation Oversight Committee and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety no later than March 1, 2018.

SAMARCAND AS VENUE FOR SPECIALIZED INSTRUCTOR TRAINING

1 **SECTION 17.6.** The Criminal Justice Education and Training Standards
2 Commission shall authorize specialized instructor training courses offered by authorized
3 instructors at the Samarcand Training Academy, and the Samarcand Training Academy is a
4 permissible venue for such courses. The courses shall be limited to those that are certified by
5 the North Carolina Criminal Justice Training and Standards Division and identified in the
6 North Carolina Administrative Code under Title 12, Chapter 09, subchapter B, Section .0200.
7 The courses shall include, but are not limited to, the following:

- 8 (1) 12 NCAC 09B .0226 – Specialized Firearms Instructor Training (Range).
- 9 (2) 12 NCAC 09B .0227 – Specialized Driver Instructor Training (Driving
10 Track).
- 11 (3) 12 NCAC 09B .0232 – Specialized Subject Control Arrest Techniques
12 Instructor Training (Mat Rooms).
- 13 (4) 12 NCAC 09B .0233 – Specialized Physical Fitness Instructor Training (Mat
14 Rooms).
- 15 (5) 12 NCAC 09B .0417 – Specialized Explosives and Hazardous Materials
16 Instructor Training.
- 17

18 **SEXUAL ASSAULT EVIDENCE COLLECTION KITS**

19 **SECTION 17.7.** Article 13 of Chapter 15A of the General Statutes is amended by
20 adding a new section to read:

21 **"§ 15A-270.10. Inventory and report of Sexual Assault Evidence Collection Kits.**

22 (a) Local Law Enforcement. – Each local law enforcement agency shall conduct an
23 inventory of Sexual Assault Evidence Collection Kits (SAECKs) in its custody or control and
24 report its findings to the Department of Justice, State Crime Laboratory, no later than January
25 1, 2018. The State Crime Laboratory shall compile the information and report its findings to the
26 Joint Legislative Oversight Committee on Justice and Public Safety no later than April 1, 2018.
27 The inventory report from each local law enforcement agency shall include all of the following:

- 28 (1) The total number of SAECKs in its custody or control that have not
29 previously undergone forensic testing.
- 30 (2) Of the total number of SAECKs in its custody or control, the number that:
 - 31 a. Are anonymous. For purposes of this section, the term "anonymous"
32 means the identity of the victim of sexual assault is not associated
33 with the SAECK because the victim has not reported the assault to
34 law enforcement.
 - 35 b. Represent a case that has been resolved in court, whether by
36 conviction, dismissal, or another manner.
 - 37 c. Were not submitted for forensic testing because the suspect admitted
38 to the sexual act in question.
 - 39 d. Were not submitted for forensic testing because the allegations were
40 determined to be unfounded as a result of further investigation."

41 **PART XVIII. JUDICIAL DEPARTMENT**

42 **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

43 **IDS MATCH FOR GRANTS**

44 **SECTION 18A.1.** Notwithstanding G.S. 143C-6-9, during the 2017-2019 fiscal
45 biennium, Indigent Defense Services may use the sum of up to fifty thousand dollars (\$50,000)
46 from funds available to provide the State matching funds needed to receive grant funds. Prior to
47 using funds for this purpose, Indigent Defense Services shall report to the chairs of the House
48 of Representatives Appropriations Committee on Justice and Public Safety and the Senate
49
50
51

1 Appropriations Committee on Justice and Public Safety on the grants to be matched using these
2 funds.

4 **STANDARDS FOR INDIGENCY**

5 **SECTION 18A.3.** The Administrative Office of the Courts, in conjunction with
6 Indigent Defense Services, shall study and develop specific statewide standards for determining
7 indigency for defendants. The study shall include a review of the practices of other states
8 regarding determination of indigency, analysis of the cost-effectiveness of alternatives to the
9 status quo, and implementation plans for the standards agreed upon. The standards may take
10 local expenses and cost-of-living into account. The implementation plans should include
11 procedures for auditing future indigency determinations to ensure that the new standards are
12 working as intended. The Administrative Office of the Courts and Indigent Defense Services
13 shall issue a report to the chairs of the Joint Legislative Oversight Committee on Justice and
14 Public Safety by February 1, 2018.

16 **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

18 **COLLECTION OF WORTHLESS CHECKS**

19 **SECTION 18B.1.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial
20 Department may use any balance remaining in the Collection of Worthless Checks Fund on
21 June 30, 2017, for the purchase or repair of office or information technology equipment during
22 the 2017-2018 fiscal year and may use any balance remaining in the Collection of Worthless
23 Checks Fund on June 30, 2018, for the purchase or repair of office or information technology
24 equipment during the 2018-2019 fiscal year. Prior to using any funds under this section, the
25 Judicial Department shall report to the chairs of the House of Representatives and Senate
26 Appropriations Committees on Justice and Public Safety and the Office of State Budget and
27 Management on the equipment to be purchased or repaired and the reasons for the purchases.

29 **GRANT FUNDS**

30 **SECTION 18B.2.** Notwithstanding G.S. 143C-6-9, the Administrative Office of
31 the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) in
32 each year of the 2017-2019 fiscal biennium from funds available to the Department to provide
33 the State match needed in order to receive grant funds. Prior to using funds for this purpose, the
34 Department shall submit a report to the chairs of the House of Representatives Appropriations
35 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice
36 and Public Safety on the grants to be matched using these funds.

38 **THIRD-PARTY ACCESS TO COURT RECORDS ANNUAL REPORT**

39 **SECTION 18B.3.(a)** G.S. 7A-109(e) reads as rewritten:

40 **"§ 7A-109. Record-keeping procedures.**

41 ...

42 (e) If any contracts entered into under ~~G.S. 7A-109(d)~~ subsection (d) of this section are
43 in effect during any calendar year, the Director of the Administrative Office of the Courts shall
44 submit to the ~~Joint Legislative Commission on Governmental Operations~~ House of
45 Representatives Appropriations Committee on Justice and Public Safety and the Senate
46 Appropriations Committee on Justice and Public Safety not later than February 1 of the
47 following year a report on all those contracts."

48 **SECTION 18B.3.(b)** This section is effective when it becomes law.

50 **BUSINESS COURT REPORTS**

51 **SECTION 18B.4.(a)** G.S. 7A-45.5 is repealed.

1 **SECTION 18B.4.(b)** G.S. 7A-343(8a) reads as rewritten:

2 "(8a) Prepare and submit a semiannual report on the activities of each North
3 Carolina business court site to the Chief ~~Justice~~ Justice, the chairs of the
4 House of Representatives Appropriations Committee on Justice and Public
5 Safety and the Senate Appropriations Committee on Justice and Public
6 Safety, the chairs of the of the Joint Legislative Oversight Committee on
7 Justice and Public Safety, and ~~to each member~~ all other members of the
8 General Assembly. Assembly on February 1 and August 1. The semiannual
9 report required under this subdivision shall be separate from the report
10 required under subdivision (8) of this section and shall include the total
11 number of civil cases pending in each business court site over three years
12 after being designated as a mandatory complex business case, motions
13 pending over six months after being filed, and civil cases in which bench
14 trials have been concluded for over six months without entry of judgment,
15 including any accompanying explanation provided by the Business
16 Court. report shall include the following information for each business court
17 site:

- 18 a. The number of new, closed, and pending cases for the previous three
19 years.
20 b. The average age of pending cases.
21 c. The number of motions pending over six months after being filed.
22 d. The number of cases in which bench trials have been concluded for
23 over six months without entry of judgment, including any
24 accompanying explanation provided by the Business Court.

25 The August 1 report shall include an accounting of all business court
26 activities for the previous fiscal year, including the itemized annual
27 expenditures."

28 **SECTION 18B.4.(c)** This section is effective when it becomes law.

30 **DIGITAL FORENSICS INCLUDED IN COURT COSTS**

31 **SECTION 18B.5.(a)** G.S. 7A-304(a) reads as rewritten:

32 "(a) In every criminal case in the superior or district court, wherein the defendant is
33 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
34 prosecuting witness, the following costs shall be assessed and collected. No costs may be
35 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
36 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
37 assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8),
38 (8a), (11), (12), or (13) of this section.

39 ...
40 (9a) For the services of the North Carolina State Crime Laboratory facilities, the
41 district or superior court judge shall, upon conviction, order payment of the
42 sum of six hundred dollars (\$600.00) to be remitted to the Department of
43 Justice to be used for laboratory purposes. This cost shall be assessed only in
44 cases in which, as part of the investigation leading to the defendant's
45 conviction, the laboratories have performed digital forensics, including the
46 seizure, forensic imaging, and acquisition and analysis of digital media.

47 (9b) For the services of any crime laboratory facility operated by a local
48 government or group of local governments, the district or superior court
49 judge shall, upon conviction, order payment of the sum of six hundred
50 dollars (\$600.00) to be remitted to the general fund of the local law
51 enforcement unit to be used for laboratory purposes. The cost shall be

assessed only in (i) cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed digital forensics, including the seizure, forensic imaging, and acquisition and analysis of digital media, and (ii) if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the North Carolina State Crime Laboratory under subdivision (9a) of this subsection.

(11) For the services of an expert witness employed by the North Carolina State Crime Laboratory who completes a chemical analysis pursuant to ~~G.S. 20-139.1~~ or ~~a~~G.S. 20-139.1, a forensic analysis pursuant to ~~G.S. 8-58.20~~G.S. 8-58.20, or a digital forensics analysis and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars (\$600.00) to be remitted to the Department of Justice for support of the State Crime Laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (7) or (9a) of this subsection.

(12) For the services of an expert witness employed by a crime laboratory operated by a local government or group of local governments who completes a chemical analysis pursuant to ~~G.S. 20-139.1~~ or ~~a~~G.S. 20-139.1, a forensic analysis pursuant to ~~G.S. 8-58.20~~G.S. 8-58.20, or a digital forensics analysis and provides testimony about that analysis in a defendant's trial, the district or superior court judge shall, upon conviction of the defendant, order payment of the sum of six hundred dollars (\$600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for the local law enforcement enforcement laboratory. This cost shall be assessed only in cases in which the expert witness provides testimony about the chemical or forensic analysis in the defendant's trial and shall be in addition to any cost assessed under subdivision (8) or (9b) of this subsection.

...."

SECTION 18B.5.(b) This section is effective when it becomes law.

SUPREME COURT BICENTENNIAL CELEBRATION

SECTION 18B.8. Notwithstanding G.S. 7A-10(a), in honor of the court's bicentennial celebration, the court may, by rule, hold sessions in any location across the State. This section only applies to the calendar years 2018 through 2020.

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 18B.9.(a) G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11

1	2	Beaufort, Hyde, Martin,	8
2		Tyrrell, Washington	
3	3A	Pitt	41 <u>12</u>
4	3B	Carteret, Craven, Pamlico	12 <u>13</u>
5	4	Duplin, Jones, Onslow,	18 <u>20</u>
6		Sampson	
7	5	New Hanover, Pender	18 <u>20</u>
8	6	Bertie, Halifax, Hertford,	10 <u>11</u>
9		Northampton	
10	7	Edgecombe, Nash, Wilson	18 <u>19</u>
11	8	Greene, Lenoir, Wayne	14
12	9	Franklin, Granville,	10 <u>11</u>
13		Vance, Warren	
14	9A	Person, Caswell	6
15	10	Wake	41 <u>42</u>
16	11A	Harnett, Lee	9 <u>12</u>
17	11B	Johnston	10
18	12	Cumberland	23 <u>25</u>
19	13	Bladen, Brunswick, Columbus	13 <u>14</u>
20	14	Durham	18
21	15A	Alamance	11
22	15B	Orange, Chatham	10
23	16A	Scotland, Hoke	7
24	16B	Robeson	12
25	16C	Anson, Richmond	6
26	17A	Rockingham	7
27	17B	Stokes, Surry	8
28	18	Guilford	32 <u>35</u>
29	19A	Cabarrus	9
30	19B	Montgomery, Randolph	9 <u>10</u>
31	19C	Rowan	8
32	19D	Moore	5 <u>6</u>
33	20A	Stanly	5
34	20B	Union	10 <u>11</u>
35	21	Forsyth	25 <u>26</u>
36	22A	Alexander, Iredell	11 <u>12</u>
37	22B	Davidson, Davie	11 <u>12</u>
38	23	Alleghany, Ashe, Wilkes,	8 <u>9</u>
39		Yadkin	
40	24	Avery, Madison, Mitchell,	7 <u>8</u>
41		Watauga, Yancey	
42	25	Burke, Caldwell, Catawba	18 <u>21</u>
43	26	Mecklenburg	58
44	27A	Gaston	14 <u>16</u>
45	27B	Cleveland, Lincoln	11 <u>12</u>
46	28	Buncombe	14
47	29A	McDowell, Rutherford	7 <u>8</u>
48	29B	Henderson, Polk, Transylvania	8 <u>9</u>
49	30	Cherokee, Clay, Graham,	10 <u>12</u>
50		Haywood, Jackson, Macon,	
51		Swain."	

1 **SECTION 18B.9.(b)** G.S. 7A-60(a2) is repealed.

2 **SECTION 18B.9.(c)** G.S. 7A-63 reads as rewritten:

3 "**§ 7A-63. Assistant district attorneys.**

4 Each district attorney shall be entitled to the number of full-time assistant district attorneys
5 set out in this ~~Subchapter, such number to be developed by the General Assembly after~~
6 ~~consulting the workload formula established through the National Center for State Courts,~~
7 Subchapter to be appointed by the district attorney, to serve at the district attorney's pleasure. A
8 vacancy in the office of assistant district attorney shall be filled in the same manner as the
9 initial appointment. An assistant district attorney shall take the same oath of office as the
10 district attorney, and shall perform such duties as may be assigned by the district attorney. The
11 district attorney shall devote full time to the duties of the office and shall not engage in the
12 private practice of law during his or her term."

13 **SECTION 18B.9.(d)** This section is effective when it becomes law.

14

15 **ELIMINATE ACCESS TO CIVIL JUSTICE FUNDS**

16 **SECTION 18B.10.(a)** G.S. 7A-304(a) reads as rewritten:

17 "**§ 7A-304. Costs in criminal actions.**

18 (a) In every criminal case in the superior or district court, wherein the defendant is
19 convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the
20 prosecuting witness, the following costs shall be assessed and collected. No costs may be
21 assessed when a case is dismissed. Only upon entry of a written order, supported by findings of
22 fact and conclusions of law, determining that there is just cause, the court may (i) waive costs
23 assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8),
24 (8a), (11), (12), or (13) of this section.

25

26 (4) For support of the General Court of Justice, the sum of one hundred
27 forty-seven dollars and fifty cents (\$147.50) in the district court, including
28 cases before a magistrate, and the sum of one hundred fifty-four dollars and
29 fifty cents (\$154.50) in the superior court, to be remitted to the State
30 Treasurer. For a person convicted of a felony in superior court who has made
31 a first appearance in district court, both the district court and superior court
32 fees shall be assessed. The State Treasurer shall remit the sum of ~~one dollar~~
33 ~~and fifty cents (\$1.50) of each fee collected under this subdivision to the~~
34 ~~North Carolina State Bar for the provision of services described in G.S.~~
35 ~~7A-474.4, and ninety-five cents (\$.95) of each fee collected under this~~
36 ~~subdivision to the North Carolina State Bar for the provision of services~~
37 ~~described in G.S. 7A-474.19.~~

38

39 "

40 **SECTION 18B.10.(b)** G.S. 7A-305(a) reads as rewritten:

41 "**§ 7A-305. Costs in civil actions.**

42 (a) In every civil action in the superior or district court, except for actions brought
43 under Chapter 50B of the General Statutes, shall be assessed:

44

45 (2) For support of the General Court of Justice, the sum of one hundred eighty
46 dollars (\$180.00) in the superior court and the sum of one hundred thirty
47 dollars (\$130.00) in the district court except that if the case is assigned to a
48 magistrate the sum shall be eighty dollars (\$80.00). If a case is designated as
49 a mandatory complex business case under G.S. 7A-45.4, upon assignment to
50 a Business Court Judge, the party filing the designation shall pay an
51 additional one thousand one hundred dollars (\$1,100) for support of the
General Court of Justice. If a case is designated as a complex business case

1 under Rule 2.1 and Rule 2.2 of the General Rules of Practice for the Superior
 2 and District Courts, upon assignment to a Business Court Judge, the plaintiff
 3 shall pay an additional one thousand one hundred dollars (\$1,100) for
 4 support of the General Court of Justice. Sums collected under this
 5 subdivision shall be remitted to the State Treasurer. The State Treasurer shall
 6 remit the sum of ~~one dollar and fifty cents (\$1.50) of each fee collected~~
 7 ~~under this subdivision to the North Carolina State Bar for the provision of~~
 8 ~~services described in G.S. 7A-474.4, and ninety-five cents (\$.95) of each fee~~
 9 collected under this subdivision to the North Carolina State Bar for the
 10 provision of services described in G.S. 7A-474.19."

11 **SECTION 18B.10.(c)** Article 37A of Chapter 7A of the General Statutes is
 12 repealed.

13 **SECTION 18B.10.(d)** This section is effective when it becomes law.

14
 15 **MODIFY EMERGENCY RECALL JUDGES**

16 **SECTION 18B.11.(a)** G.S. 7A-45.2 reads as rewritten:

17 **"§ 7A-45.2. Emergency special judges of the superior court; qualifications, appointment,**
 18 **removal, and authority.**

19 (a) Any justice or judge of the appellate division of the General Court of Justice who:

- 20 (1) Retires under the provisions of the Consolidated Judicial Retirement Act,
 21 Article 4 of Chapter 135 of the General Statutes, or who is eligible to receive
 22 a retirement allowance under that act;
- 23 (2) Has not reached the mandatory retirement age specified in G.S. 7A-4.20;
- 24 (3) Has served at least five years as a superior court judge or five years as a
 25 justice or judge of the appellate division of the General Court of Justice, or
 26 any combination thereof, whether or not eligible to serve as an emergency
 27 justice or judge of the appellate division of the General Court of Justice; and
- 28 (4) Whose judicial service ended within the preceding 10 years; may apply to
 29 the Governor for appointment as an emergency special superior court judge
 30 in the same manner as is provided for application as an emergency superior
 31 court judge in G.S. 7A-53. If the Governor is satisfied that the applicant
 32 meets the requirements of this section and is physically and mentally able to
 33 perform the duties of a superior court judge, the Governor shall issue a
 34 commission appointing the applicant as an emergency special superior court
 35 judge until the applicant reaches the mandatory retirement age for superior
 36 court judges specified in G.S. 7A-4.20.

37 (b) Any emergency special superior court judge appointed as provided in this section
 38 shall:

- 39 (1) Have the same powers and duties, when duly assigned to hold court, as
 40 provided for an emergency superior court judge by G.S. 7A-48;
- 41 (2) Be subject to assignment in the same manner as provided for an emergency
 42 superior court judge by ~~G.S. 7A-46;~~G.S. 7A-46 and G.S. 7A-52(a);
- 43 (3) Receive the same compensation, expenses, and allowances, when assigned
 44 to hold court, as an emergency superior court judge as provided by
 45 G.S. 7A-52(b);
- 46 (4) Be subject to the provisions and requirements of the Canons of Judicial
 47 Conduct; and
- 48 (5) Not engage in the practice of law during any period for which the emergency
 49 special superior court judgeship is commissioned. However, this
 50 subdivision shall not be construed to prohibit an emergency special superior
 51 court judge appointed pursuant to this section from serving as a referee,

1 arbitrator, or mediator, during service as an emergency special superior court
2 judge when the service does not conflict with or interfere with the
3 emergency special superior court judge's judicial service in emergency
4 status.

5 (c) Upon reaching mandatory retirement age for superior court judges as set forth in
6 G.S. 7A-4.20, any emergency special superior court judge appointed pursuant to this section,
7 whose commission has expired, may be recalled as a recalled emergency special superior court
8 judge to preside over any regular or special session of the superior court under the following
9 circumstances:

- 10 (1) The judge shall consent to the recall;
- 11 (2) The Chief Justice may order the recall;
- 12 (3) Prior to ordering recall, the Chief Justice shall be satisfied that the recalled
13 judge is capable of efficiently and promptly discharging the duties of the
14 office to which recalled;
- 15 (4) Jurisdiction of a recalled emergency special superior court judge is as set
16 forth in G.S. 7A-48;
- 17 (5) Orders of recall and assignment shall be in writing and entered upon the
18 minutes of the court to which assigned; and
- 19 (6) Compensation, expenses, and allowances of recalled emergency special
20 superior court judges are the same as for recalled emergency superior court
21 judges under G.S. 7A-52(b).
- 22 (7) The emergency special superior court judge is listed as active on the list
23 described in G.S. 7A-52(a).

24 (d) Any former justice or judge of the appellate division of the General Court of Justice
25 who otherwise meets the requirements of subsection (a) of this section to be appointed an
26 emergency special superior court judge but has already reached the mandatory retirement age
27 for superior court judges set forth in G.S. 7A-4.20 on retirement may, in lieu of serving as an
28 emergency judge of the court from which he retired, apply to the Governor to be appointed as
29 an emergency special superior court judge as provided in this section. If the Governor issues a
30 commission to the applicant, the retired justice or judge is subject to recall as an emergency
31 special superior court judge as provided in subsection (c) of this section.

32 (e) No justice or judge appointed as an emergency special superior court judge or
33 subject to recall as provided in this section shall, during the period so appointed or subject to
34 recall, contemporaneously serve as an emergency justice or judge of the appellate division of
35 the General Court of Justice."

36 **SECTION 18B.11.(b)** G.S. 7A-52 reads as rewritten:

37 **"§ 7A-52. Retired district and superior court judges may become emergency judges**
38 **subject to recall to active service; compensation for emergency judges on recall.**

39 (a) Judges of the district court and judges of the superior court who have not reached
40 the mandatory retirement age specified in G.S. 7A-4.20, but who have retired under the
41 provisions of G.S. 7A-51, or under the Uniform Judicial Retirement Act after having completed
42 five years of creditable service, may apply as provided in G.S. 7A-53 to become emergency
43 judges of the court from which they retired. From the commissioned emergency district,
44 superior, and special superior court judges, the Chief Justice of the Supreme Court shall create
45 two lists of active emergency judges and two lists of inactive emergency judges. For
46 emergency superior and special superior court judges, the active list shall be limited to a
47 combined total of 15 emergency judges; all other emergency superior and special superior court
48 judges shall be on an inactive list. For emergency district court judges, the active list shall be
49 limited to 35 emergency judges; all other emergency district court judges shall be on an
50 inactive list. There is no limit to the number of emergency judges on either inactive list. In the
51 Chief Justice's discretion, emergency judges may be added or removed from their respective

1 active and inactive lists, as long as the respective numerical limits on the active lists are
2 observed. The Chief Justice is requested to consider geographical distribution in assigning
3 emergency judges to an active list but may utilize any factor in determining which emergency
4 judges are assigned to an active list. The Chief Justice of the Supreme Court may order any
5 emergency district, superior, or special superior court judge on an active list judge of the
6 district or superior court who, in his opinion, is competent to perform the duties of a judge of
7 the court from which such judge retired to hold regular or special sessions of the court from
8 which the judge retired such court, as needed. Order of assignment shall be in writing and
9 entered upon the minutes of the court to which such emergency judge is assigned.

10 (a1) An emergency judge of the superior court may be recalled to active service by the
11 Chief Justice and assigned to hear and decide complex business cases if, at the time of the
12 judge's retirement, all of the following conditions are met:

- 13 (1) The judge is a special superior court judge who is retiring from a term to
14 which the judge was appointed pursuant to G.S. 7A-45.1.
- 15 (2) The judge is retiring from a term for which the judge was assigned by the
16 Chief Justice to hear and decide complex business cases as a business court
17 judge pursuant to G.S. 7A-45.3.
- 18 (3) The judge's nomination to serve a successive term in the same office is
19 pending before the General Assembly, or was not acted upon by the General
20 Assembly prior to adjournment sine die.
- 21 (4) If confirmed and appointed to the successive term of office for which
22 nominated, the judge would reach mandatory retirement age before
23 completing that term of office.

24 An emergency judge assigned to hear and decide complex business cases pursuant to this
25 subsection shall be designated by the Chief Justice as a senior business court judge and shall be
26 eligible to serve in that capacity for five years from the issuance date of the judge's commission
27 under G.S. 7A-53 or until the judge's commission expires, whichever occurs first. Order of
28 assignment shall be in writing and entered upon the minutes of the court to which such
29 emergency judge is assigned. An emergency judge assigned to hear and decide complex
30 business cases shall not be counted in the combined total of active emergency superior and
31 special superior court judges described in subsection (a) of this section.

32 (b) In addition to the compensation or retirement allowance the judge would otherwise
33 be entitled to receive by law, each emergency judge of the district or superior court who is
34 assigned to temporary active service by the Chief Justice shall be paid by the State the judge's
35 actual mileage and any necessary lodging and meal expenses, plus four hundred dollars
36 (\$400.00) for each day of active service rendered upon recall, and each emergency judge
37 designated as a senior business court judge pursuant to subsection (a1) of this section shall be
38 paid by the State the judge's actual expenses, plus five hundred dollars (\$500.00) for each day
39 of active service rendered upon recall as a senior business court judge. No day of active service
40 rendered by an emergency judge pursuant to assignment under subsection (a) of this section
41 shall overlap with a day of active service rendered pursuant to assignment under subsection
42 (a1) of this section. No recalled retired trial judge shall receive from the State total annual
43 compensation for judicial services in excess of that received by an active judge of the bench to
44 which the judge is recalled. Emergency judges on an inactive list shall not receive
45 reimbursement for continuing legal or judicial education."

46 **SECTION 18B.11.(c)** G.S. 7A-57 reads as rewritten:

47 **"§ 7A-57. Recall of active and emergency trial judges who have reached mandatory**
48 **retirement age.**

49 Superior and district court judges retired because they have reached the mandatory
50 retirement age, and emergency superior and district court judges whose commissions have
51 expired because they have reached the mandatory retirement age, may be recalled to preside

1 over regular or special sessions of the court from which retired under the following
2 circumstances:

- 3 (1) The judge must consent to the recall.
- 4 (2) The Chief Justice is authorized to order the recall.
- 5 (3) Prior to ordering recall, the Chief Justice shall be satisfied that the judge is
6 capable of efficiently and promptly discharging the duties of the office to
7 which recalled.
- 8 (4) Jurisdiction of a recalled retired superior court judge is as set forth in
9 G.S. 7A-48, and jurisdiction of a recalled retired district court judge is as set
10 forth in G.S. 7A-53.1.
- 11 (5) Orders of recall and assignment shall be in writing and entered upon the
12 minutes of the court to which assigned.
- 13 (6) Compensation of recalled retired trial judges is the same as for recalled
14 emergency trial judges under G.S. 7A-52(b).
- 15 (7) Recalled emergency judges who served as a senior business court judge and
16 whose commission expired upon reaching the mandatory retirement age may
17 be recalled by the Chief Justice and assigned to hear and decide complex
18 business cases as a senior business court judge for up to five years from the
19 issuance date of their commission under G.S. 7A-53.
- 20 (8) The emergency judge is listed as active on the list described in
21 G.S. 7A-52(a). This does not apply to an emergency judge who qualifies
22 under subdivision (7) of this section."

23 **SECTION 18B.11.(d)** The Administrative Office of the Courts shall report
24 annually to the Joint Legislative Oversight Committee on Justice and Public Safety by August 1
25 on the preceding fiscal year's activities. The report shall include:

- 26 (1) An updated list of all active superior court and district court emergency
27 judges.
- 28 (2) A list of all cases where an emergency court judge was assigned, including
29 what districts the cases were located in and the reason for the assignment.
- 30 (3) A list of all expenses broken down by the daily fee for emergency judges,
31 travel for service to assignment, and travel for continuing judicial education.
- 32 (4) A list of on-bench time for all emergency judges.

33 **SECTION 18B.11.(e)** This section is effective when it becomes law.

34 **MAGISTRATE/CLERK STAFFING PILOT PROJECT**

35 **SECTION 18B.12.** Notwithstanding the minimum staffing number in
36 G.S. 7A-133(c), the clerk of superior court in a county, with the written or e-mailed consent of
37 the chief district court judge, may hire one deputy or assistant clerk in lieu of one of the
38 magistrate positions allocated to that county. To provide accessibility for law enforcement and
39 citizens, the clerk of superior court's office will provide some of the services traditionally
40 provided by the magistrates' office during some or all of the regular courthouse hours. The
41 Administrative Office of the Courts shall report on the results of the pilot project by October 1,
42 2018, to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.
43 The report shall include the counties participating, a summary of the magisterial tasks assumed
44 by clerks, the estimated cost savings, and recommendations for future expansion.
45
46

47 **PART XIX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

48 **MILITARY AFFAIRS COMMISSION**

49 **SECTION 19.1.(a)** Section 24.1(a) of S.L. 2015-241 reads as rewritten:
50

1 "SECTION 24.1.(a) The Department of Military and Veterans Affairs is established as a
2 new executive department. All functions, powers, duties, and obligations vested in the
3 following agencies are transferred to, vested in, and consolidated within the Department of
4 Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:

- 5 (1) The following components of the Department of Administration:
6 a. The Veterans' Affairs Commission.
7 b. The Governor's Jobs for Veterans Committee.
8 c. The Division of Veterans Affairs.
9 (2) ~~The North Carolina Military Affairs Commission in the Office of the~~
10 ~~Governor."~~

11 SECTION 19.1.(b) G.S. 143B-1310 reads as rewritten:

12 "§ 143B-1310. **Commission established; purpose; transaction of business.**

13 (a) Establishment. – There is established the North Carolina Military Affairs
14 Commission. The Commission shall be ~~established within~~ assigned to the Department of
15 Military and Veterans Affairs. Affairs solely for purposes of G.S. 143B-14(a). As authorized by
16 G.S. 143B-14(b), the Commission shall exercise all its powers, duties, and functions
17 independently. Notwithstanding G.S. 143B-14(d), the Secretary of Military and Veterans
18 Affairs shall not perform any of the Commission's management functions. Consistent with
19 G.S. 143B-14(a), the Department of Military and Veterans Affairs shall provide the following
20 administrative services to the Commission:

- 21 (1) Noticing and providing space for meetings of the Commission and its
22 committees.
23 (2) Taking minutes of the Commission's meetings.
24 (3) Reimbursing per diem, subsistence, and travel expenses pursuant to
25 G.S. 143B-1311(h).
26 (4) Serving as a liaison among the committees of the Commission.
27 (5) Any other administrative services requested by the Commission.

28 (b) Purpose. – The Commission shall provide advice, counsel, and recommendations to
29 the General Assembly, the Secretary of Military and Veterans Affairs, and other State agencies
30 on initiatives, programs, and legislation that will continue and increase the role that North
31 Carolina's military installations, the National Guard, and Reserves play in America's defense
32 strategy and the economic health and vitality of the State. The Commission is authorized to do
33 all of the following, ~~as delegated by the Secretary of Military and Veterans Affairs:~~ following:

34"

35 SECTION 19.1.(c) G.S. 143B-1211 reads as rewritten:

36 "§ 143B-1211. **Powers and duties of the Department of Military and Veterans Affairs.**

37 It shall be the duty of the Department of Military and Veterans Affairs to do all of the
38 following:

39 ...

- 40 (12) Provide administrative, organizational, and funding support to ~~the NC~~
41 ~~Military Affairs Commission and the Governor's Working Group for~~
42 ~~Veterans.~~
43 (12a) Provide administrative services to the North Carolina Military Affairs
44 Commission pursuant to G.S. 143B-1310(a).

45"

46 SECTION 19.1.(d) G.S. 143B-1217 reads as rewritten:

47 "§ 143B-1217. **Military Presence Stabilization Fund.**

48 The Military Presence Stabilization Fund is established as a special fund in the Department
49 of Military and Veterans Affairs. Funds in the Military Presence Stabilization Fund shall be
50 used to fund actions designed to make the State less vulnerable to closure pursuant to federal
51 Base Realignment and Closure and related initiatives. The Secretary of Military and Veterans

1 ~~Affairs may~~Affairs, in consultation with the North Carolina Military Affairs Commission, shall
2 allocate funds in the Fund for this purpose."

3 **SECTION 19.1.(e)** Notwithstanding G.S. 143B-1214 and G.S. 143B-1217, the
4 funds appropriated in this act to the Military Presence Stabilization Fund for the 2017-2018
5 fiscal year may be used for the following purposes:

- 6 (1) Up to the sum of two hundred thousand dollars (\$200,000) may be used to
7 provide grants to local communities or military installations. These funds
8 shall only be used for actual project expenses and shall not be used to pay
9 for lobbying the North Carolina General Assembly, salaries, travel, or other
10 administrative costs. The North Carolina Military Affairs Commission shall
11 establish the guidelines for applying for these grants.
- 12 (2) Administrative expenses and reimbursements for members of the North
13 Carolina Military Affairs Commission.
- 14 (3) Federal advocacy and lobbying support.
- 15 (4) Updates to strategic planning analysis and strategic plan.
- 16 (5) Economic impact analyses.
- 17 (6) Public-public/public-private (P4) initiatives.
- 18 (7) Identification and implementation of innovated measures to increase the
19 military value of installations.
- 20 (8) Fully fund the position at the North Carolina Economic Development
21 Center.

22 23 **SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS**

24 **SECTION 19.2.(a)** G.S. 143B-1224 reads as rewritten:

25 **"§ 143B-1224. Definitions.**

26 As used in this Part the terms defined in this section shall have the following meaning:

- 27 ...
- 28 (7) "Veteran" means a person who served as a member of the Armed Forces in
29 active federal service during a period of war and who was either separated
30 from the Armed Forces under honorable conditions ~~other than~~
31 ~~dishonorable~~ or who is currently serving in a second or subsequent
32 enlistment. A person who was separated from the Armed Forces under
33 honorable conditions ~~other than dishonorable~~ and whose death or disability
34 was incurred (i) as a direct result of armed conflict or (ii) while engaged in
35 extra-hazardous service, including such service under conditions simulating
36 war, ~~shall also be deemed~~ is also a "veteran" and ~~such the~~ death or disability
37 ~~shall be considered~~ is wartime service-connected."

38 **SECTION 19.2.(b)** G.S. 143B-1226 reads as rewritten:

39 **"§ 143B-1226. Classes or categories of eligibility under which scholarships may be 40 awarded.**

41 (a) Scholarship Consideration. – A child, as defined in this Part, who falls within the
42 provisions of any eligibility class described ~~below~~ in subsection (b) of this section shall, upon
43 proper ~~application~~ application, be considered for a scholarship, subject to the provisions and
44 limitations set forth for the class under which the child is ~~considered~~ considered. A child may
45 be considered for a scholarship under more than one eligibility class as long as the child falls
46 within the provisions, and is subject to the limitations, of each class for which the child is being
47 considered. A child may be awarded only one scholarship as provided in G.S. 143B-1225(a)(3).

48 (b) Scholarship Eligibility Classes. –

- 49 (1) Class I-A: Under this class a scholarship shall be awarded to any child
50 whose veteran parent

51"

1 **SECTION 19.2.(c)** Of the funds appropriated in this act to the Department of
2 Military and Veterans Affairs for the 2017-2019 fiscal biennium, the sum of one million four
3 hundred thousand dollars (\$1,400,000) in recurring funds shall be used to increase the
4 allowances for room and board at State educational institutions for all eligible classes or
5 categories under which scholarships may be awarded under G.S. 143B-1226. These funds shall
6 not be used to supplant any other funds and may only be used to increase the allowances for
7 room and board at State educational institutions.

8 9 **GRANT MANAGEMENT SYSTEM**

10 **SECTION 19.3.** The Department of Military and Veterans Affairs shall coordinate
11 with the Department of Information Technology to acquire a grant management system to
12 facilitate the management of grant programs by monitoring the receiving, processing, and
13 awarding of grants.

14 15 **PART XX. OFFICE OF ADMINISTRATIVE HEARINGS**

16 17 **OAH/LAWSUIT FUNDS**

18 **SECTION 20.1.** The Department of Public Instruction shall transfer the sum of
19 fifty thousand dollars (\$50,000) to the Office of Administrative Hearings to be allocated to the
20 Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred
21 in the defense of *North Carolina State Board of Education v. The State of North Carolina and*
22 *The Rules Review Commission*, Wake County Superior Court, File No. 14 CVS 14791 (filed
23 November 7, 2014). These funds shall not revert at the end of the 2017-2018 fiscal year but
24 shall remain available during the 2018-2019 fiscal year for expenditure in accordance with the
25 provisions of this section.

26 27 **PART XXI. TREASURER**

28 29 **ADD CERTAIN CANCERS AS OCCUPATIONAL DISEASES TO LINE-OF-DUTY** 30 **DEATH BENEFITS FOR FIREFIGHTERS**

31 **SECTION 21.1.** G.S. 143-166.2(c) reads as rewritten:
32 **"§ 143-166.2. Definitions.**

33 ...

34 (c) The term "killed in the line of duty" shall apply to any law-enforcement officer,
35 firefighter, rescue squad worker who is killed or dies as a result of bodily injuries sustained or
36 of extreme exercise or extreme activity experienced in the course and scope of his official
37 duties while in the discharge of his official duty or duties. When applied to a senior member of
38 the Civil Air Patrol as defined in this Article, "killed in the line of duty" shall mean any such
39 senior member of the North Carolina Wing-Civil Air Patrol who is killed or dies as a result of
40 bodily injuries sustained or of extreme exercise or extreme activity experienced in the course
41 and scope of his official duties while engaged in a State requested and approved mission
42 pursuant to Article 13 of Chapter 143B of the General Statutes. For purposes of this Article,
43 when a law enforcement officer, firefighter, rescue squad worker, or senior Civil Air Patrol
44 member dies as the direct and proximate result of a myocardial infarction suffered while on
45 duty or within 24 hours after participating in a training exercise or responding to an emergency
46 situation, the law enforcement officer, firefighter, rescue squad worker, or senior Civil Air
47 Patrol member is presumed to have been killed in the line of duty. For the purposes of this
48 Article, when a firefighter dies as a direct and proximate result of any of the following cancers
49 that are occupationally related to firefighting, that firefighter is presumed to have been killed in
50 the line of duty:

- 51 (1) Mesothelioma.

- 1 (2) Testicular cancer.
- 2 (3) Intestinal cancer.
- 3 (4) Rectal cancer.
- 4 (5) Oral cavity cancer.
- 5 (6) Multiple myeloma cancer."
- 6

7 PART XXII. DEPARTMENT OF INSURANCE

8 9 INSURANCE REGULATORY CHARGE

10 SECTION 22.1. The percentage rate to be used in calculating the insurance
11 regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2018 calendar
12 year.

13 14 DEPARTMENT OF INSURANCE END SUPPORT OF EIGHT OFFICE OF STATE 15 CONSTRUCTION ENGINEER POSITIONS IN DEPARTMENT OF 16 ADMINISTRATION

17 SECTION 22.2. Section 7 of S.L. 2009-474, as amended by Section 20.3 of S.L.
18 2012-142, is repealed.

19 20 ALLOW ADAPTIVE BEHAVIOR TREATMENT COVERED BY A HEALTH 21 BENEFIT PLAN TO BE PROVIDED OR SUPERVISED BY A BOARD CERTIFIED 22 BEHAVIOR ANALYST

23 SECTION 22.3.(a) G.S. 58-3-192(a)(1) reads as rewritten:

24 "§ 58-3-192. Coverage for autism spectrum disorder.

25 (a) As used in this section, the following definitions apply:

26 (1) Adaptive behavior treatment. – Behavioral and developmental interventions
27 that systematically manage instructional and environmental factors or the
28 consequences of behavior that have been shown to be clinically effective
29 through research published in peer reviewed scientific journals and based
30 upon randomized, quasi-experimental, or single subject designs. Both of the
31 following requirements must be met:

32 a. The intervention must be necessary to (i) increase appropriate or
33 adaptive behaviors, (ii) decrease maladaptive behaviors, or (iii)
34 develop, maintain, or restore, to the maximum extent practicable, the
35 functioning of an individual.

36 b. The treatment must be ordered by a licensed physician or licensed
37 psychologist and the treatment must be provided or supervised by
38 one of the following ~~licensed~~-professionals, so long as the services or
39 supervision provided is commensurate with the ~~licensed~~
40 professional's training, experience, and scope of practice:

- 41 1. A licensed psychologist or psychological associate.
- 42 2. A licensed psychiatrist or developmental pediatrician.
- 43 3. A licensed speech and language pathologist.
- 44 4. A licensed occupational therapist.
- 45 5. A licensed clinical social worker.
- 46 6. A licensed professional counselor.
- 47 7. A licensed marriage and family therapist.
- 48 8. A board certified behavior analyst."

49 SECTION 22.3.(b) This section becomes effective July 1, 2017, and applies to
50 insurance contracts issued, renewed, or amended on or after that date.

1 ALLOW THE STATE FIRE MARSHAL TO INVESTIGATE ARSON**2 SECTION 22.4.(a)** G.S. 58-79-1 reads as rewritten:**3 "§ 58-79-1. Fires investigated; reports; records.**

4 The Director of the State Bureau of Investigation, through the State Bureau of
5 Investigation, the State Fire Marshal, and the chief of the fire department, or chief of police
6 where there is no chief of the fire department, in municipalities and towns, and the county fire
7 marshal and the sheriff of the county and the chief of the rural fire department where such fire
8 occurs outside of a municipality, are hereby authorized to investigate the cause, origin, and
9 circumstances of every fire occurring in such municipalities or counties in which property has
10 been destroyed or damaged, and shall specially make investigation whether the fire was the
11 result of carelessness or design. A preliminary investigation shall be made by the chief of fire
12 department or chief of police, where there is no chief of fire department in municipalities, and
13 by the county fire marshal and the sheriff of the county or the chief of the rural fire department
14 where such fire occurs outside of a municipality, and must be begun within three days,
15 exclusive of Sunday, of the occurrence of the fire, and the Director of the State Bureau of
16 Investigation, through the State Bureau of Investigation, shall have the right to supervise and
17 direct the investigation when he deems it expedient or necessary.

18 The officer making the investigation of fires shall forthwith notify the Director of the State
19 Bureau of Investigation, and must within one week of the occurrence of the fire furnish to the
20 Director of the State Bureau of Investigation a written statement of all facts relating to the
21 cause and origin of the fire, the kind, value and ownership of the property destroyed, and such
22 other information as is called for by the forms provided by the Director of the State Bureau of
23 Investigation. Departments capable of submitting the required information by the utilization of
24 computers and related equipment, by means of an approved format of standard punch cards,
25 magnetic tapes or an approved telecommunications system, may do so in lieu of the submission
26 of the written statement as provided for in this section. The Director of the State Bureau of
27 Investigation shall keep in his office a record of all reports submitted pursuant to this section.
28 These reports shall at all times be open to public inspection."

29 SECTION 22.4.(b) This section is effective when this act becomes law.**30**
31 PART XXIII. STATE BOARD OF ELECTIONS [RESERVED]**32**
33 PART XXIV. GENERAL ASSEMBLY**34**
35 PED STUDY/MEASURABILITY ASSESSMENT OF DEPARTMENT OF
36 ADMINISTRATION ADMINISTRATIVE ACTIVITIES AND PROGRAMS

37 SECTION 24.1. The Program Evaluation Division (hereinafter "Division") is
38 directed to conduct measurability assessments, as provided in Chapter 143E of the General
39 Statutes, and efficiency evaluations of programs and administrative activities of the Department
40 of Administration (hereinafter "Department") to improve Department accountability reporting
41 and to recommend potential cost-savings. Prior to conducting measurability assessments and
42 efficiency evaluations, the Division shall consult with the State Auditor, who shall recommend
43 potential programs or potentially high-cost Department activities that, with changes, may
44 produce cost-savings. Taking into account the recommendations of the State Auditor and the
45 results of the measurability assessments, the Division may select a contractor through a
46 noncompetitive bid process to assist the Division in identifying potential cost-savings. The
47 State Auditor shall review draft findings and recommendations and shall provide a written
48 response to be included in the Division's report. By March 30, 2018, the Division shall report
49 its findings and recommendations to the Joint Legislative Program Evaluation Oversight
50 Committee, Joint Legislative Education Oversight Committee, and Joint Legislative Oversight
51 Committee on General Government and, upon request, to other committees.

STUDY RATES AND TRANSFERS/PUBLIC ENTERPRISES

SECTION 24.3.(a) The General Assembly finds that the ability of a city or county to efficiently and effectively provide public enterprise services, particularly water and sewer services, is challenged by that local government opting to use revenues of the public enterprise for purposes other than:

- (1) Paying the costs of operating the public enterprise.
- (2) Making debt service payments.
- (3) Investing in improvements to the infrastructure of that public enterprise.
- (4) Reimbursing the unit of local government for actual direct services provided to the public enterprise.

SECTION 24.3.(b) The General Assembly further finds that any excess net revenues should be used to lower rates, advance fund debt service, and fund infrastructure improvements of that public enterprise.

SECTION 24.3.(c) The Legislative Research Commission shall study the issues raised in this section and make recommendations to the General Assembly on:

- (1) Fee and charge setting by units of local government in the operation of a water or sewer system, including collection rates of those fees and charges.
- (2) Proper accounting controls to ensure transparency in budgeting and accounting for expenditures and interfund transfers of public enterprise services by units of local government.
- (3) Legislation that may be necessary to ensure proper funding of infrastructure maintenance and improvements for the provision of water and sewer services, including whether regionalization could facilitate financially healthy systems with lower fees and charges to customers.
- (4) Legislation that may be necessary to ensure that units of local government monitor aging water and sewer infrastructure to ensure proper maintenance and repair, including how this responsibility impacts the financial health of the public enterprise.

SECTION 24.3.(d) In making the study provided by this section, the Legislative Research Commission shall consult with the Local Government Commission, the School of Government, the Department of Environmental Quality, the North Carolina League of Municipalities, the North Carolina County Commissioners Association, and others.

SECTION 24.3.(e) The Legislative Research Commission shall make an interim report to the 2017 Regular Session of the General Assembly prior to its reconvening in 2018 and shall make a final report to the 2019 Regular Session of the General Assembly.

SECTION 24.3.(f) This section is effective when this act becomes law.

PART XXV. OFFICE OF THE GOVERNOR [RESERVED]**PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT****SYMPHONY CHALLENGE GRANT**

SECTION 26.2.(a) Of the funds appropriated in this act to the Office of State Budget and Management, Special Appropriations, the sum of two million dollars (\$2,000,000) in recurring funds for the 2017-2018 fiscal year and two million dollars (\$2,000,000) in recurring funds for the 2018-2019 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least nine million dollars (\$9,000,000) in non-State funds each year of the 2017-2019 fiscal biennium. The North Carolina Symphony cannot use funds

1 transferred from the organization's endowment to its operating budget to achieve the
2 fund-raising targets set out in subsections (b) and (c) of this section.

3 **SECTION 26.2.(b)** For the 2017-2018 fiscal year, the North Carolina Symphony
4 shall receive allocations from the Office of State Budget and Management as follows:

- 5 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
6 funding, the North Carolina Symphony shall receive the sum of six hundred
7 thousand dollars (\$600,000).
- 8 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
9 non-State funding for a total amount of six million dollars (\$6,000,000) in
10 non-State funds, the North Carolina Symphony shall receive the sum of
11 seven hundred thousand dollars (\$700,000).
- 12 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in
13 non-State funding for a total amount of nine million dollars (\$9,000,000) in
14 non-State funds, the North Carolina Symphony shall receive the final sum of
15 seven hundred thousand dollars (\$700,000) in the 2017-2018 fiscal year.

16 **SECTION 26.2.(c)** For the 2018-2019 fiscal year, the North Carolina Symphony
17 shall receive allocations from the Office of State Budget and Management as follows:

- 18 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
19 funding, the North Carolina Symphony shall receive the sum of six hundred
20 thousand dollars (\$600,000).
- 21 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
22 non-State funding for a total amount of six million dollars (\$6,000,000) in
23 non-State funds, the North Carolina Symphony shall receive the sum of
24 seven hundred thousand dollars (\$700,000).
- 25 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in
26 non-State funding for a total amount of nine million dollars (\$9,000,000) in
27 non-State funds, the North Carolina Symphony shall receive the final sum of
28 seven hundred thousand dollars (\$700,000) in the 2018-2019 fiscal year.

30 RESULTS FIRST PROJECT

31 **SECTION 26.3.(a)** The General Assembly finds and declares that a nationally
32 recognized cost-benefit analysis model will allow the General Assembly to direct public
33 resources to cost-effective programs that deliver the best outcomes for residents. The Office of
34 State Budget and Management shall receive periodic updates that incorporate new research and
35 enhancements identified through work in participating states and practical technical assistance
36 to implement this cutting-edge approach for identifying policy and budget options. The General
37 Assembly also intends to provide necessary assistance for State agencies to align their
38 individual efforts and resources to achieve statewide priority outcomes.

39 **SECTION 26.3.(b)** The Office of State Budget and Management may consult and
40 work with staff from the Pew-MacArthur Results First Initiative to implement a cost-benefit
41 analysis model for use in crafting policy and budget decisions. The goal of the project is to
42 obtain a model that will help the State invest in policies and programs that can be shown to
43 work.

44 State agencies shall provide any information requested by the Office of State Budget
45 and management for purposes of implementing this project. Local government and non-State
46 entities that receive State funds may also be required to provide information to their funding
47 agency or to the Office of State Budget and Management for purposes of implementing this
48 project.

49 **SECTION 26.3.(c)** The Office of State Budget and Management shall file an
50 interim report with the Joint Legislative Commission on Governmental Operations, the Joint
51 Legislative Oversight Committee on General Government, and the Joint Legislative Program

1 Evaluation Oversight Committee by April 8, 2018, on progress in implementing the
 2 cost-benefit analysis model and an annual report by October 1 of each year. The reports may
 3 include recommendations for legislation.
 4

5 **OSBM INCLUDE EXISTING DOA POSITIONS IN BASE BUDGET**

6 **SECTION 26.4.** The Office of State Budget and Management shall include in the
 7 Department of Administration's base budget for the 2019-2021 fiscal biennium on a recurring
 8 basis the following existing positions in the Office of State Construction:

9	<u>Position</u>	<u>Title</u>
10	60013374	Engineer
11	60013375	Engineer
12	60089843	Engineer
13	60089845	Engineer
14	65009250	Engineering Technician
15	65009251	Engineering Technician
16	65009252	Engineering Technician
17	65009253	Engineering Technician

18
 19 **OSBM INCLUDE RECEIPT-SUPPORTED POSITIONS IN BASE BUDGET FOR**
 20 **GENERAL ASSEMBLY**

21 **SECTION 26.5.** The Office of State Budget and Management shall include in the
 22 base budget for the North Carolina General Assembly, Budget Code 11000, for the 2019-2021
 23 fiscal biennium on a recurring basis the receipt-supported positions in fund codes 1120 and
 24 1211.
 25

26 **PART XXVII. STATE AUDITOR [RESERVED]**

27
 28 **PART XXVIII. HOUSING FINANCE AGENCY**

29
 30 **HFA/WORKFORCE HOUSING LOAN PROGRAM ESTABLISHED**

31 **SECTION 28.1.** Chapter 122A of the General Statutes is amended by adding a new
 32 section to read as follows:

33 **"§ 122A-5.15. Workforce Housing Loan Program.**

34 (a) The North Carolina Housing Finance Agency shall establish and administer the
 35 Workforce Housing Loan Program for the purpose of making loans for qualified low-income
 36 housing development in the State. Funds appropriated to the North Carolina Housing Trust
 37 Fund for the Workforce Housing Loan Program shall be used by the Agency only as provided
 38 in this section.

39 (b) The following definitions apply in this section:

40 (1) Code. – As defined in G.S. 105-228.90.

41 (2) Qualified North Carolina low-income housing development. – A qualified
 42 low-income project or building that is allocated a federal tax credit under
 43 section 42(h)(1) of the Code.

44 (3) Qualified residential unit. – A housing unit that meets the requirements of
 45 section 42 of the Code.

46 (c) A taxpayer allocated a federal low-income housing tax credit under section 42 of the
 47 Code to construct or substantially rehabilitate a qualified North Carolina low-income housing
 48 development is eligible for a loan under the Workforce Housing Loan Program if the taxpayer
 49 satisfies the loan criteria established by the Agency. The loan criteria shall support the
 50 financing of similar types of developments as provided in G.S. 105-129.42 and shall be
 51 developed in partnership with developers of low-income housing in the State who receive a

1 federal low-income housing tax credit under section 42 of the Code. The Agency shall take into
2 consideration all eligible sources of funding for each development project, including whether
3 there are other eligible sources of funding available for the development project. No loan made
4 to a taxpayer under this section shall exceed two million dollars (\$2,000,000) if the low-income
5 housing development is located in a low-income county, as designated by the Agency; one
6 million five hundred dollars (\$1,500,000) in a moderate-income county, as designated by the
7 Agency; and two hundred fifty thousand dollars (\$250,000) in a high-income county, as
8 designated by the Agency.

9 (d) By February 1 of each year, the Agency shall report to the Joint Legislative
10 Commission on Governmental Operations and the Fiscal Research Division on the number of
11 loans made under this section, the amount of each loan, and whether the low-income housing
12 development is located in a low-, moderate-, or high-income county, as designated by the
13 Agency."

14
15 **PART XXIX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]**

16
17 **PART XXX. OFFICE OF LT. GOVERNOR [RESERVED]**

18
19 **PART XXXI. DEPARTMENT OF ADMINISTRATION**

20
21 **TRANSFER THE HUMAN RELATIONS COMMISSION**

22 **SECTION 31.1.(a)** The North Carolina Human Relations Commission is hereby
23 transferred from the Department of Administration to the Civil Rights Division of the Office of
24 Administrative Hearings. This transfer shall have all of the elements of a Type I transfer, as
25 described in G.S. 143A-6.

26 **SECTION 31.1.(b)** The Office of State Budget and Management, the Office of
27 Administrative Hearings, and the Department of Administration shall work together to identify
28 unexpended and unencumbered funds from the 2016-2017 fiscal year to pay for one-time
29 start-up costs, including office space retrofitting, directly associated with the transfer.

30 **SECTION 31.1.(c)** Article 60 of Chapter 7A of the General Statutes is amended by
31 adding a new section, G.S. 7A-761, entitled "North Carolina Human Relations Commission,"
32 and (i) G.S. 143B-391 is recodified as subsection (a) of G.S. 7A-761, and (ii) subsections (a)
33 through (d) of G.S. 143B-392 are recodified as subsections (b) through (e) of G.S. 7A-761.

34 **SECTION 31.1.(d)** G.S. 7A-761, as enacted by subsection (c) of this section, reads
35 as rewritten:

36 **"§ 7A-761. North Carolina Human Relations Commission.**

37 (a) There is hereby created the North Carolina Human Relations Commission of the
38 ~~Department of Administration~~ Civil Rights Division of the Office of Administrative Hearings.
39 The North Carolina Human Relations Commission shall have the following functions and
40 duties:

- 41 (1) To study problems concerning human relations;
- 42 (2) To promote equality of opportunity for all citizens;
- 43 (3) To promote understanding, respect, and goodwill among all citizens;
- 44 (4) To provide channels of communication among the races;
- 45 (5) To encourage the employment of qualified people without regard to race;
- 46 (6) To encourage youths to become better trained and qualified for employment;
- 47 (7) To receive on behalf of the ~~Department of Administration~~ Civil Rights
48 Division of the Office of Administrative Hearings and to recommend
49 expenditure of gifts and grants from public and private donors;
- 50 (8) To enlist the cooperation and assistance of all State and local government
51 officials in the attainment of the objectives of the Commission;

- 1 (9) To assist local good neighborhood councils and biracial human relations
 2 committees in promoting activities related to the functions of the
 3 Commission enumerated above;
 4 (10) To advise the ~~Secretary of Administration~~ Chief Administrative Law Judge
 5 upon any matter the ~~Secretary~~ Chief Administrative Law Judge may refer to
 6 it;
 7 (11) To administer the provisions of the State Fair Housing Act as outlined in
 8 Chapter 41A of the General Statutes;
 9 (12) To administer the provisions of Chapter 99D of the General Statutes.

10 (b) The Human Relations Commission of the ~~Department of Administration~~ Civil Rights
 11 Division of the Office of Administrative Hearings shall consist of 22 members. The Governor
 12 shall appoint one member from each of the 13 congressional districts, plus five members at
 13 large, including the chairperson. The Speaker of the North Carolina House of Representatives
 14 shall appoint two members to the Commission. The President Pro Tempore of the Senate shall
 15 appoint two members to the Commission. The terms of four of the members appointed by the
 16 Governor shall expire June 30, 1988. The terms of four of the members appointed by the
 17 Governor shall expire June 30, 1987. The terms of four of the members appointed by the
 18 Governor shall expire June 30, 1986. The terms of four of the members appointed by the
 19 Governor shall expire June 30, 1985. The terms of the members appointed by the Speaker of
 20 the North Carolina House of Representatives shall expire June 30, 1986. The terms of the
 21 members appointed by the Lieutenant Governor shall expire June 30, 1986. The initial term of
 22 office of the person appointed to represent the 12th Congressional District shall commence on
 23 January 3, 1993, and expire on June 30, 1996. At the end of the respective terms of office of the
 24 initial members of the Commission, the appointment of their successors shall be for terms of
 25 four years. No member of the commission shall serve more than two consecutive terms. A
 26 member having served two consecutive terms shall be eligible for reappointment one year after
 27 the expiration of his second term. Any appointment to fill a vacancy on the Commission
 28 created by the resignation, dismissal, death, or disability of a member shall be filled in the
 29 manner of the original appointment for the unexpired term.

30 (c) Members of the Commission shall receive per diem and necessary travel and
 31 subsistence expenses in accordance with the provisions of G.S. 138-5.

32 (d) A majority of the Commission shall constitute a quorum for the transaction of
 33 business.

34 (e) All clerical and support services required by the Commission shall be supplied by
 35 the ~~Secretary of the Department of Administration~~ Office of Administrative Hearings."

36 **SECTION 31.1.(e)** G.S. 143-422.3 reads as rewritten:

37 **"§ 143-422.3. Investigations; conciliations.**

38 The Human Relations Commission in the ~~Department of Administration~~ Civil Rights
 39 Division of the Office of Administrative Hearings shall have the authority to receive charges of
 40 discrimination from the Equal Employment Opportunity Commission pursuant to an agreement
 41 under Section 709(b) of Public Law 88-352, as amended by Public Law 92-261, and investigate
 42 and conciliate charges of discrimination. Throughout this process, the agency shall use its good
 43 offices to effect an amicable resolution of the charges of discrimination."

44 **SECTION 31.1.(f)** G.S. 143-422.13 reads as rewritten:

45 **"§ 143-422.13. Investigations; conciliations.**

46 The Human Relations Commission in the ~~Department of Administration~~ Civil Rights
 47 Division of the Office of Administrative Hearings shall have the authority to receive,
 48 investigate, and conciliate complaints of discrimination in public accommodations. Throughout
 49 this process, the Human Relations Commission shall use its good offices to effect an amicable
 50 resolution of the complaints of discrimination. This Article does not create, and shall not be

1 construed to create or support, a statutory or common law private right of action, and no person
2 may bring any civil action based upon the public policy expressed herein."
3

4 **COUNCIL FOR WOMEN/DOMESTIC VIOLENCE GRANTS**

5 **SECTION 31.2.(a)** G.S. 50B-9 reads as rewritten:

6 **"§ 50B-9. Domestic Violence Center Fund.**

7 (a) The Domestic Violence Center Fund is established within the State Treasury. The
8 fund shall be administered by the Department of Administration, North Carolina Council for
9 Women, and shall be used to make grants to centers for victims of domestic violence and to
10 The North Carolina Coalition Against Domestic Violence, Inc. This fund shall be administered
11 in accordance with the provisions of the Executive Budget Act. The Department of
12 Administration shall make quarterly grants to each eligible domestic violence center and to The
13 North Carolina Coalition Against Domestic Violence, Inc. Effective July 1, 2017, and each
14 fiscal year thereafter, the Department of Administration shall send the contracts to grantees
15 within 10 business days of the date the Current Operations Appropriations Act, as defined in
16 G.S. 143C-1-1, is certified for that fiscal year.

17 (b) Each grant recipient shall receive the same amount. To be eligible to receive funds
18 under this section, a domestic violence center must meet the following requirements:

19 (1) It shall have been in operation on the preceding July 1 and shall continue to
20 be in operation.

21 (2) It shall offer all of the following services: a hotline, transportation services,
22 community education programs, daytime services, and call forwarding
23 during the night and it shall fulfill other criteria established by the
24 Department of Administration.

25 (3) It shall be a nonprofit corporation or a local governmental entity.

26 (c) The North Carolina Council for Women shall report on the quarterly distributions of
27 the grants from the Domestic Violence Center Fund to the House and Senate chairs of the
28 General Government Appropriations Committee within five business days of distribution. The
29 report shall include the date, amount, and recipients of the fund disbursements. The report shall
30 also include any eligible programs which are ineligible to receive funding during the relative
31 reporting cycle as well as the reason of the ineligibility for that relative reporting cycle."

32 **SECTION 31.2.(b)** The Department of Information Technology shall review the
33 grants management process of the North Carolina Council for Women and Youth Involvement
34 Office and provide a report on online grants management options for the Domestic Violence
35 and Sexual Assault grants programs to the chairs of the Joint Legislative Oversight Committee
36 on General Government prior to or on April 1, 2018.
37

38 **PART XXXII. DEPARTMENT OF REVENUE**

39 **CRIMINAL RECORD CHECKS FOR THE DEPARTMENT OF REVENUE**

40 **SECTION 32.1.** 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 as follows:

42 **"§ 143B-967. Criminal record checks for the Department of Revenue.**

43 (a) The Department of Public Safety shall, upon request, provide to the Department of
44 Revenue from the State and National Repositories of Criminal Histories the criminal history of
45 any of the following individuals:

46 (1) A current or prospective permanent or temporary employee.

47 (2) A contractor with the Department.

48 (3) An employee or agent of a contractor with the Department.

49 (4) Any other individual otherwise engaged by the Department who will have
50 access to federal tax information.
51

1 (b) Along with the request, the Department of Revenue shall provide to the Department
2 of Public Safety the fingerprints of the individual whose record is being sought, a form signed
3 by the individual consenting to the criminal record check and use of fingerprints and other
4 identifying information required by the State and National Repositories, and any additional
5 information required by the Department of Public Safety. The individual's fingerprints shall be
6 forwarded to the State Bureau of Investigation for a search of the State's criminal history record
7 file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal
8 Bureau of Investigation for a national criminal history record check. The Department of
9 Revenue shall keep all information obtained pursuant to this section confidential.

10 (c) The Department of Public Safety may charge a fee to offset the cost incurred by it to
11 conduct a criminal record check under this section. The fee shall not exceed the actual cost of
12 locating, editing, researching, and retrieving the information."

13

14 **DOR TAX FRAUD ANALYTICS**

15 **SECTION 32.2.(a)** Of the funds appropriated in this act to the Department of
16 Revenue, the sum of four million four hundred thousand dollars (\$4,400,000) in nonrecurring
17 funds for the 2017-2018 fiscal year shall be used to continue and expand the Department's tax
18 fraud analysis contract. These funds shall be used as follows:

- 19 (1) \$1,300,000 to expand and enhance eNC3.
- 20 (2) \$2,000,000 to pay for fraud detection analytics.
- 21 (3) \$1,100,000 for hosting infrastructure.

22 **SECTION 32.2.(b)** The Department of Revenue shall continue to coordinate with
23 the Government Data Analytics Center (GDAC) and utilize the subject matter expertise and
24 technical infrastructure available through existing GDAC public-private partnerships for fraud
25 detection analytics and infrastructure.

26

27 **PART XXXIII. OFFICE OF STATE CONTROLLER**

28

29 **OVERPAYMENTS AUDIT**

30 **SECTION 33.1.(a)** During the 2017-2019 fiscal biennium, receipts generated by
31 the collection of inadvertent overpayments by State agencies to vendors as a result of pricing
32 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,
33 erroneously paid excise taxes, and related errors shall be deposited in Special Reserve Account
34 24172 as required by G.S. 147-86.22(c).

35 **SECTION 33.1.(b)** Of the funds appropriated in this act from the Special Reserve
36 Account 24172, and for each year of the 2017-2019 fiscal biennium, five hundred thousand
37 dollars (\$500,000) of the funds shall be used by the Office of the State Controller for data
38 processing, debt collection, or e-commerce costs.

39 **SECTION 33.1.(c)** All funds available in Special Reserve Account 24172 on June
40 30 of each year of the 2017-2019 fiscal biennium shall revert to the General Fund on that date.

41 **SECTION 33.1.(d)** The State Controller shall report quarterly to the Joint
42 Legislative Commission on Governmental Operations and the Fiscal Research Division on the
43 revenue deposited in Special Reserve Account 24172 and the disbursement of that revenue.

44

45 **PART XXXIV. DEPARTMENT OF TRANSPORTATION**

46

47 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS**

48 **SECTION 34.1.(a)** Subsections (b) and (c) of Section 35.2 of S.L. 2016-94 are
49 repealed.

50 **SECTION 34.1.(b)** The General Assembly authorizes and certifies anticipated
51 revenues for the Highway Fund as follows:

1 For Fiscal Year 2019-2020 \$ 2,277.7 million
 2 For Fiscal Year 2020-2021 \$ 2,374.9 million
 3 For Fiscal Year 2021-2022 \$ 2,403.4 million
 4 For Fiscal Year 2022-2023 \$ 2,427.3 million

5 **SECTION 34.1.(c)** The General Assembly authorizes and certifies anticipated
 6 revenues for the Highway Trust Fund as follows:

7 For Fiscal Year 2019-2020 \$ 1,619.9 million
 8 For Fiscal Year 2020-2021 \$ 1,654.6 million
 9 For Fiscal Year 2021-2022 \$ 1,675.6 million
 10 For Fiscal Year 2022-2023 \$ 1,701.8 million

11 **SECTION 34.1.(d)** The Department of Transportation, in collaboration with the
 12 Office of State Budget and Management, shall develop a four-year revenue forecast. The first
 13 fiscal year in the four-year revenue forecast shall be the 2023-2024 fiscal year. The four-year
 14 revenue forecast developed under this subsection shall be used (i) to develop the four-year cash
 15 flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation
 16 Improvement Program, and (iii) by the Department of the State Treasurer to compute
 17 transportation debt capacity.

18

19 **CONTINGENCY FUNDS**

20 **SECTION 34.2.(a)** Section 29.2(a)(1) of S.L. 2015-241, as amended by Section
 21 35.19 of S.L. 2016-94, is repealed.

22 **SECTION 34.2.(b)** Of the funds appropriated in this act to the Department of
 23 Transportation, twelve million dollars (\$12,000,000) for each fiscal year of the 2017-2019
 24 fiscal biennium shall be allocated statewide for rural or small urban highway improvements and
 25 related transportation enhancements to public roads and public facilities, industrial access
 26 roads, railroad infrastructure, and spot safety projects, including pedestrian walkways that
 27 enhance highway safety. Projects funded pursuant to this subsection shall be approved by the
 28 Secretary of Transportation.

29 **SECTION 34.2.(c)** The Department of Transportation shall report to the members
 30 of the General Assembly on projects funded pursuant to subsection (b) of this section in each
 31 member's district prior to construction. The Department shall make a quarterly comprehensive
 32 report on the use of these funds to the Joint Legislative Transportation Oversight Committee
 33 and the Fiscal Research Division.

34

35 **REPAIRS AND RENOVATIONS**

36 **SECTION 34.3.** There is appropriated from the Highway Fund to the Department
 37 of Transportation for the 2017-2019 fiscal biennium the following amounts for repairs and
 38 renovations:

39

40 Repairs and Renovations – Highway Fund	41 2017-2018	42 2018-2019
43 Chilled Water Piping and Insulation Replacement	44 \$612,700	45 \$0
46 Statewide: Small Office Renovations/Additions	47 700,000	48 700,000
49 Statewide: Roof Repairs and Replacements	50 1,500,000	51 1,500,000
52 Statewide: Demolition of Obsolete or Condemned 53 Buildings	54 500,000	55 500,000
56 Update Ductwork in Transportation Main Building	57 300,000	58 0

1			
2	New Chiller for the Highway Building Complex	0	325,000
3			
4	Statewide: Water and Sewer Upgrades	1,500,000	1,500,000
5			
6	Upfit First Floor of Highway Building and Annex		
7	With Generator	0	825,000
8			
9	TOTAL REPAIRS AND RENOVATIONS –		
10	HIGHWAY FUND	\$5,112,700	\$5,350,000
11			

DOT/FUNDING FOR ANALYTICS SERVICES

SECTION 34.4. In addition to the funding appropriated in this act to continue and enhance the Department of Transportation's contract for transportation analytics services, the Secretary of the Department of Transportation may use up to the sum of two million dollars (\$2,000,000) from funds available for the 2017-2018 fiscal year to cover costs incurred for obtaining additional analytics services to improve the efficiency and operations of the Department.

DOT/CONSULTATION ON TRANSPORTATION PROJECTS WITH AFFECTED UTILITY PROVIDERS

SECTION 34.4A.(a) G.S. 136-11.1 reads as rewritten:

"§ 136-11.1. ~~Local~~Prior consultation on transportation projects.

Prior to any action of the Board on a transportation project, the Department shall inform all ~~municipalities and counties~~municipalities, counties, and utility providers affected by a planned transportation project and request each ~~affected municipality or county~~to submit within 45 days a written resolution expressing their views on the project. A municipality or county may designate a Transportation Advisory Committee to submit its response to the Department's request for a resolution. Upon receipt of a written resolution from all affected ~~municipalities and counties~~parties or their designees, or the expiration of the 45-day period, whichever occurs first, the Board may take action. The Department and the Board shall consider, but shall not be bound by, the views of the affected ~~municipalities and counties~~parties or their designees on each transportation project. The failure of a ~~county or municipality~~an affected party to express its views within the time provided shall not prevent the Department or the Board from taking action. The Department shall not be required to send notice under this section if it has already received a written resolution from the affected ~~county or municipality~~party on the planned transportation project. "Action of the Board", as used in this section, means approval by the Board of: the Transportation Improvement Program and amendments to the Transportation Improvement Program; the Secondary Roads Paving Program and amendments to the Secondary Roads Paving Program; and individual applications for access and public service road projects, contingency projects, small urban projects, and spot safety projects that exceed two hundred fifty thousand dollars (\$250,000). The 45-day notification provision may be waived upon a finding by the Secretary of Transportation that emergency action is required. Such findings must be reported to the Joint Legislative Transportation Oversight Committee."

SECTION 34.4A.(b) This section is effective when it becomes law and applies to transportation projects planned on or after that date.

DOT PROPERTY ACQUISITIONS/APPRaisal WAIVER VALUATION

SECTION 34.5.(a) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"§ 136-19.6. Appraisal waiver valuation.

1 (a) Intent. – It is the intent of the General Assembly to provide the Department of
2 Transportation with the resources and flexibility necessary to accelerate the time in which
3 projects are completed while maintaining fairness to affected property owners and other
4 citizens of this State. It is the belief of the General Assembly that providing the Department
5 with the flexibility allowed under subsection (b) of this section will help toward achieving this
6 intent. Therefore, the Department is encouraged to utilize the flexibility provided in subsection
7 (b) of this section for all acquisitions of land in which the value of the acquisition is estimated
8 at ten thousand dollars (\$10,000) or less.

9 (b) Permissive Exception to Appraisal. – When the Department acquires land, and
10 except as otherwise required by federal law, an appraisal is not required if the Department
11 determines that the anticipated value of the proposed acquisition is estimated at forty thousand
12 dollars (\$40,000) or less, based on a review of data available to the Department at the time the
13 Department begins the acquisition process. If the Department determines that an appraisal is
14 unnecessary, the Department may prepare an appraisal waiver valuation instead of an appraisal.
15 The Department may contract with a qualified third party to prepare an appraisal waiver
16 valuation. Any person performing an appraisal waiver valuation must have a sufficient
17 understanding of the local real estate market to be qualified to perform the appraisal waiver
18 valuation.

19 (c) Construction. – Nothing in subsection (b) of this section shall be construed as
20 superseding or altering any provision of federal law requiring the Department to obtain an
21 appraisal of a property the Department is attempting to acquire."

22 **SECTION 34.5.(b)** G.S. 146-22.2 reads as rewritten:

23 **"§ 146-22.2. Appraisal of property to be acquired by State.**

24 ~~Where~~ Except as otherwise provided in G.S. 136-19.6, where an appraisal of real
25 estate or an interest in real estate is required by law to be made before acquisition of the
26 property by the State or an agency of the State, the appraisal shall be made by a real estate
27 appraiser licensed or certified by the State under Article 5 of Chapter 93A of the General
28 Statutes.

29 ~~(b) The provisions of subsection (a) of this section shall not apply to appraisals of real~~
30 ~~estate or an interest in real estate made by personnel within the Department of Transportation~~
31 ~~when the appraisal is anticipated to be less than ten thousand dollars (\$10,000). In the event~~
32 ~~that the real estate or interest in real estate is in fact appraised at ten thousand dollars (\$10,000)~~
33 ~~or more, the Department of Transportation must comply with the provisions of subsection (a)~~
34 ~~of this section."~~

35 **SECTION 34.5.(c)** The Department of Transportation, in consultation with the
36 North Carolina Appraisal Board, the North Carolina Chapter of the Appraisal Institute, and the
37 North Carolina Association of Realtors, shall develop a process for performing appraisal
38 waiver valuations authorized under G.S. 136-19.6, as enacted by subsection (a) of this section.
39 By December 31, 2017, the Department shall submit a report to the Joint Legislative
40 Transportation Oversight Committee on the development of the appraisal waiver valuation
41 process. The report required under this subsection shall include an explanation of how the
42 appraisal waiver valuation process developed by the Department conforms with the provisions
43 of Chapter 93E of the General Statutes.

44 **SECTION 34.5.(d)** This section becomes effective May 15, 2018, and applies to
45 acquisitions on or after that date.

47 **ESTABLISHMENT OF ADVANCE RIGHT-OF-WAY ACQUISITION ACCOUNT**

48 **SECTION 34.6.(a)** Article 14 of Chapter 136 of the General Statutes is amended
49 by adding a new section to read:

50 **"§ 136-186. Use of credit reserve; Advance Right-of-Way Acquisition Account.**

51 (a) Definitions. – For purposes of this section, the following definitions apply:

- 1 (1) Credit reserve in the Highway Trust Fund. – Consists of all of the following:
2 a. The unreserved credit balance in the Highway Trust Fund on the last
3 day of the fiscal year to the extent the balances exceed the amount
4 estimated for that date in the Current Operations Appropriations Act
5 for the following fiscal year.
6 b. The unencumbered and unexpended balances on the last day of the
7 fiscal year for the Central and program administration.
8 c. The remaining balance for (i) any open project that has been inactive
9 for two or more years after construction of the project has been
10 completed or (ii) any project that is not obligated during the first two
11 fiscal years in which funds are appropriated.
12 (2) Protective purchase. – Occurs when there is an imminent threat of
13 development of property located within a planned transportation project area
14 established by the Department and the development could affect the
15 Department's ability to construct the project by significantly increasing
16 future right-of-way costs, relocations, and disruption of persons and
17 businesses in the planned transportation project area.
18 (3) Undue hardship. – Occurs when a planned transportation project area
19 established by the Department causes a property owner remaining on a
20 property located within the planned transportation project area to experience
21 a hardship based on health, safety, or financial reasons beyond what is
22 experienced by other property owners within the planned transportation
23 project area and the property owner is unable to sell the property at fair
24 market value within a time period that is typical for properties not impacted
25 by the planned project.
26 (b) Establishment of Account. – There is established within the Highway Trust Fund an
27 Advance Right-of-Way Acquisition Account. The Account shall be under the control and
28 direction of the Department of Transportation. The Account shall consist of both of the
29 following:
30 (1) The credit reserve in the Highway Trust Fund on the last day of the fiscal
31 year to the extent the balance in the Account does not exceed twenty-five
32 million dollars (\$25,000,000).
33 (2) Any State or federal funds appropriated, allocated, or otherwise transferred
34 to the Account.
35 (c) Uses. – The funds in the Account shall be used only to advance funds to a project
36 for the acquisition of right-of-way prior to the project being programmed in the State
37 Transportation Improvement Program. Funds advanced pursuant to this subsection may be used
38 for the cost of the right-of-way and any costs incurred in acquiring the right-of-way. Funds
39 advanced pursuant to this subdivision, including any fees or interest, shall be repaid in the first
40 year the project utilizing the acquired right-of-way is programmed for right-of-way in the State
41 Transportation Improvement Program. Funds shall not be advanced to a project pursuant to this
42 subsection unless the project meets all of the following requirements:
43 (1) The right-of-way must be identified as a future right-of-way in (i) a corridor
44 protection map adopted pursuant to Article 2E of this Chapter, (ii) the most
45 recently adopted State Transportation Improvement Program, or (iii) both a
46 corridor protection map adopted pursuant to Article 2E of this Chapter and
47 the most recently adopted State Transportation Improvement Program.
48 (2) The Department determines it is in the best interest of the public to acquire
49 the right-of-way (i) as a protective purchase or (ii) to remove an undue
50 hardship.

1 (3) For Turnpike projects only, a Record of Decision or a Finding of No
2 Significant Impact must have been issued.

3 (d) Fees and Interest. – Except for Turnpike projects, the Department shall not charge
4 fees or interest on funds advanced pursuant to subsection (c) of this section. For Turnpike
5 projects, the Department shall condition the advancement of funds pursuant to subsection (c) of
6 this section on the establishment of any security and the payment of any fees and interest rates
7 the Department may deem necessary.

8 (e) Repayment. – Funds advanced pursuant to subsection (c) of this section, including
9 any fees or interest, shall be repaid in the first year the project utilizing the acquired
10 right-of-way is programmed for right-of-way in the State Transportation Improvement
11 Program.

12 (f) Remaining Credit Reserve. – The Director of the Budget shall allocate any portion
13 of the credit reserve in the Highway Trust Fund not used in accordance with subdivision (1) of
14 subsection (b) of this section to the Strategic Transportation Investments fund in the Highway
15 Trust Fund. The funds shall be used only to accelerate the completion of projects with sections
16 included in the most recently adopted State Transportation Improvement Program. The use of
17 the funds described in this subsection shall be subject to the requirements of Article 14B of this
18 Chapter. To the extent the funds described in this subsection are not already appropriated, they
19 are hereby appropriated to be used for the purpose set forth in this subsection."

20 **SECTION 34.6.(b)** G.S. 136-189.11 reads as rewritten:

21 "**§ 136-189.11. Transportation Investment Strategy Formula.**

22 ...
23 (b) Funds Excluded From Formula. – The following funds are not subject to this
24 section:

25 ...
26 (12) Funds advanced pursuant to G.S. 136-186.

27 ...
28 (e) Authorized Formula Variance. – The Department may vary from the Formula set
29 forth in this section if it complies with the following:

30 ...
31 (2) Calculation of variance. – Each year the Secretary shall calculate the amount
32 of Regional Impact and Division Need funds allocated in that year to each
33 division and region, the amount of funds obligated, and the amount the
34 obligations exceeded or were below the allocation. In calculating the amount
35 of funds obligated, the Secretary shall include any amount used as
36 repayment for funds advanced pursuant to G.S. 136-186. In the first variance
37 calculation under this subdivision following the end of fiscal year
38 2015-2016, the target amounts obtained according to the Formula set forth in
39 this section shall be adjusted to account for any differences between
40 allocations and obligations reported for the previous year. In the first
41 variance calculation under this subdivision following the end of fiscal year
42 2016-2017, the target amounts obtained according to the Formula set forth in
43 this section shall be adjusted to account for any differences between
44 allocations and obligations reported for the previous two fiscal years. In the
45 first variance calculation under this subdivision following the end of fiscal
46 year 2017-2018, the target amounts obtained according to the Formula set
47 forth in this section shall be adjusted to account for any differences between
48 allocations and obligations reported for the previous three fiscal years. In the
49 first variance calculation under this subdivision following the end of fiscal
50 year 2018-2019, the target amounts obtained according to the Formula set
51 forth in this section shall be adjusted to account for any differences between

1 allocations and obligations reported for the previous four fiscal years. The
2 new target amounts shall be used to fulfill the requirements of subdivision
3 (1) of this subsection for the next update of the Transportation Improvement
4 Program. The adjustment to the target amount shall be allocated by
5 Distribution Region or Division, as applicable.

6"

7 8 ROAD IMPROVEMENTS ADJACENT TO SCHOOLS

9 SECTION 34.6A.(a) G.S. 136-18(29a) reads as rewritten:

10 "(29a) To coordinate with all public and private entities planning schools to provide
11 written recommendations and evaluations of driveway access and traffic
12 operational and safety impacts on the State highway system resulting from
13 the development of the proposed sites. All public and private entities shall,
14 upon acquiring land for a new school or prior to beginning construction of a
15 new school, relocating a school, or expanding an existing school, request
16 from the Department a written evaluation and written recommendations to
17 ensure that all proposed access points comply with the criteria in the current
18 North Carolina Department of Transportation "Policy on Street and
19 Driveway Access". The Department shall provide the written evaluation and
20 recommendations within a reasonable time, which shall not exceed 60 days.
21 This subdivision applies to improvements that are not located on the school
22 property. The Department shall have the power to grant final approval of any
23 project design under this subdivision. To facilitate completion of the
24 evaluation and recommendations within the required 60 days, in lieu of the
25 evaluation by the Department, schools may engage their own independent
26 traffic engineer. The resulting evaluation and recommendations from the
27 independent traffic engineer shall also fulfill any similar requirements
28 imposed by a unit of local government. This subdivision shall not be
29 construed to require the public or private entities planning schools to meet
30 the recommendations made by the ~~Department~~, Department or the
31 independent traffic engineer, except those highway improvements that are
32 required for safe ingress and egress to the State highway system-system,
33 pursuant to subdivision (29) of this section, and that are physically
34 connected to a driveway on the school property. The total cost of any
35 improvements to the State highway system provided by a school pursuant to
36 this subdivision, including those improvements pursuant to subdivision (29)
37 of this section, shall be reimbursed by the Department. Any agreement
38 between a school and the Department to make improvements to the State
39 highway system shall not include a requirement for acquisition of
40 right-of-way by the school, unless the school is owned by an entity that has
41 eminent domain power. Nothing in this subdivision shall preclude the
42 Department from entering into an agreement with the school whereby the
43 school installs the agreed upon improvements and the Department provides
44 full reimbursement for the associated costs incurred by the school, including
45 design fees and any costs of right-of-way or easements. The term "school,"
46 as used in this subdivision, means any facility engaged in the educational
47 instruction of children in any grade or combination of grades from
48 kindergarten through the twelfth grade at which attendance satisfies the
49 compulsory attendance law and includes charter schools authorized under
50 G.S. 115C-218.5. The term "improvements," as used in this subdivision,
51 refers to all facilities within the right-of-way required to be installed to

1 satisfy the road cross-section requirements depicted upon the approved
2 plans. These facilities shall include roadway construction, including
3 pavement installation and medians; ditches and shoulders; storm drainage
4 pipes, culverts, and related appurtenances; and, where required, curb and
5 gutter; signals, including pedestrian safety signals; street lights; sidewalks;
6 and design fees. Improvements shall not include any costs for public
7 utilities."

8 **SECTION 34.6A.(b)** Chapter 160A of the General Statutes is amended by adding
9 a new section to read:

10 **"§ 160A-307.1. Limitation on city requirements for street improvements related to**
11 **schools.**

12 A city may only require street improvements related to schools that are required for safe
13 ingress and egress to the municipal street system and that are physically connected to a
14 driveway on the school site. The required improvements shall not exceed those required
15 pursuant to G.S. 136-18(29). G.S. 160A-307 shall not apply to schools. A city may only require
16 street improvements related to schools as provided in G.S. 160A-372. The cost of any
17 improvements to the municipal street system shall be reimbursed by the Department of
18 Transportation. For purposes of this section, the Department of Transportation shall have the
19 power to grant final approval of any project design for which it provides reimbursement. Any
20 agreement between a school and a city to make improvements to the municipal street system
21 shall not include a requirement for acquisition of right-of-way by the school, unless the school
22 is owned by an entity that has eminent domain power. Any right-of-way costs incurred by a
23 school for required improvements pursuant to this section shall be reimbursed by the
24 Department of Transportation. The term "school," as used in this section, means any facility
25 engaged in the educational instruction of children in any grade or combination of grades from
26 kindergarten through the twelfth grade at which attendance satisfies the compulsory attendance
27 law and includes charter schools authorized under G.S. 115C-218.5."

28 **SECTION 34.6A.(c)** Any rule or policy adopted by the Department of
29 Transportation that does not comply with the provisions of this section shall be null, void, and
30 without effect.

31 **SECTION 34.6A.(d)** The Department of Transportation may adopt temporary
32 rules to implement the provisions of this section. Any temporary rules adopted in accordance
33 with this section shall remain in effect until permanent rules that replace the temporary rules
34 become effective.

35
36 **CHARTER SCHOOL TRANSPORTATION GRANT PILOT PROGRAM**

37 **SECTION 34.6B.(a)** Purpose. – The Department of Transportation, in
38 consultation with the Department of Public Instruction, shall establish the Charter School
39 Transportation Grant Pilot Program (Program). The purpose of the Program shall be to award
40 grant funds to a charter school meeting the requirements of subsection (b) of this section for the
41 reimbursement of sixty-five percent (65%) of the eligible student transportation costs incurred
42 by the school in accordance with the provisions of this section. Of the funds appropriated in
43 this act from the Highway Fund for other State agencies, reserves, and transfers, the
44 Department of Transportation shall use two million five hundred thousand dollars (\$2,500,000)
45 in nonrecurring funds for the 2017-2018 fiscal year to award as grant funds in accordance with
46 this section.

47 **SECTION 34.6B.(b)** Program Eligibility. – If a charter school has a student
48 enrollment of at least fifty percent (50%) of its students residing in households with an income
49 level not in excess of the amount required for a student to qualify for the federal free or reduced
50 price lunch program in a semester of the school year, the charter school may apply to the
51 Department of Transportation for grant funds under the Program for reimbursement of

1 sixty-five percent (65%) of the eligible student transportation costs incurred by the school for
2 that semester.

3 **SECTION 34.6B.(c)** Applications. – By August 1, 2017, the Department of
4 Transportation shall establish the criteria and guidelines for the grant application process for
5 the upcoming school year, including criteria for eligible student transportation costs to be
6 covered under the Program and any documentation required to be submitted with the
7 application. The Department of Transportation shall accept applications until December 31,
8 2017, for eligible student transportation costs incurred during the fall semester of the school
9 year and until May 30, 2018, for eligible student transportation costs incurred during the spring
10 semester of the school year.

11 **SECTION 34.6B.(d)** Award of Funds. – The Department of Public Instruction
12 shall select the charter schools eligible to receive grant funds under the Program and shall
13 provide the list of recipients to the Department of Transportation. From funds available made
14 for the Program, the Department of Transportation shall award grant funds under the Program
15 to the selected charter schools by January 15, 2017, for eligible costs incurred during the fall
16 semester of the school year and by June 15, 2018, for eligible costs incurred during the spring
17 semester of the prior school year.

18 **SECTION 34.6B.(e)** Reporting. – The Department of Transportation shall provide
19 an interim report by February 15, 2018, and a final report by August 15, 2018, to the Fiscal
20 Research Division, the Joint Legislative Transportation Oversight Committee, and the Joint
21 Legislative Education Oversight Committee on the administration of the Program, including the
22 number of charter schools that received grants and the amount of grant funds awarded to those
23 charter schools and the types of student transportation costs eligible for reimbursement under
24 the Program.

25 **ECONOMIC DEVELOPMENT & SMALL CONSTRUCTION**

26 **SECTION 34.7.(a)** Economic Development. – Of the funds appropriated in this act
27 to the Department of Transportation, and beginning in the 2017-2018 fiscal year, the sum of six
28 million dollars (\$6,000,000) in recurring funds shall be used for prioritized transportation
29 improvements and infrastructure that expedite commercial growth as well as either job creation
30 or job retention. Projects funded under this subsection shall be jointly approved by the
31 Secretary of Transportation and the Secretary of Commerce in accordance with the guidelines
32 and procedures developed under subsection (c) of Section 34.7 of S.L. 2013-360, as amended
33 by Section 34.29 of S.L. 2014-100.

34 **SECTION 34.7.(b)** Small Construction Projects. – Of the funds appropriated in
35 this act to the Department of Transportation, and beginning in the 2017-2018 fiscal year, the
36 sum of twenty-four million dollars (\$24,000,000) in recurring funds shall be used for
37 construction projects that are high impact and low cost. The funds shall be allocated equally
38 among the 14 Highway Divisions. Members of the Board of Transportation are prohibited from
39 accessing and using the funds allocated under this subsection. Projects funded under this
40 subsection include intersection improvement projects, minor widening projects, and operational
41 improvement projects. The Department shall develop a quantitative, evidence-based formula to
42 use in selecting projects to receive funding under this subsection. At a minimum, the
43 Department shall consider all of the following in developing the formula required by this
44 subsection:

- 45 (1) The average daily traffic volume of a roadway and whether the proposed
46 project will generate additional traffic.
- 47 (2) Any restrictions on a roadway.
- 48 (3) Any safety issues with a roadway.
- 49 (4) The condition of the lanes, shoulders, and pavement on a roadway.
- 50 (5) The site distance and radius of any intersection on a roadway.
- 51

1 **SECTION 34.7.(c)** Report. – The Department shall develop a report detailing (i)
2 the formula developed under subsection (b) of this section, (ii) the types of projects funded
3 under this section, and (iii) the total amount of funding allocated to each project funded under
4 this section. The Department shall submit the report required under this subsection to the Joint
5 Legislative Transportation Oversight Committee by March 1, 2018.

6 **SECTION 34.7.(d)** Conforming Repeal. – Section 29.2(a)(1) of S.L. 2015-241, as
7 amended by Section 35.19 of S.L. 2016-94, is repealed.

9 **DOT/DISPOSITION OF SETTLEMENT FUNDS**

10 **SECTION 34.7A.** G.S. 114-2.4A(c) reads as rewritten:

11 "(c) Exception. – Subsections (b) and (e) of this section shall not apply to:

- 12 (1) Funds received by the Department of Health and Human Services to the
13 extent those funds represent the recovery of previously expended Medicaid
14 funds.
- 15 (2) Funds received by the Escheat Fund and benefit plans administered by the
16 Department of State Treasurer.
- 17 (3) Funds received by the Department of Transportation to the extent those
18 funds represent the recovery of funds previously expended by the
19 Department of Transportation."

21 **RURAL PROJECT DEVELOPMENT**

22 **SECTION 34.8.(a)** Matching Funds for Certain MPOs and RPOs. – Article 17 of
23 Chapter 136 of the General Statutes is amended by adding a new section to read:

24 **"§ 136-214. Matching funds for federal State Planning and Research Program Grants.**

25 The Department of Transportation shall annually allocate funds to qualifying Metropolitan
26 Planning Organizations and Rural Transportation Planning Organizations to be used to fund a
27 portion of the local match required for federal State Planning and Research Program funds
28 under 23 U.S.C. § 505. A Metropolitan Planning Organization is only eligible for funding
29 under this section if it has a population of 500,000 or less, as determined by the most recent
30 census. The funds shall be allocated as follows:

- 31 (1) For a Metropolitan Planning Organization or Rural Transportation Planning
32 Organization that includes at least one representative from a development
33 tier one area, as determined under G.S. 143B-437.08, the Department shall
34 allocate an amount equal to fifteen percent (15%) of the total local match
35 required.
- 36 (2) For a Metropolitan Planning Organization or Rural Transportation Planning
37 Organization that does not qualify under subdivision (1) of this section, but
38 includes at least one representative from a development tier two area, as
39 determined under G.S. 143B-437.08, the Department shall allocate an
40 amount equal to ten percent (10%) of the total local match required.
- 41 (3) The Department shall not allocate any funds under this section to a
42 Metropolitan Planning Organization or Rural Transportation Planning
43 Organization that does not qualify under this section."

44 **SECTION 34.8.(b)** Establish Corridor Development Unit. – The Department shall
45 establish a Corridor Development Unit within, and under the direction of, the Division of
46 Planning and Programming of the Department. The Corridor Development Unit shall work
47 with organizations that receive funding under subsection (a) of this section to develop detailed
48 corridor studies on highway projects prior to submitting the project for inclusion and
49 prioritization in a long-term transportation planning document. The studies required under this
50 subsection shall include an identification of each segment of a highway project, cost estimates
51 for each segment, and an identification of logical termini for each segment.

1 **SECTION 34.8.(c)** Report. – The Department shall develop a report for each fiscal
2 year of the 2017-2019 fiscal biennium on the usage of federal State Planning and Research
3 Program funds allocated in accordance with G.S. 136-214, as enacted by subsection (a) of this
4 section, for that fiscal year. The Department shall submit the reports, including any legislative
5 recommendations for improving the development of rural transportation projects, to the Joint
6 Legislative Transportation Oversight Committee by (i) April 1, 2018, for the first report and (ii)
7 April 1, 2019, for the second report.

8 9 **EXPAND USE OF PAVEMENT PRESERVATION PROGRAM FUNDS**

10 **SECTION 34.9.** G.S. 136-44.17(b) reads as rewritten:

11 "(b) Eligible Activities or Treatments. – Applications eligible for funding under the
12 pavement preservation program include the following preservation activities or treatments for
13 asphalt pavement structures:

14 ...

15 (14) Pavement markers and markings."

16 17 **USE OF SINGLE CHIP SEAL TREATMENT ON SECONDARY ROADS**

18 **SECTION 34.9A.** G.S. 136-44.3A(f) reads as rewritten:

19 "(f) Authorized Use of Single Chip Seal Treatment on Secondary ~~Roads.~~Roads. – The
20 Department may use single chip seal treatments on secondary roads only under any of the
21 following conditions:

- 22 (1) The secondary road has a daily traffic volume of less than ~~45,000~~10,000
23 vehicles. Single chip treatments used under this subdivision shall be capped
24 with a final riding surface of sand or material of equivalent size to fill voids
25 to create a smooth riding surface.
- 26 (2) The single chip seal treatment is used in combination with a slurry seal,
27 microsurfacing, or resurfacing treatment.
- 28 (3) The condition of the secondary road requires a rough surface to improve
29 traction, such as a secondary road in a mountainous community or another
30 area with low skid resistance."

31 32 **CODIFY BRIDGE PROGRAM LAW**

33 **SECTION 34.10.(a)** Subsection (a) of Section 34.18 of S.L. 2014-100, as amended
34 by Section 29.6 of S.L. 2015-241, is repealed.

35 **SECTION 34.10.(b)** Article 5 of Chapter 136 of the General Statutes is amended
36 by adding a new section to read:

37 "**§ 136-76.2. Bridge program.**

38 (a) Establishment. – The Department of Transportation shall rename the "system
39 preservation program" the "bridge program."

40 (b) Permissible Uses. – Funds appropriated, allocated, credited, or otherwise transferred
41 to the bridge program established under subsection (a) of this section may only be used for
42 improvements to culverts associated with a component of the State highway system, bridge
43 preservation, and improvements to structurally deficient and functionally obsolete bridges. No
44 more than ten percent (10%) of the funds described in this subsection may be used for
45 improvements to culverts associated with a component of the State highway system, and the
46 funds may only be used for culverts that are 54 inches or greater in size and rated by the
47 Department as in poor condition.

48 (c) Outsourcing. – All projects funded under the bridge program established under
49 subsection (a) of this section, with the exception of inspection, pre-engineering, contract
50 preparation, contract administration and oversight, and planning activities, shall be outsourced
51 to private contractors."

1 **SECTION 34.10.(c)** G.S. 119-18(b) reads as rewritten:

2 "(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied
3 first to the costs of administering this Article and Subchapter V of Chapter 105 of the General
4 Statutes. The remainder of the proceeds shall be credited on a monthly basis to the Highway
5 Fund to be used for the bridge ~~program under the Department of Transportation in the highway~~
6 ~~maintenance program, program established under G.S. 136-76.2."~~

7
8 **HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM/REVISE PERIODS AND**
9 **CONSOLIDATE WITH OTHER IMPROVEMENT PROGRAMS**

10 **SECTION 34.11.(a)** G.S. 136-44.3A reads as rewritten:

11 "**§ 136-44.3A. Highway Maintenance Improvement Program.**

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

13 ...

14 (4) Highway Maintenance Improvement Program Needs Assessment. – A report
15 of the amount of funds needed, the number of affected lane miles, and the
16 percentage of the primary and secondary system roads that are rated to need
17 a resurfacing or pavement preservation treatment within the Highway
18 Maintenance Improvement Program's ~~three-year~~ five-year time period but
19 are not programmed due to funding constraints.

20 ...

21 (c) Highway Maintenance Improvement Program. – After the annual inspection of
22 roads within the State highway system, each highway division shall determine and report to the
23 Chief Engineer on the need for rehabilitation, resurfacing, or pavement preservation treatments.
24 The Chief Engineer shall establish a ~~three-year~~ five-year priority list for each highway division
25 based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall establish a
26 ~~three-year~~ five-year improvement schedule, sorted by county, for rehabilitation, resurfacing,
27 and pavement preservation treatment activities. The schedule shall be based on the amount of
28 funds appropriated to the contract resurfacing program and the pavement preservation program
29 in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program
30 for all ~~three~~ five years of the Highway Maintenance Improvement Program. State funding for
31 the Highway Maintenance Improvement Program shall be limited to funds appropriated from
32 the State Highway Fund.

33 "

34 **SECTION 34.11.(b)** G.S. 136-44.3A(c), as amended by subsection (a) of this
35 section, reads as rewritten:

36 "(c) Highway Maintenance Improvement Program. – After the annual inspection of
37 roads within the State highway system, each highway division shall determine and report to the
38 Chief Engineer on (i) the need for rehabilitation, resurfacing, or pavement preservation
39 ~~treatments.~~ treatments, (ii) the need for bridge and general maintenance, and (iii) projected
40 changes to the condition of pavement on primary and secondary roads for each year over a
41 five-year period. The Chief Engineer shall establish a five-year priority list for each highway
42 division based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall
43 establish a five-year improvement schedule, sorted by county, for rehabilitation, resurfacing,
44 and pavement preservation treatment activities. The schedule shall be based on the amount of
45 funds appropriated to the contract resurfacing program and the pavement preservation program
46 in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program
47 for all five years of the Highway Maintenance Improvement Program. State funding for the
48 Highway Maintenance Improvement Program shall be limited to funds appropriated from the
49 State Highway Fund."

50 **SECTION 34.11.(c)** By January 1, 2020, and for the purpose of forming a
51 consolidated report of all maintenance activities, the Department of Transportation shall merge

1 the Bridge Maintenance Improvement Program and the General Maintenance Improvement
2 Program into the Highway Maintenance Improvement Program established under
3 G.S. 136-44.3A.

4 **SECTION 34.11.(d)** Subsection (b) of this section becomes effective January 1,
5 2020, and applies beginning with the report due April 1, 2020. Subsection (a) of this section
6 becomes effective July 1, 2017, and applies to priority lists and improvement schedules
7 submitted on or after that date. The remainder of this section becomes effective July 1, 2017.

8
9 **REVISE CONTENT OF TRANSPORTATION IMPROVEMENT PROGRAM**
10 **SCHEDULE**

11 **SECTION 34.12.** G.S. 143B-350(f)(4) reads as rewritten:

12 "(4) To approve a schedule of all major transportation improvement projects and
13 their anticipated cost. This schedule is designated the Transportation
14 Improvement Program. The Board shall publish the schedule in a format that
15 is easily reproducible for distribution and make copies available for
16 distribution in accordance with the process established for public records in
17 Chapter 132 of the General Statutes. ~~The document that contains the~~
18 ~~Transportation Improvement Program, or a separate document that is~~
19 ~~published at the same time as the Transportation Improvement Program,~~
20 ~~shall include the anticipated funding sources for the improvement projects~~
21 ~~included in the Program and a list of any changes made from the previous~~
22 ~~year's Program, and the reasons for the changes."~~

23
24 **STI/REGIONAL AND DIVISION WEIGHTING**

25 **SECTION 34.12A.(a)** G.S. 136-189.11(d)(2)a. reads as rewritten:

26 "(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this
27 section shall be used for Regional Impact Projects and allocated by
28 population of Distribution Regions based on the most recent estimates
29 certified by the Office of State Budget and Management:

- 30 a. Criteria. – A combination of transportation-related quantitative
31 criteria, qualitative criteria, and local input shall be used to rank
32 Regional Impact Projects involving highways that address
33 cost-effective needs from a region-wide perspective and promote
34 economic growth. Local input is defined as the rankings identified by
35 the Department's ~~Transportation~~ Division Engineers, Metropolitan
36 Planning Organizations, and Rural Transportation Planning
37 Organizations. ~~Transportation~~ Division Engineer local input scoring
38 shall take into account public comments. The Department shall
39 ensure that the public has a full opportunity to submit public
40 comments, by widely available notice to the public, an adequate time
41 period for input, and public hearings. Board of Transportation input
42 shall be in accordance with G.S. 136-189.11(g)(1) and
43 G.S. 143B-350(g). The criteria utilized for selection of Regional
44 Impact Projects shall be based ~~thirty percent (30%) on local input ten~~
45 percent (10%) on the rankings identified by the Division Engineers,
46 twenty percent (20%) on the rankings identified by the Metropolitan
47 Planning Organizations and the Rural Transportation Planning
48 Organizations, and seventy percent (70%) on consideration of a
49 numeric scale of 100 points based on the following quantitative
50 criteria:

51"

SECTION 34.12A.(b) G.S. 136-189.11(d)(3)a. reads as rewritten:

"(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this section shall be allocated in equal share to each of the Department divisions, as defined in G.S. 136-14.1, and used for Division Need Projects.

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Division Need Projects involving highways that address cost-effective needs from a Division-wide perspective, provide access, and address safety-related needs of local communities. Local input is defined as the rankings identified by the Department's ~~Transportation~~—Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. ~~Transportation~~—Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for selection of Division Need Projects shall be based ~~fifty percent (50%) on local input~~ fifteen percent (15%) on the rankings identified by the Department's Division Engineers, thirty-five percent (35%) on the rankings identified by the Metropolitan Planning Organizations and the Rural Transportation Planning Organizations, and fifty percent (50%) on consideration of a numeric scale of 100 points based on the following quantitative criteria, except as provided in sub-subdivision b. of this subdivision:

...."

SECTION 34.12A.(c) G.S. 136-189.11(d)(4)b. reads as rewritten:

"(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

...
 b. Local input shall include rankings of projects identified by the Department's ~~Transportation~~—Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. ~~Transportation~~—Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g)."

TRANSPORTATION MEGAPROJECT FUNDING/BLUE RIBBON COMMITTEE ON TRANSPORTATION INFRASTRUCTURE FUNDING

TRANSPORTATION MEGAPROJECT FUNDING

SECTION 34.12B.(a) Establishment of the Megaproject Fund. – Chapter 136 of the General Statutes is amended by adding a new Article to read:

"Article 14C.
"Megaproject Fund.

"§ 136-189.12. Creation of the Megaproject Fund.

(a) An account designated as the Megaproject Fund is hereby created within the Highway Trust Fund. The Megaproject Fund shall not be funded using (i) the proceeds of any fee charged by the Division of Motor Vehicles, (ii) the proceeds of any tax imposed under Article 5A of Chapter 105 of the General Statutes, or (iii) the proceeds of any tax imposed under Part 3 of Article 36C of Chapter 105 of the General Statutes.

(b) The amounts deposited to the Megaproject Fund shall be used as provided in this Article, notwithstanding any provision of Article 14B of this Chapter to the contrary. The provisions of Article 14B of this Chapter shall not apply to the application of the Megaproject Fund.

"§ 136-189.13. Use of the Megaproject Fund.

The Department of Transportation shall use the Megaproject Fund to fund transportation projects, selected by a workgroup overseen by the Department, of statewide or regional significance that exceed two hundred million dollars (\$200,000,000) in total project cost. The workgroup selecting projects under this section shall establish project selection criteria based on the provisions of this Article.

"§ 136-189.14. Reports by the Department of Transportation.

The Department of Transportation shall develop, and update annually, a report containing a completion schedule for all projects to be funded from the Megaproject Fund, including the selection criteria and reasoning used for each project. The annual update shall indicate the projects, or portions thereof, that were completed during the preceding fiscal year, any changes in the original completion schedules, and the reasons for the changes. The report shall also include the Department's anticipated schedule for future projects. The Department shall submit the report and the annual updates to the Joint Legislative Transportation Oversight Committee by November 1 of each year."

SECTION 34.12B.(b) Exclusion from Transportation Investment Strategy Formula. – G.S. 136-189.11(b) is amended by adding a new subdivision to read:

"(b) Funds Excluded From Formula. – The following funds are not subject to this section:

...

(11) Funds appropriated or transferred to the Megaproject Fund, in accordance with Article 14C of this Chapter."

SECTION 34.12B.(c) Establishment of Workgroup and Megaproject Selection Criteria. – The Department of Transportation shall establish a workgroup for the purposes of developing megaproject selection criteria and selecting projects in accordance with G.S. 136-189.13, as enacted by subsection (a) of this section. The megaproject selection criteria shall:

- (1) Address large-scale, significant transportation needs of the State.
- (2) Provide for interstate and intrastate connectivity between urban and rural areas and between rural areas.
- (3) Encourage economic development in both urban and rural areas of the State.
- (4) Improve existing major highway corridors by increasing capacity and relieving congestion.
- (5) Provide for infrastructure improvements and rail and highway connectivity to the State ports.
- (6) Encourage delivery of projects in the most effective, efficient, and expeditious manner.

SECTION 34.12B.(d) Membership. – The workgroup shall consist of the following members:

- (1) A representative from the workgroup established under G.S. 136-189.11(h).

- 1 (2) A representative from the North Carolina Association of Municipal Planning
- 2 Organizations.
- 3 (3) A representative from the North Carolina Association of Rural Planning
- 4 Organizations.
- 5 (4) A representative from the North Carolina League of Municipalities.
- 6 (5) A representative from the North Carolina Association of County
- 7 Commissioners.
- 8 (6) A representative from the North Carolina Metropolitan Mayors Coalition.
- 9 (7) A representative from the North Carolina Council of Regional Governments.

10 **SECTION 34.12B.(e)** Selection of Members; Cochairs. – The Department of
11 Transportation shall select the members listed in subsection (d) of this section. The cochairs of
12 the workgroup shall be the members listed in subdivisions (2) and (3) of subsection (d) of this
13 section.

14 **SECTION 34.12B.(f)** Meetings. – The Department of Transportation shall
15 establish and convene the workgroup required under this section within 30 days of the effective
16 date of this section. Within the three-month period from the date the workgroup is convened,
17 the workgroup shall hold at least three meetings. One meeting shall set forth the goals and
18 objectives of the workgroup, a second meeting shall discuss the progress made in meeting its
19 goals and objectives, and a third meeting shall present the outcomes achieved from the
20 workgroup process, including a presentation on the selection criteria established by the
21 workgroup. Additional meetings shall be on the call of the cochairs. Each member may be
22 represented by a designee, who shall have the same voting powers as the member. The
23 workgroup shall meet in offices provided by the Department of Transportation. In addition, the
24 Department of Transportation shall provide the necessary secretarial and clerical staff and
25 supplies to help the workgroup accomplish its goals and objectives.

26 **SECTION 34.12B.(g)** Quorum. – A quorum of the workgroup shall consist of a
27 majority of the workgroup's total membership.

28 **SECTION 34.12B.(h)** Reports. – No later than 45 days from the date the
29 workgroup is convened, the workgroup shall provide a report to the Joint Legislative
30 Transportation Oversight Committee on its progress in creating the megaproject selection
31 criteria. Prior to the end of the three-month period from the date the workgroup is convened,
32 the workgroup shall provide a report to the Joint Legislative Transportation Oversight
33 Committee on the megaproject selection criteria created by the workgroup.

34 **BLUE RIBBON COMMITTEE ON TRANSPORTATION INFRASTRUCTURE** 35 **FUNDING**

36 **SECTION 34.12B.(i)** Establishment. – There is established a Blue Ribbon
37 Committee on Transportation Infrastructure Funding.

38 **SECTION 34.12B.(j)** Membership. – The Committee shall be composed of 20
39 members, as follows:

- 40 (1) Ten members appointed by the Speaker of the House of Representatives, as
41 follows:
 - 42 a. Six members of the House of Representatives.
 - 43 b. Two members representing the public.
 - 44 c. One member representing small business in the State.
 - 45 d. One member representing large business in the State.
- 46 (2) Ten members appointed by the President Pro Tempore of the Senate, as
47 follows:
 - 48 a. Six members of the Senate.
 - 49 b. Two members representing the public.
 - 50 c. One member representing small business in the State.

d. One member representing large business in the State.

SECTION 34.12B.(k) Finding and Purpose. – The General Assembly finds that the State has significant transportation infrastructure needs and insufficient revenue to meet those needs. Therefore, the Committee shall study all of the following:

- (1) Options available, including debt instruments, revenue changes, local government participation, and tolling, to increase funding for the transportation infrastructure needs of the State.
- (2) New revenue sources available to fund the Megaproject Fund established under G.S. 136-189.12, as enacted by subsection (a) of this section.
- (3) Any other matters the Committee deems relevant to accomplishing the purpose set forth in this subsection.

SECTION 34.12B.(l) Officers; Vacancies. – The Speaker of the House of Representatives shall designate one Representative as cochair and the President Pro Tempore of the Senate shall designate one Senator as cochair. Any vacancy on the Committee shall be filled by the appointing authority.

SECTION 34.12B.(m) Compensation; Powers; Meeting. – Members of the Committee shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.4. The Committee shall meet upon the call of the cochairs. A quorum of the Committee shall be 10 members. The Committee may meet in the Legislative Building or the Legislative Office Building. With approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Committee in its work. The House of Representatives' and the Senate's Directors of Legislative Assistants shall assign clerical staff to the Committee, and the expenses relating to the clerical employees shall be borne by the Committee.

SECTION 34.12B.(n) Report; Termination. – The Committee may make an interim report of its findings and recommendations to the 2018 Regular Session of the 2017 General Assembly and shall make a final report of its findings and recommendations to the 2019 General Assembly prior to its convening. The Committee shall terminate on the convening of the 2019 General Assembly or upon the filing of its final report, whichever occurs first.

DOT/FUNDING FOR PRELIMINARY ENGINEERING

SECTION 34.12C. G.S. 136-66.8 reads as rewritten:

"§ 136-66.8. Agreements with units of local government to expedite projects.

(a) Agreements Authorized. – The Department of Transportation may enter into agreements with units of local government for either of the purpose of expediting following purposes:

- (1) Expediting transportation projects currently programmed in the Transportation Improvement ~~Plan~~-Program.
- (2) Funding preliminary engineering for projects not currently programmed in the Transportation Improvement Program but programmed in the immediately preceding Transportation Improvement Program.

(b) Form of Project Agreements. – The agreements ~~affected~~-authorized by subdivision (1) of subsection (a) of this section shall be between the Department of Transportation and units of local government. The agreements may authorize units of local government to construct projects scheduled in the Transportation Improvement ~~Plan~~-Program more than two years from the date of the agreement. The units of local government shall fund one hundred percent (100%) of the project at current prices. In a future year, when the project is funded from State and federal sources, the units of local government shall be reimbursed an

1 appropriate share of the funds, at the future programmed project funding amount, as identified
2 and scheduled in the Transportation Improvement ~~Plan~~ Program.

3 (b1) Form of Preliminary Engineering Agreement. – The agreements authorized by
4 subdivision (2) of subsection (a) of this section shall be between the Department of
5 Transportation and units of local government. The units of local government shall fund one
6 hundred percent (100%) of the preliminary engineering funding at current prices. In a future
7 year, when the project is funded from State and federal sources, the units of local government
8 shall be reimbursed for the amount expended in accordance with the agreement.

9 (c) Report. – The Department of Transportation shall annually report to the Joint
10 Legislative Transportation Oversight Committee by December ~~1, 2006,~~ 1 on any agreements
11 executed with units of local government pursuant to this section."
12

13 REMOVE LIMITS ON LIGHT RAIL FUNDING

14 **SECTION 34.12D.(a)** Section 35.12(b) of S.L. 2016-94 is repealed.

15 **SECTION 34.12D.(b)** G.S. 136-189.10 reads as rewritten:

16 "**§ 136-189.10. Definitions.**

17 The following definitions apply in this Article:

18 ...

19 (2) Division needs projects. – Includes only the following:

20 ...

21 e. Public transportation service not included in subdivision (3) or (4) of
22 this section. This sub-subdivision includes commuter rail, intercity
23 rail, and light rail. ~~Nothing in this sub-subdivision shall be construed~~
24 ~~as authorizing total State funding in excess of the maximum~~
25 ~~established in sub-subdivision g. of subdivision (3) of this section for~~
26 ~~commuter rail and light rail projects.~~

27 ...

28 (3) Regional impact projects. – Includes only the following:

29 ...

30 g. Public transportation service that spans two or more counties and that
31 serves more than one municipality. Programmed funds pursuant to
32 this sub-subdivision shall not exceed ten percent (10%) of any
33 distribution region allocation. This sub-subdivision includes
34 commuter rail, intercity rail, and light rail. ~~Total State funding for a~~
35 ~~commuter rail or light rail project shall not exceed ten percent (10%)~~
36 ~~of the estimated total project costs used during the prioritization~~
37 ~~scoring process. The State shall not be responsible or liable for any~~
38 ~~project costs in excess of the maximum established under this~~
39 ~~sub-subdivision. Any agreement entered into by the State to fund a~~
40 ~~commuter rail or light rail project shall include language setting out~~
41 ~~the limitations set forth in this sub-subdivision.~~

42"

44 DOT/OUTSOURCING AND PROJECT DELIVERY REPORTS

45 **SECTION 34.13.** Article 1 of Chapter 136 of the General Statutes is amended by
46 adding a new section to read:

47 "**§ 136-12.3. Outsourcing and project delivery reports.**

48 (a) Intent. – It is the intent of the General Assembly to take all steps necessary to assist
49 the Department of Transportation in accelerating project delivery and reducing costs incurred
50 by the State. The General Assembly finds that shifting more control over projects to each of the
51 Highway Divisions can assist in achieving this intent. Further, the General Assembly

1 encourages each Highway Division to increase its outsourcing of preconstruction activities to
2 private contractors to sixty percent (60%) of the total cost of preconstruction activities
3 performed by the Highway Division, with the belief that increased outsourcing will also assist
4 in achieving this intent. Therefore, in order to assess the results from shifting project control
5 and increasing the use of outsourcing, and to determine what adjustments may be necessary to
6 improve upon the results, the General Assembly finds that reports are necessary to collect
7 baseline data to establish appropriate targets.

8 (b) Outsourcing Report. – For each Highway Division, the Department shall provide a
9 detailed biannual report on all payments made to private contractors for preconstruction
10 activities. In order to compare internal costs incurred with payments made to private
11 contractors, and except as otherwise provided in this subsection, the Department shall include
12 project-specific expenses incurred by division, regional, or central staff. The Department shall
13 not include expenses incurred for central business units that support and oversee outsourcing
14 functions. The information in the first report submitted under this subsection shall be used to
15 establish a baseline to use for setting future preconstruction outsourcing targets. The
16 Department shall submit the reports required under this subsection to the Joint Legislative
17 Transportation Oversight Committee by September 1 and March 1 of each year.

18 (c) Project Delivery Report. – For each Highway Division, the Department shall
19 provide a detailed annual report in accordance with the following requirements:

20 (1) The report shall detail the progress of the following types of projects in the
21 State Transportation Improvement Program current for the period covered
22 by the report:

23 a. Bridge projects with a cost in excess of ten million dollars
24 (\$10,000,000).

25 b. Interstate highway projects.

26 c. Rural highway projects.

27 d. Urban highway projects.

28 (2) For each project, the report shall indicate the status of all of the following
29 phases:

30 a. Planning a design in progress.

31 b. Right-of-way acquisition in progress.

32 c. Project let for construction.

33 d. Construction substantially complete and traffic using facility.

34 (3) For each project, and as applicable, the report shall include an indication and
35 explanation for project stages that are delayed during the period covered by
36 the report and the delay has been for more than one year.

37 (4) For each project, the report shall include the planned and actual completion
38 date for any required environmental documentation.

39 (5) The Department shall submit the report required under this subsection to the
40 Joint Legislative Transportation Oversight Committee by March 1 of each
41 year.

42 (d) Combined Report. – The Department may combine the reports required to be
43 submitted by March 1 under subsections (b) and (c) of this section into a single report.

44 (e) Consultation Required. – If a Highway Division fails to meet the established
45 preconstruction outsourcing target in two consecutive reports submitted under subsection (b) of
46 this section, or if a report submitted under subsection (c) of this section identifies a Highway
47 Division as having three or more project stages delayed for more than one year, the Division
48 Engineer of the Highway Division identified in the report shall consult with the Joint
49 Legislative Transportation Oversight Committee. The Division Engineer shall submit a request
50 for consultation to (i) all members of the Committee, (ii) the chairs of the House of
51 Representatives Appropriations Committee on Transportation if the General Assembly is in

1 session at the time consultation is required under this subsection, (iii) the chairs of the Senate
2 Appropriations Committee on the Department of Transportation if the General Assembly is in
3 session at the time consultation is required under this subsection, and (iv) the Fiscal Research
4 Division of the General Assembly. The request for consultation shall consist of a written report
5 providing an explanation for the failure or delay and a plan for remedying the failure or delay.
6 If the Committee does not hold a meeting to hear the consultation required by this subsection
7 within 90 days after the consultation request has been submitted, the consultation requirement
8 is satisfied."
9

10 **BOARD OF TRANSPORTATION/STUDY FEE STRUCTURE FOR SERVICES** 11 **PERFORMED BY THE HIGHWAY DIVISION**

12 **SECTION 34.14.(a)** Study. – The Board of Transportation shall study the existing
13 fee structure for services performed by Highway Division personnel. For each type of service
14 performed by Highway Division personnel, the Board shall identify, for each of the three fiscal
15 years immediately preceding the effective date of this section, (i) the number of times a fee was
16 charged for a service performed and (ii) the number of times a fee could have been charged for
17 a service performed. The study shall identify the service performed, the amount of the fee that
18 was or could have been charged, the cost incurred by the Department of Transportation from
19 performing the service, and, if applicable, the reason for not charging the fee.

20 **SECTION 34.14.(b)** Report. – The Board shall submit its findings, including any
21 legislative recommendations, to the Joint Legislative Transportation Oversight Committee by
22 January 1, 2018.
23

24 **ALIGN DOT'S PROGRAM FOR PARTICIPATION BY DISADVANTAGED** 25 **MINORITY-OWNED AND WOMEN-OWNED BUSINESSES WITH FEDERAL** 26 **LAW**

27 **SECTION 34.15.(a)** G.S. 136-28.4 reads as rewritten:

28 **"§ 136-28.4. State policy concerning participation by disadvantaged minority-owned and**
29 **women-owned businesses in transportation contracts.**
30

31 ...
32 (b1) Based upon the findings of the Department's 2014 study entitled "North Carolina
33 Department of Transportation Disparity Study, 2014," hereinafter referred to as "Study", the
34 program design shall, to the extent reasonably practicable, incorporate narrowly tailored
35 antidiscrimination enforcement policy. As appropriate, the program design shall be modified by
36 rules adopted by the Department that are consistent with findings made in the Study and in
37 subsequent studies conducted in accordance with subsection (b) of this section. As part of this
38 program, the Department shall review its budget and establish ~~aspirational goals~~ a combined
39 aspirational goal every three years, not a mandatory goals, goal, in percentages, the form of a
40 percentage, for the overall participation in contracts by disadvantaged minority-owned and
41 women-owned businesses. ~~These aspirational goals~~ This aspirational goal for disadvantaged
42 minority-owned and women-owned businesses shall be established consistent with federal
43 ~~methodology, methodology~~ and they shall not be applied rigidly on specific contracts or
44 projects. Instead, the Department shall establish ~~contract-specific goals or project-specific goals~~
45 a contract-specific goal or project-specific goal for the participation of such firms in a manner
46 consistent with availability of disadvantaged minority-owned and women-owned businesses, as
47 appropriately defined by its most recent ~~Study, for each disadvantaged minority-owned and~~
48 ~~women-owned business category that has demonstrated significant disparity in contract~~
49 ~~utilization.~~ Study. Nothing in this section shall authorize the use of quotas. Any program
50 implemented as a result of the Study conducted in accordance with this section shall be
51 narrowly tailored to eliminate the effects of historical and continuing discrimination and its

1 impacts on such disadvantaged minority-owned and women-owned businesses without any
2 undue burden on other contractors. The Department shall give equal opportunity for contracts it
3 lets without regard to race, religion, color, creed, national origin, sex, age, or handicapping
4 condition, as defined in G.S. 168A-3, to all contractors and businesses otherwise qualified.

5 ...
6 (e) ~~This section expires August 31, 2017."~~

7 **SECTION 34.15.(b)** The Department of Transportation shall develop a plan to
8 establish and implement the combined goal required under subsection (a) of this section. The
9 Department shall submit its plan, including any legislative recommendations, to the Joint
10 Legislative Transportation Oversight Committee by February 1, 2018. The Department shall
11 implement its plan developed under this subsection by April 1, 2018.

12 **SECTION 34.15.(c)** G.S. 136-28.4(b1), as amended by subsection (a) of this
13 section, becomes effective April 1, 2018. The remainder of this section is effective when it
14 becomes law.

15 **"DOT REPORT" PROGRAM REVISIONS**

16 **SECTION 34.16.(a)** G.S. 136-18.05 reads as rewritten:

17 **"§ 136-18.05. Establishment of "DOT Report" Program.**

18 ...
19 (b) Establishment and Components. – To achieve the intent set forth in subsection (a) of
20 this section, the Department shall establish and implement the "DOT Report" Program
21 (Program). The Program shall include the following components:

- 22 (1) Responsiveness. – The Department shall structure the Program to gather
23 citizen input and shall commit to quickly addressing structural problems and
24 other road hazards on State-maintained roads. Citizens may report potholes,
25 drainage issues, culvert blockages, guardrail repairs, damaged or missing
26 signs, malfunctioning traffic lights, highway debris, or shoulder damage to
27 the Department of Transportation by calling a toll-free telephone number
28 designated by the Department or submitting an online work request through
29 a Web site link designated by the Department. Beginning January 1, 2016,
30 upon receiving a citizen report in accordance with this subdivision, the
31 Department shall either address the reported problem or identify a solution
32 to the reported problem. Excluding potholes, which shall be repaired within
33 two business days of the date the report is received, the Department of
34 Transportation shall properly address (i) safety-related citizen reports no
35 later than 10 business days after the date the report is received and (ii)
36 non-safety-related citizen reports no later than 15 business days after the
37 date the report is received. The Department shall determine, in its discretion,
38 whether a citizen report is safety-related or non-safety-related. The
39 Department shall transmit information received about potholes or other
40 problems on roads not maintained by the State to the appropriate locality
41 within two business days of receiving the citizen report. The Department
42 shall provide a monthly report to all of the following on the number of
43 citizen reports received under this subdivision for the month immediately
44 preceding the monthly report, the number of citizen reports fully addressed
45 within the time frames set forth in this subdivision for the month
46 immediately preceding the monthly report, the number of citizen reports
47 addressed outside of the time frames set forth in this subdivision for the
48 month immediately preceding the monthly report, and the number of citizen
49 reports not fully addressed for the month immediately preceding the report:

- 50 a. The Joint Legislative Transportation Oversight Committee.
51

1 financial assistance to governmental units, including toll authorities, to finance the costs of
2 transportation projects. Loans or other financial assistance provided under this subsection shall
3 be subject to repayment and conditioned upon the establishment of any security and the
4 payment of any fees and interest rates deemed necessary by the Department. Governmental
5 units may apply for loans and execute debt instruments payable to the State in order to obtain
6 loans or other financial assistance provided for in this subsection. The Department shall require
7 that applicants pledge as security for the obligations revenues derived from operation of the
8 benefited facilities or systems, other sources of revenue, or their faith and credit, or any
9 combination thereof. The faith and credit of the governmental units shall not be pledged or be
10 deemed to have been pledged unless the requirements of Article 4 of Chapter 159 of the
11 General Statutes have been met. The Department is authorized to apply a municipality's share
12 of funds allocated under G.S. 136-41.1 or G.S. 136-44.20 as necessary to ensure repayment of
13 funds advanced under this subsection.

14 (d) Account; Nonreversion of Funds. – The Department shall establish jointly, with the
15 State Treasurer, a separate infrastructure banking account within the Highway Fund with
16 necessary fiscal controls and accounting procedures. Funds credited to this account shall not
17 revert, and interest and other investment income shall accrue to the account and may be used to
18 provide loans and other financial assistance as provided under this section.

19 (e) Rules. – The Department may establish such rules and policies as are necessary to
20 establish and administer the infrastructure banking program.

21 (f) Debt Instruments. – The State Treasurer, with the assistance of the Local
22 Government Commission, shall develop and adopt appropriate debt instruments for use under
23 this section. The Local Government Commission shall develop and adopt appropriate
24 procedures for the delivery of debt instruments to the State without any public bidding therefor.

25 (g) Review and Approval of Loans. – The State Infrastructure Bank Oversight Board
26 established in G.S. 136-278 shall review and approve all proposed loans and other financial
27 assistance to applicants under this section. In addition, the Local Government Commission
28 shall review and approve proposed loans to applicants under this section pursuant to the
29 provisions of Articles 4 and 5 of Chapter 159 of the General Statutes, as if the issuance of
30 bonds was proposed, so far as those provisions are applicable.

31 (h) Outstanding Debt. – Loans authorized by this section shall be outstanding debt for
32 the purpose of Article 10 of Chapter 159 of the General Statutes.

33 **"§ 136-278. Establishment of State Infrastructure Bank Oversight Board.**

34 (a) Establishment. – The State Infrastructure Bank Oversight Board (Board) is
35 established and shall be responsible for reviewing and approving loans or other financial
36 assistance provided under G.S. 136-277.

37 (b) Members. – The Board shall consist of the following voting members:

38 (1) The Secretary of the Department of Transportation.

39 (2) The Secretary of the Department of Commerce.

40 (3) The State Treasurer.

41 (4) The State Auditor.

42 (5) The State Budget Officer.

43 (c) Terms. – The members set forth in subsection (b) of this section shall serve terms
44 coinciding with their respective offices.

45 (d) Officers. – The Board shall elect from its members a chair and vice-chair of the
46 Board.

47 (e) Meetings. – The Board shall meet on the call of the chair or any two members but
48 shall meet at least once every six months. Each member may be represented by a designee, who
49 shall have the same voting powers as the member. The Board shall meet in offices provided by
50 the Department of Transportation. In addition, the Department of Transportation shall provide

1 the necessary secretarial and clerical staff and supplies to help the Board accomplish its
2 objectives.

3 (f) Guidelines. – The Board shall develop guidelines, consistent with the requirements
4 of G.S. 136-277, for reviewing and approving loans or other financial assistance provided
5 under G.S. 136-277. The Board shall publish the guidelines established under this subsection
6 on the Board's Web site, or, if the Board does not have its own Web site, on the Department of
7 Transportation's Web site.

8 (g) Quorum. – A quorum of the Board shall consist of a majority of the Board's total
9 membership.

10 (h) Reports. – The Board shall report on its activities quarterly to the Joint Legislative
11 Commission on Governmental Operations and the Joint Legislative Transportation Oversight
12 Committee.

13 (i) Compensation. – Members shall serve without compensation but may receive travel
14 and subsistence in accordance with G.S. 138-6."

15 **SECTION 34.16A.(b)** G.S. 136-18(12a) is repealed.

16 **SECTION 34.16A.(c)** G.S. 143C-6-11(k) reads as rewritten:

17 "(k) The Department of Transportation shall do all of the following:

- 18 (1) Utilize cash flow financing to the extent possible to fund transportation
19 projects with the goal of reducing the combined average daily cash balance
20 of the Highway Fund and the Highway Trust Fund to an amount equal to
21 between fifteen and twenty percent (15-20%) of the total appropriations for
22 the current fiscal year from those funds. In projecting cash balances in future
23 years, the Department shall use the estimated cash flow as specified in the
24 Current Operations Appropriation Act. Any federal funds on ~~hand~~hand, and
25 any funds in the infrastructure banking account established under
26 G.S. 136-277, shall not be considered as cash for the purposes of this
27 subsection. The target amount shall include an amount necessary to make all
28 municipal-aid funding requirements of the Department.

29"

30
31 **STATE AID TO MUNICIPALITIES/NO FUNDS IF MUNICIPALITY FAILS TO FILE**
32 **STATEMENT AND STUDY HOW TO ACCOUNT FOR SEASONAL**
33 **POPULATION SHIFTS**

34 **SECTION 34.17.(a)** G.S. 136-41.3 reads as rewritten:

35 **"§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds;**
36 **contracts for maintenance, etc., of streets.**

37 (a) Uses of Funds. – ~~The~~Except as otherwise provided in this subsection, the funds
38 allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said
39 cities and towns primarily for the resurfacing of streets within the corporate limits of the
40 municipality but may also be used for the purposes of maintaining, repairing, constructing,
41 reconstructing or widening of any street or public thoroughfare including bridges, drainage,
42 curb and gutter, and other necessary appurtenances within the corporate limits of the
43 municipality or for meeting the municipality's proportionate share of assessments levied for
44 such purposes, or for the planning, construction and maintenance of bikeways, greenways, or
45 sidewalks. The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall
46 not be expended for the construction of a sidewalk into which is built a mailbox, utility pole,
47 fire hydrant, or other similar obstruction that would impede the clear passage of pedestrians on
48 the sidewalk.

49 ...

50 (b1) Failure to File. – A municipality that fails to timely file the statement required under
51 subsection (b) of this section shall be ineligible to receive funds under G.S. 136-41.1 or

1 G.S. 136-41.2 until the municipality files the statement required under subsection (b) of this
2 section. No interest shall accrue on funds withheld in accordance with this subsection. Upon
3 receiving the statement required under subsection (b) of this section, the Department of
4 Transportation shall allocate to the municipality the total amount of funds withheld in
5 accordance with this subsection. This subsection does not apply to a municipality whose failure
6 to timely file the statement required under subsection (b) of this section is due to a natural
7 disaster.

8"

9 **SECTION 34.17.(b)** Study. – The Department of Transportation shall study how to
10 adjust the formula in G.S. 136-41.1(a) to account for seasonal shifts in municipal populations.
11 The Department of Transportation shall report its findings, including any legislative
12 recommendations, to the Joint Legislative Transportation Oversight Committee by December 1,
13 2017.

14 **REPEAL THE MAP ACT**

15 **SECTION 34.18.(a)** Article 2E of Chapter 136 of the General Statutes is repealed.

16 **SECTION 34.18.(b)** G.S. 47-30(l) reads as rewritten:

17 "(l) This section does not apply to the registration of highway right-of-way plans
18 provided for in G.S. 136-19.4 or ~~G.S. 136-89.184, nor to the registration of roadway corridor~~
19 ~~official maps provided for in Article 2E of Chapter 136 of the General~~
20 ~~Statutes.~~G.S. 136-89.184."

21 **SECTION 34.18.(c)** G.S. 105-277.9 is repealed.

22 **SECTION 34.18.(d)** G.S. 105-277.9A is repealed.

23 **SECTION 34.18.(e)** Subsection (m) of G.S. 105-296 is repealed.

24 **SECTION 34.18.(f)** G.S. 160A-458.4 is repealed.

25 **SECTION 34.18.(g)** Subsection (c) of G.S. 161-14 is repealed.

26 **SECTION 34.18.(h)** Subsections (c) and (d) of this section are effective for taxes
27 imposed for taxable years beginning on or after July 1, 2017. The remainder of this section is
28 effective when it becomes law and applies to maps filed before, on, or after that date.
29
30

31 **DOT/INCREASE CONSOLIDATION AND COORDINATION OF PUBLIC** 32 **TRANSPORTATION SYSTEMS**

33 **SECTION 34.18A.(a)** G.S. 136-44.20 reads as rewritten:

34 "**§ 136-44.20. Department of Transportation designated agency to administer and fund**
35 **public transportation programs; authority of political subdivisions.**

36 ...

37 (e) The Department of Transportation is authorized to annually allocate funds to
38 qualifying public transportation systems to be used to consolidate or coordinate with other
39 public transportation systems to maximize resources, gain efficiencies, and increase access to
40 public transportation. In order to be eligible for funding under this subsection, a public
41 transportation system must submit a plan for consolidation or coordination with another public
42 transportation system. The plan must include a time line for completion and an estimated cost
43 for completion. The Department is not required to provide the full amount of the estimated cost
44 identified in the plan. The Department shall disburse the funds no later than 30 days from the
45 date it approves the plan. The amount allocated under this subsection to a public transportation
46 system shall not exceed two hundred thousand dollars (\$200,000) annually. Beginning
47 December 1, 2017, the Department shall provide an annual report to the Joint Legislative
48 Transportation Oversight Committee identifying for the year preceding the report (i) each
49 public transportation system provided funding under this subsection, (ii) the amount of funds
50 disbursed to each public transportation system, and (iii) the purpose or purposes for which each
51 public transportation system has used the funds."

1 **SECTION 34.18A.(b)** By September 1, 2017, the Department of Transportation
2 shall establish criteria for approving plans submitted to the Department under
3 G.S. 136-44.20(e), as enacted by subsection (a) of this section. No later than 10 days from the
4 date the Department establishes the criteria required under this subsection, the Department shall
5 publish the criteria on the Department's Web site.

6 **SECTION 34.18A.(c)** Notwithstanding any provision of G.S. 136-44.20(e), as
7 enacted by subsection (a) of this section, to the contrary, and for the report due under
8 G.S. 136-44.20(e) on December 1, 2017, the Department shall provide the required information
9 only for the period from the effective date of this section to December 1, 2017.

10 11 **FUNDING FOR AIRPORT IMPROVEMENTS AND DEBT SERVICE**

12 **SECTION 34.19.(a)** 2017-2018 Allocations. – Of the funds appropriated from the
13 Highway Fund to the Department of Transportation for capital improvements at commercial
14 airports, the following sums in nonrecurring funds for the 2017-2018 fiscal year, which are
15 based on the economic output of commercial airports, shall be allocated by the Department as
16 follows:

- 17 (1) Twenty-one million two hundred eighty-two thousand one hundred
18 thirty-one dollars (\$21,282,131) to the Raleigh-Durham International
19 Airport.
- 20 (2) Two million two thousand five hundred thirty-eight dollars (\$2,002,538) to
21 the Albert J. Ellis Airport.
- 22 (3) Four million six hundred ninety-two thousand six hundred eighty-nine
23 dollars (\$4,692,689) to the Asheville Regional Airport.
- 24 (4) One million five hundred twelve thousand six hundred twenty-eight dollars
25 (\$1,512,628) to the Coastal Carolina Regional Airport.
- 26 (5) One million three hundred fifty-nine thousand one hundred seventy-eight
27 dollars (\$1,359,178) to the Concord Regional Airport.
- 28 (6) Two million six hundred thirty-nine thousand three hundred ten dollars
29 (\$2,639,310) to the Fayetteville Regional Airport.
- 30 (7) Sixteen million four hundred ninety-six thousand twenty-four dollars
31 (\$16,496,024) to the Piedmont Triad International Airport.
- 32 (8) Eight hundred seventy-three thousand two hundred thirty-nine dollars
33 (\$873,239) to the Pitt-Greenville Airport.
- 34 (9) Thirteen million seven hundred seventy-two thousand two hundred sixty-two
35 dollars (\$13,772,262) to the Wilmington International Airport.
- 36 (10) Twelve million five hundred thousand dollars (\$12,500,000) to the Charlotte
37 Douglas International Airport.

38 **SECTION 34.19.(b)** 2018-2019 Allocation to RDU. – Of the funds appropriated
39 from the Highway Fund to the Department of Transportation for capital improvements at
40 commercial airports, and beginning in the 2018-2019 fiscal year, the sum of thirty-one million
41 two hundred eighty-two thousand one hundred thirty-one dollars (\$31,282,131) in recurring
42 funds shall be allocated by the Department to the Raleigh-Durham International Airport.

43 **SECTION 34.19.(c)** 2018-2019 Allocations to Other Airports. – Of the funds
44 appropriated from the Highway Fund to the Department of Transportation for capital
45 improvements at commercial airports, the following sums in nonrecurring funds for the
46 2018-2019 fiscal year shall be allocated as follows:

- 47 (1) One million six hundred twenty-nine thousand seven hundred twenty-nine
48 dollars (\$1,629,729) to the Albert J. Ellis Airport.
- 49 (2) Three million eight hundred nineteen thousand fifty-nine dollars
50 (\$3,819,059) to the Asheville Regional Airport.

- 1 (3) One million two hundred thirty-one thousand twenty-five dollars
2 (\$1,231,025) to the Coastal Carolina Regional Airport.
- 3 (4) One million one hundred six thousand one hundred forty-two dollars
4 (\$1,106,142) to the Concord Regional Airport.
- 5 (5) Two million one hundred forty-seven thousand nine hundred fifty-four
6 dollars (\$2,147,954) to the Fayetteville Regional Airport.
- 7 (6) Thirteen million four hundred twenty-four thousand nine hundred
8 eighty-seven dollars (\$13,424,987) to the Piedmont Triad International
9 Airport.
- 10 (7) Seven hundred ten thousand six hundred seventy dollars (\$710,670) to the
11 Pitt-Greenville Airport.
- 12 (8) Eleven million two hundred eight thousand three hundred three dollars
13 (\$11,208,303) to the Wilmington International Airport.
- 14 (9) Twelve million five hundred thousand dollars (\$12,500,000) to the Charlotte
15 Douglas International Airport.

16 **SECTION 34.19.(d)** Permissible Uses. – Each airport receiving funds under this
17 section may use the funds allocated to it under this section to (i) fund improvements to the
18 airport and (ii) pay debt service or related financing costs and expenses on revenue bonds or
19 notes issued by the airport.

20 **SECTION 34.19.(e)** Report. – The Department of Transportation shall provide a
21 report on the use or uses by each airport of funds allocated to the airport under this section. The
22 Department shall submit the report required under this subsection by March 1, 2019, to the
23 Joint Legislative Transportation Oversight Committee.

24 **REVISE USE OF TAXES COLLECTED ON AVIATION GASOLINE AND JET FUEL**

25 **SECTION 34.21.(a)** G.S. 105-164.44M reads as rewritten:

26 **"§ 105-164.44M. Transfer to Division of Aviation.**

27 The net proceeds of the tax collected on aviation gasoline and jet fuel under G.S. 105-164.4
28 must be transferred within 75 days after the end of each fiscal year to the Highway Fund. This
29 amount is annually appropriated from the Highway Fund to the Division of Aviation of the
30 Department of Transportation for prioritized capital improvements to ~~public-general aviation~~
31 airports ~~and~~ for time-sensitive aviation capital improvement projects for economic development
32 purposes."

33 **SECTION 34.21.(b)** This section becomes effective January 1, 2018, and applies
34 to sales made on or after that date.

35 **AVIATION/TECHNICAL CORRECTION**

36 **SECTION 34.21A.** G.S. 63-47 reads as rewritten:

37 **"§ 63-47. Enforcement of regulations of ~~Civil Aeronautics~~ Federal Aviation** 38 **Administration.**

39 In the general public interest and safety, the safety of persons receiving instructions
40 concerning or operating, using or traveling in aircraft, and of persons and property on the
41 ground, and in the interest of aeronautical progress, the public officers of the State, counties
42 and cities shall enforce the rules and regulations of the ~~Civil Aeronautics~~ Federal Aviation
43 Administration."

44 **RAIL DIVISION/FIVE-YEAR SPENDING PLAN FOR FRRCSI**

45 **SECTION 34.23.** The Rail Division of the Department of Transportation shall
46 develop a five-year spending plan for the funds in the Freight Rail & Rail Crossing Safety
47 Improvement Fund within the Highway Fund. The Rail Division shall submit its five-year
48
49
50

1 spending plan to the Joint Legislative Transportation Oversight Committee by December 1,
2 2017.

3 4 **RAIL DIVISION/REPORT REQUIRED PRIOR TO ENTERING INTO CERTAIN** 5 **CONTRACTS**

6 **SECTION 34.24.(a)** In addition to any other requirements provided by State or
7 federal law, the Rail Division of the Department of Transportation shall submit a report to the
8 Joint Legislative Transportation Oversight Committee prior to entering into a contract with a
9 duration of five or more years and requiring an estimated expenditure of State funds in an
10 amount totaling or exceeding one million five hundred thousand dollars (\$1,500,000). The
11 report shall (i) identify the total cost of the proposed contract, (ii) identify the duration of the
12 proposed contract, (iii) identify the other party or parties to the proposed contract, and (iv)
13 identify any other terms of the proposed contract that are deemed relevant by the Rail Division.

14 **SECTION 34.24.(b)** This section is effective when it becomes law and applies to
15 contracts entered into on or after that date. This section expires June 30, 2022.

16 17 **GLOBAL TRANSPARK/STRATEGIC PLAN AND MARKETING**

18 **SECTION 34.26.(a)** Strategic Plan; Report. – By January 1, 2018, the Global
19 TransPark Authority shall establish and implement a strategic plan for the Global TransPark.
20 The Global TransPark Authority may use a portion of funds appropriated to it in this act to
21 establish and implement the strategic plan required under this subsection. The Global
22 TransPark Authority shall submit a report to the Joint Legislative Transportation Oversight
23 Committee by January 15, 2018, detailing the strategic report established and implemented as
24 required by this subsection.

25 **SECTION 34.26.(b)** Marketing. – The Global TransPark Authority shall utilize
26 and contract with an outside vendor to provide marketing services for the Global TransPark.
27 The Global TransPark Authority shall identify and contract with an outside vendor in
28 accordance with this subsection by February 1, 2018. The Global TransPark Authority shall
29 submit a report to the Joint Legislative Transportation Oversight Committee by February 15,
30 2018, providing details as to the contract entered into in accordance with this subsection,
31 including an identification of the outside vendor and the total cost of the contract to the State.

32 **SECTION 34.26.(c)** Web Site. – The Communications Office of the Department of
33 Transportation shall manage the Web site for the Global TransPark, including providing regular
34 updates on the Web site as to, at a minimum, (i) achievements of the Global TransPark, (ii)
35 business opportunities available at the Global TransPark, and (iii) events held at the Global
36 TransPark.

37 38 **GLOBAL TRANSPARK/LENOIR COUNTY ECONOMIC DEVELOPMENT**

39 **SECTION 34.26A.** The Global TransPark Authority shall allow the use of
40 available space at Global TransPark by the Lenoir County Economic Development. The Global
41 TransPark Authority shall enter into a memorandum of understanding with the County of
42 Lenoir setting forth the terms governing the use of the available space by the Lenoir County
43 Economic Development. The memorandum of understanding required under this section must
44 be in place before any upfitting or other renovations to Global TransPark may be completed to
45 accommodate the use of available space by the Lenoir County Economic Development.

46 47 **NORTH CAROLINA STATE PORTS AUTHORITY/FUNDS FOR DEBT SERVICE** 48 **AND CAPITAL PROJECTS**

49 **SECTION 34.27.(a)** G.S. 136-176 reads as rewritten:

50 "§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust
51 Fund.

1 ...
2 (b) ~~Funds~~ Except as otherwise provided in this section, funds in the Trust Fund are
3 annually appropriated to the Department of Transportation to be allocated and used as provided
4 in this subsection. A sum, in the amount appropriated by law, may be used each fiscal year by
5 the Department for expenses to administer the Trust Fund. Operation and project development
6 costs of the North Carolina Turnpike Authority are eligible administrative expenses under this
7 subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by
8 the Authority from its toll revenue as soon as possible, subject to any restrictions included in
9 the agreements entered into by the Authority in connection with the issuance of the Authority's
10 revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed
11 Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund
12 at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust
13 Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited
14 in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be
15 necessary to meet the State matching funds requirements to receive federal-aid highway trust
16 funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the
17 Trust Fund shall be allocated and used as specified in G.S. 136-189.11.

18 The Department must administer funds allocated under this section in a manner that ensures
19 that sufficient funds are available to make the debt service payments on bonds issued under the
20 State Highway Bond Act of 1996 as they become due.

21 ...
22 (b3) Funds appropriated to the North Carolina State Ports Authority from the Highway
23 Trust Fund may only be used (i) to pay debt service or related financing costs and expenses on
24 revenue bonds or notes issued by the State Ports Authority and (ii) for capital projects. An
25 appropriation to the State Ports Authority from the Highway Trust Fund constitutes an
26 agreement by the State to pay the funds appropriated to the State Ports Authority within the
27 meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General
28 Assembly that the appropriation of funds to the State Ports Authority, the enactment of this
29 subsection, and the issuance of bonds or notes by the State Ports Authority in reliance thereon
30 shall not in any manner constitute a pledge of the faith and credit and taxing power of the State,
31 and nothing contained herein shall prohibit the General Assembly from amending an
32 appropriation made to the State Ports Authority at any time to decrease or eliminate the amount
33 annually appropriated to the State Ports Authority. Funds appropriated to the State Ports
34 Authority for the purposes described in this subsection are not subject to the formula set forth
35 in G.S. 136-189.11.

36"

37 **SECTION 34.27.(b)** G.S. 136-189.11(b) reads as rewritten:

38 "(b) Funds Excluded From Formula. – The following funds are not subject to this
39 section:

40 ...

41 (11) Funds appropriated to the North Carolina State Ports Authority for the
42 purposes described in G.S. 136-176(b3)."

43 44 **STATE PORTS AUTHORITY/ROAD AND RAIL CONNECTIVITY**

45 **SECTION 34.27A.** Consistent with the provisions of Article 14B of Chapter 136
46 of the General Statutes, the North Carolina State Ports Authority shall take all steps necessary
47 to begin implementation of any plans completed by the Ports Authority to increase road and rail
48 connectivity to the Ports of Wilmington and Morehead City.

49 50 **STATE PORTS AUTHORITY/FUNDING FOR DREDGING**

1 **SECTION 34.28.** Of the funds appropriated to the North Carolina State Ports
2 Authority for the purposes described in G.S. 136-176(b3), as enacted by Section 34.27 of this
3 act, up to fifteen million dollars (\$15,000,000) in nonrecurring funds for the 2017-2018 fiscal
4 year may be used for the dredging of approaches to State port facilities.
5

6 **STUDY/TRANSFER RESPONSIBILITY FOR DREDGING ACTIVITIES TO DOT**

7 **SECTION 34.28A.(a)** Study. – The Department of Transportation and the
8 Department of Environmental Quality shall jointly study the feasibility of transferring the
9 responsibility for dredging activities to the Department of Transportation. The study shall
10 include an examination of the number of staff needed by the Department of Transportation to
11 adequately assume the responsibility, the types and numbers of equipment needed to complete
12 the dredging activities, the annual funding level necessary to complete the dredging activities,
13 and any other issues the Departments jointly deem relevant to the completion of the study.

14 **SECTION 34.28A.(b)** Report. – The Departments shall jointly report the findings
15 of the study required under subsection (a) of this section, including any legislative
16 recommendations, to the Joint Legislative Transportation Oversight Committee and the Joint
17 Legislative Oversight Committee on Agriculture and Natural and Economic Resources by
18 February 1, 2018.
19

20 **FERRY VESSEL PRIORITY BOARDING/CLARIFICATION**

21 **SECTION 34.28B.** G.S. 136-82(f3) reads as rewritten:

22 "(f3) Priority Boarding Fee for Certain Vehicles. – For vehicles providing commercial
23 goods and services, the Department of Transportation shall charge an annual fee of one
24 hundred fifty dollars (\$150.00) for an annual passespass that entitleentitles the vehicle or
25 vehicles owned by the person issued the annual pass to priority when boarding a ferry vessel.
26 Except as authorized under this subsection, the Department of Transportation shall not provide
27 priority boarding to a ferry vessel to any vehicle providing commercial goods and services."
28

29 **DOT PERFORMANCE DASHBOARD/TRACK DMV PROGRESS**

30 **SECTION 34.30.(a)** Expand Performance Dashboard. – The Department of
31 Transportation shall expand its performance dashboard available on the Department's home
32 page on the Department's Web site to track the following information about the Division of
33 Motor Vehicles of the Department:

- 34 (1) The number of motor vehicle registrations issued per month and
35 year-to-date.
- 36 (2) The number of motor vehicle registrations renewed per month and
37 year-to-date.
- 38 (3) The number of drivers licenses issued per month and year-to-date.
- 39 (4) The number of drivers licenses renewed per month and year-to-date.
- 40 (5) The number of motor vehicle registrations renewed online per month and
41 year-to-date.
- 42 (6) The number of drivers licenses renewed online per month and year-to-date.
- 43 (7) The total number of persons employed by the Division as of the first day of
44 each month. The number provided in accordance with this subdivision shall
45 include full-time, part-time, and temporary employees.

46 **SECTION 34.30.(b)** Implementation Date. – The expansion of the Department's
47 performance dashboard required under subsection (a) of this section shall be completed by
48 October 1, 2017.
49

50 **DMV/PURCHASE CREDIT CARD PAYMENT PROCESSING DEVICES**

1 **SECTION 34.31.** The Division of Motor Vehicles of the Department of
2 Transportation shall purchase, and not lease, devices solely used for processing payments by
3 credit or debit card. The purchase price of a device subject to this section shall include the cost
4 for any repair to, or replacement of, the device that would have otherwise been covered had the
5 Division continued to lease devices used for processing payments by credit or debit card.

6
7 **DMV/HEARING FEE IMPLEMENTATION REVISIONS**

8 **SECTION 34.32.(a)** Section 34.9 of S.L. 2014-100, as amended by Section
9 29.30A of S.L. 2015-241, reads as rewritten:

10 "**SECTION 34.9.(a)** The Department of Transportation, Division of Motor Vehicles, shall
11 develop a plan and proposed schedule of fees to recover a portion of the direct and indirect
12 costs incurred for the performance of administrative hearings required by law or under rules
13 adopted ~~by the Board of Transportation under G.S. 20-2(b).~~ The plan and proposed schedule
14 shall address, at a minimum, the following:

- 15 (1) Current hearing process and recommended modifications to achieve cost
16 efficiencies, including proposed revisions to existing laws or rules.
- 17 (2) Historical and projected funding requirements for each category of hearing
18 performed by the Division.
- 19 (3) Schedule of fees and projected receipts.
- 20 (4) Proposed processes and rules for the collection of fees and the refunding of
21 fees for hearings initiated by the Division in which the original decision of
22 the Division is reversed.
- 23 (5) Implementation milestones.

24 ...
25 "**SECTION 34.9.(c)** From funds appropriated to the Department of Transportation,
26 Information Technology Section for the 2014-2015 fiscal year, the Department shall implement
27 modifications to supporting information technology systems necessary to timely implement the
28 hearing fee schedule required by subsection (a) of this section. The Department shall
29 implement the hearing fee schedule required by subsection (a) of this section by no later than
30 ~~July 1, 2017.~~ January 1, 2018."

31 **SECTION 34.32.(b)** Rules. – The Division of Motor Vehicles may adopt
32 temporary rules to implement the provisions of Section 34.9 of S.L. 2014-100, as amended by
33 Section 29.30A of S.L. 2015-241 and subsection (a) of this section. Temporary rules adopted in
34 accordance with this section shall remain in effect until permanent rules that replace the
35 temporary rules become effective.

36
37 **DMV/STUDY STREAMLINING IFTA AND IRP PROCESSES**

38 **SECTION 34.33.(a)** Study. – The Division of Motor Vehicles of the Department
39 of Transportation, in consultation with the Department of Revenue, shall study streamlining the
40 processes motor carriers must follow to comply with the requirements of the International Fuel
41 Tax Agreement and the International Registration Plan to receive registration plates, motor
42 carrier licenses, and motor carrier decals. The study shall include an examination of the
43 feasibility of consolidating the processes within the Division of Motor Vehicles.

44 **SECTION 34.33.(b)** Report. – The Division of Motor Vehicles shall submit its
45 findings under subsection (a) of this section, including any legislative recommendations, to the
46 Joint Legislative Transportation Oversight Committee by December 1, 2017.

47
48 **ASSET MANAGEMENT LONG RANGE FACILITY PLANNING/DMV NEW BERN**
49 **AVENUE PROPERTY RELOCATION**

50 **SECTION 34.35.** In developing its Asset Management Long Range Facility
51 Planning, the Department of Transportation shall specify its plan for relocating the Division of

1 Motor Vehicles property located on New Bern Avenue in the City of Raleigh and whether the
2 site of relocation will be purchased or leased. The Department shall report on the information
3 required under this section to the Joint Legislative Transportation Oversight Committee by May
4 1, 2018.

6 **STUDY/ELIMINATE USE OF NURSES IN MEDICAL REVIEW PROGRAM**

7 **SECTION 34.36.(a)** Study. – The Division of Motor Vehicles shall study the
8 feasibility of eliminating the use of nurses in the Division's Medical Review Program. The
9 study shall include an examination of any issues that may arise from using only the
10 recommendation of the applicant's or licensee's examining health care provider as to the ability
11 of the applicant or licensee to operate a motor vehicle.

12 **SECTION 34.36.(b)** Report. – The Division shall report the findings of the study
13 required under subsection (a) of this section, including any legislative recommendations, to the
14 Joint Legislative Transportation Oversight Committee by December 1, 2017.

16 **RESTORE MERCURY SWITCH REMOVAL FUNDING**

17 **SECTION 34.37.(a)** G.S. 20-85(a1) reads as rewritten:

18 "(a1) One dollar (\$1.00) of the fee imposed for any transaction assessed a fee under
19 subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the
20 North Carolina Highway Fund. The Division shall use the fees derived from transactions with
21 commission contract agents for the payment of compensation to commission contract agents.
22 An additional twenty cents (20¢) of the fee imposed for any transaction assessed a fee under
23 subdivision (1) of subsection (a) of this section shall be credited to the Mercury Pollution
24 Prevention Fund in the Department of Environmental Quality."

25 **SECTION 34.37.(b)** This section becomes effective July 1, 2017, and expires on
26 June 30, 2021.

28 **DESIGNATE PORTION OF U.S. HIGHWAY 64 AS "BOB BARNHILL HIGHWAY"**

29 **SECTION 34.38.(a)** Notwithstanding G.S. 136-18(8) and any other State law to
30 the contrary, the Department of Transportation shall designate the portion of the U.S. Highway
31 64 Bypass in North Carolina from mile marker 486 to the Edgecombe and Martin County line
32 the "Bob Barnhill Highway."

33 **SECTION 34.38.(b)** The Department of Transportation shall use unobligated funds
34 available to pay costs associated with signage needed to implement subsection (a) of this
35 section.

37 **PART XXXV. SALARIES AND BENEFITS**

39 **ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY 40 INCREASES/EFFECTIVE JULY 1, 2017, AND JULY 1, 2018**

41 **SECTION 35.1.(a)** Except as provided by subsection (b) of this section, a person
42 (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act, or as
43 otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30,
44 2017, is awarded a legislative salary increase as follows:

- 45 (1) In the amount of one thousand dollars (\$1,000) in the 2017-2018 fiscal year,
46 effective July 1, 2017.
- 47 (2) And additionally, in the amount of one thousand dollars (\$1,000) in the
48 2018-2019 fiscal year, effective July 1, 2018.
- 49 (3) As otherwise allowed or provided by law.

50 **SECTION 35.1.(b)** The following persons are not eligible to receive the legislative
51 salary increases provided by subsection (a) of this section:

- (1) The judicial branch judges whose salaries are set in Section 35.4(a) of this act.
- (2) Teachers, principals, and assistant principals paid pursuant to a salary schedule or pay plan enacted in this act.
- (3) The Governor and members of the Council of State.

SECTION 35.1.(c) Part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 35.1.(d) Any excess funds appropriated for compensation increases pursuant to this section shall be deposited in the Pay Plan Reserve established in this act.

DISTRIBUTION OF COMPENSATION INCREASE RESERVE

SECTION 35.1A. The funds appropriated for salaries and benefits set forth in this act shall be distributed to the respective State agencies, departments, and institutions based on the provisions of Part 8 and Part 35 of this act.

GOVERNOR AND COUNCIL OF STATE

SECTION 35.2.(a) The salary of the Governor as provided by G.S. 147-11(a) shall remain unchanged.

SECTION 35.2.(b) The annual salaries for members of the Council of State, payable monthly, for the 2017-2019 fiscal biennium shall remain unchanged:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$127,561
Attorney General	127,561
Secretary of State	127,561
State Treasurer	127,561
State Auditor	127,561
Superintendent of Public Instruction	127,561
Agriculture Commissioner	127,561
Insurance Commissioner	127,561
Labor Commissioner	127,561

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 35.3. The annual salaries, payable monthly, for the following executive branch officials for the 2017-2019 fiscal biennium are as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>	
	<u>2017-2018</u>	<u>2018-2019</u>
Chairman, Alcoholic Beverage Control Commission	\$114,546	\$115,546
State Controller	159,501	160,501
Commissioner of Banks	128,561	129,561
Chair, Board of Review, Division of Employment Security	126,104	127,104
Members, Board of Review, Division of Employment Security	124,563	125,563
Chairman, Parole Commission	126,104	127,104
Full-time Members of the Parole Commission	116,595	117,595
Chairman, Utilities Commission	142,947	143,947
Members of the Utilities Commission	128,561	129,561
Executive Director, North Carolina Agricultural Finance Authority	111,549	112,549

JUDICIAL BRANCH

SECTION 35.4.(a) The annual salaries, payable monthly, for the following judicial branch officials for the 2017-2019 fiscal biennium are as follows:

	<u>Annual Salary</u>	
<u>Judicial Branch Officials</u>	<u>2017-2018</u>	<u>2018-2019</u>
Chief Justice, Supreme Court	\$150,086	\$150,086
Associate Justice, Supreme Court	146,191	146,191
Chief Judge, Court of Appeals	143,878	143,878
Judge, Court of Appeals	140,144	140,144
Judge, Senior Regular Resident Superior Court	136,364	136,364
Judge, Superior Court	132,584	132,584
Chief Judge, District Court	120,490	120,490
Judge, District Court	116,710	116,710
Chief Administrative Law Judge	117,710	118,710
District Attorney	128,215	129,215
Administrative Officer of the Courts	144,878	145,878
Assistant Administrative Officer of the Courts	124,469	125,469
Public Defender	128,215	129,215
Director of Indigent Defense Services	132,145	133,145

SECTION 35.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district:

- (1) For the 2017-2018 fiscal year, do not exceed seventy-seven thousand seventy-three dollars (\$77,073) and the minimum salary of any assistant district attorney or assistant public defender is at least forty-one thousand three hundred sixty-six dollars (\$41,366), effective July 1, 2017.
- (2) For the 2018-2019 fiscal year, do not exceed seventy-eight thousand seventy-three dollars (\$78,073) and the minimum salary of any assistant district attorney or assistant public defender is at least forty-two thousand three hundred sixty-six dollars (\$42,366), effective July 1, 2018.

SECTION 35.4.(c) G.S. 7A-341 reads as rewritten:

"§ 7A-341. Appointment and compensation of Director.

The Director shall be appointed by the Chief Justice of the Supreme Court, to serve at the pleasure of the Chief Justice. The Director's annual compensation shall be ~~the same salary amount set for the Chief Judge of the Court of Appeals as provided set~~ in the Current Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses at the same rate as State employees generally and longevity pay at the rates and for the service designated in G.S. 7A-18 for a judge of the Court of Appeals. Service as Director shall be equivalent to service as a judge of the Court of Appeals for the purposes of entitlement to retirement pay or to retirement for disability."

SECTION 35.4.(d) G.S. 7A-751(a) reads as rewritten:

"(a) The head of the Office of Administrative Hearings is the Chief Administrative Law Judge, who shall serve as Director of the Office. The Chief Administrative Law Judge has the powers and duties conferred on that position by this Chapter and the Constitution and laws of this State and may adopt rules to implement the conferred powers and duties.

The salary of the Chief Administrative Law Judge shall be ~~the same as that fixed from time to time for district court judges set in the Current Operations Appropriations Act.~~ The salary of a Senior Administrative Law Judge shall be ninety-five percent (95%) of the salary of the Chief Administrative Law Judge.

In lieu of merit and other increment raises, the Chief Administrative Law Judge and any Senior Administrative Law Judge shall receive longevity pay on the same basis as is provided to employees of the State who are subject to the North Carolina Human Resources Act."

CLERKS OF SUPERIOR COURT

SECTION 35.4A.(a) Effective July 1, 2017, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	\$88,188 <u>\$89,188</u>
100,000 to 149,999	98,834 <u>99,834</u>
150,000 to 249,999	109,480 <u>110,480</u>
250,000 and above	120,131 <u>121,131</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."

SECTION 35.4A.(b) Effective July 1, 2018, G.S. 7A-101(a), as amended by this act, reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	\$89,188 <u>\$90,188</u>
100,000 to 149,999	99,834 <u>100,834</u>
150,000 to 249,999	110,480 <u>111,480</u>
250,000 and above	121,131 <u>122,131</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 SUPERIOR COURT

SECTION 35.4B.(a) Effective July 1, 2017, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$33,098 <u>\$34,098</u>
Maximum	58,963 <u>59,963</u>
Deputy Clerks	Annual Salary
Minimum	28,646 <u>29,646</u>
Maximum	46,092 <u>47,092</u> ."

SECTION 35.4B.(b) Effective July 1, 2018, G.S. 7A-102(c1), as amended by this act, reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$34,098 <u>\$35,098</u>

1	Maximum	59,963,60.093
2	Deputy Clerks	Annual Salary
3	Minimum	29,646,30.646
4	Maximum	47,092.48,093."

MAGISTRATES

SECTION 35.4C.(a) Effective July 1, 2017, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary	
	<u>Minimum</u>	<u>Maximum</u>
Entry Rate		\$36,862\$37,862
Step 1	38,519\$39,519	39,65840,658
Step 2	41,44842,448	42,67343,673
Step 3	44,54845,548	45,86546,865
Step 4	48,26349,263	49,69050,690
Step 5	52,73953,739	54,29855,298
Step 6	57,75458,754	59,461.60,461.

...

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The minimum and maximum salaries of magistrates who, on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum	Maximum
Less than 1 year of service		\$29,099\$30,099
1 or more but less than 3 years of service	29,288\$30,288	– 30,33331,333
3 or more but less than 5 years of service	31,77332,773	– 32,81833,818

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1

- 1 9 or more but less than 11 years of service Step 2
- 2 11 or more years of service Step 3
- 3 Thereafter, their salaries shall be set in accordance with the provisions in
- 4 subsection (a).
- 5 (3) The salaries of magistrates who are licensed to practice law in North
- 6 Carolina shall be adjusted to the annual salary provided in the table in
- 7 subsection (a) as Step 4, and, thereafter, their salaries shall be set in
- 8 accordance with the provisions in subsection (a).
- 9 (4) The salaries of "part-time magistrates" shall be set under the formula set out
- 10 in subdivision (2) of subsection (a) but according to the rates set out in this
- 11 subsection.

12"

13 **SECTION 35.4C.(b)** Effective July 1, 2018, G.S. 7A-171.1, as amended by
 14 subsection (a) of this section, reads as rewritten:

15 **"§ 7A-171.1. Duty hours, salary, and travel expenses within county.**

16 (a) The Administrative Officer of the Courts, after consultation with the chief district
 17 judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

- 18 (1) A full-time magistrate shall be paid the annual salary indicated in the table
- 19 set out in this subdivision. A full-time magistrate is a magistrate who is
- 20 assigned to work an average of not less than 40 hours a week during the term
- 21 of office. The Administrative Officer of the Courts shall designate whether a
- 22 magistrate is full-time. Initial appointment shall be at the entry rate. A
- 23 magistrate's salary shall increase to the next step every two years on the
- 24 anniversary of the date the magistrate was originally appointed for increases
- 25 to Steps 1 through 3, and every four years on the anniversary of the date the
- 26 magistrate was originally appointed for increases to Steps 4 through 6.

27 Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary	
	<u>Minimum</u>	<u>Maximum</u>
Entry Rate		\$37,862 <u>\$38,862</u>
Step 1	\$39,519 <u>\$40,519</u>	40,658 <u>41,658</u>
Step 2	42,448 <u>43,448</u>	43,673 <u>44,673</u>
Step 3	45,548 <u>46,458</u>	46,865 <u>47,865</u>
Step 4	49,263 <u>50,263</u>	50,690 <u>51,690</u>
Step 5	53,739 <u>54,739</u>	55,298 <u>56,298</u>
Step 6	58,754 <u>59,754</u>	60,461 <u>61,461</u>

37 ...

38 (a1) Notwithstanding subsection (a) of this section, the following salary provisions apply
 39 to individuals who were serving as magistrates on June 30, 1994:

- 40 (1) The minimum and maximum salaries of magistrates who, on June 30, 1994,
- 41 were paid at a salary level of less than five years of service under the table in
- 42 effect that date shall be as follows:

	Minimum		Maximum
Less than 1 year of service			\$30,099 <u>\$31,099</u>
1 or more but less than 3 years of service	\$30,288 <u>\$31,288</u>	–	31,333 <u>32,333</u>
3 or more but less than 5 years of service	32,773 <u>33,773</u>	–	33,818 <u>34,818</u>

49 Upon completion of five years of service, those magistrates shall receive
 50 the salary set as the Entry Rate in the table in subsection (a).
 51

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

...."

LEGISLATIVE EMPLOYEES

SECTION 35.5.(a) Effective July 1, 2017, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2017, shall be legislatively increased by one thousand dollars (\$1,000).

SECTION 35.5.(b) Effective July 1, 2018, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2018, shall be legislative increased by one thousand dollars (\$1,000).

SECTION 35.5.(c) Nothing in this act limits any of the provisions of G.S. 120-32.

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 35.6.(a) Effective July 1, 2017, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred seven thousand nine hundred twenty-eight dollars (\$107,928)~~, one hundred eight thousand nine hundred twenty-eight dollars (\$108,928), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 35.6.(b) Effective July 1, 2018, G.S. 120-37(c) as amended by this act, reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred eight thousand nine hundred twenty-eight dollars (\$108,928)~~, one hundred nine thousand nine hundred twenty-eight dollars (\$109,928), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The

1 Legislative Services Commission shall review the salary of the principal clerks prior to
 2 submission of the proposed operating budget of the General Assembly to the Governor and
 3 shall make appropriate recommendations for changes in those salaries. Any changes enacted by
 4 the General Assembly shall be by amendment to this paragraph."
 5

6 **SERGEANTS-AT-ARMS AND READING CLERKS**

7 **SECTION 35.7.(a)** Effective July 1, 2017, G.S. 120-37(b) reads as rewritten:

8 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of
 9 ~~four hundred ten dollars (\$410.00)~~ four hundred twenty-nine dollars (\$429.00) per week plus
 10 subsistence at the same daily rate provided for members of the General Assembly, plus mileage
 11 at the rate provided for members of the General Assembly for one round trip only from their
 12 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General
 13 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess
 14 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks
 15 shall serve during sessions only."

16 **SECTION 35.7.(b)** Effective July 1, 2018, G.S. 120-37(b), as amended by this act,
 17 reads as rewritten:

18 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of
 19 ~~four hundred twenty-nine dollars (\$429.00)~~ four hundred forty-eight dollars (\$448.00) per week
 20 plus subsistence at the same daily rate provided for members of the General Assembly, plus
 21 mileage at the rate provided for members of the General Assembly for one round trip only from
 22 their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the
 23 General Assembly and at such time prior to the convening of, and subsequent to adjournment
 24 or recess of, sessions as may be authorized by the Legislative Services Commission. The
 25 reading clerks shall serve during sessions only."
 26

27 **COMMUNITY COLLEGES**

28 **SECTION 35.8.(a)** Effective for the 2017-2019 fiscal biennium:

- 29 (1) The State Board of Community Colleges may provide community college
 30 personnel salary increases in accordance with policies adopted by the Board.
 31 Funds appropriated for these compensation increases under Section 35.1
 32 of this act may be used for any one or more of the following purposes: (i) merit
 33 pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention
 34 increases, and (v) any other compensation increase pursuant to those
 35 policies. The Board shall make a report on the use of these funds to the
 36 General Assembly by no later than March 1, 2018.
- 37 (2) Funds appropriated for community college personnel salary adjustments,
 38 other than the annual salary increases awarded by Section 35.1 of this act,
 39 may be used for any one or more of the following purposes: (i) merit pay,
 40 (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention
 41 increases, and (v) any other compensation increase pursuant to policies
 42 adopted by the State Board of Community Colleges. The State Board of
 43 Community Colleges shall make a report on the use of these funds to the
 44 Fiscal Research Division no later than March 1, 2018.

45 **SECTION 35.8.(b)** The minimum salaries for nine-month, full-time curriculum
 46 community college faculty for the 2017-2019 fiscal biennium are as follows:

	<u>Minimum Salary</u>	
<u>Education Level</u>	<u>2017-2018</u>	<u>2018-2019</u>
Vocational Diploma/Certificate or Less	\$36,844	\$37,844
Associate Degree or Equivalent	37,356	38,356
Bachelor's Degree	39,579	40,579

1	Master's Degree or Education Specialist	41,551	42,551
2	Doctoral Degree	44,394	45,394
3	No full-time faculty member shall earn less than the minimum salary for his or her		
4	education level.		

5 The pro rata hourly rate of the minimum salary for each education level shall be
6 used to determine the minimum salary for part-time faculty members.

8 UNIVERSITY OF NORTH CAROLINA SYSTEM

9 **SECTION 35.9.(a)** Effective for the 2017-2019 fiscal biennium, the annual salaries
10 of University of North Carolina SHRA employees shall be increased as provided by Section
11 35.1 of this act.

12 **SECTION 35.9.(b)** For the 2017-2019 fiscal biennium, the Board of Governors of
13 The University of North Carolina may provide EHRA employees a salary increase pursuant to
14 the policies adopted by the Board. Funds for EHRA compensation increases may be used for
15 any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii)
16 recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant
17 to those policies. The Board shall make a report on the use of these funds to the General
18 Assembly by no later than March 1, 2018.

20 STATE AGENCY TEACHERS

21 **SECTION 35.10.** Employees of schools operated by the Department of Health and
22 Human Services, the Department of Public Safety, the State Board of Education, and
23 employees of the School of Science and Mathematics of the University of North Carolina who
24 are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

26 ALL STATE-SUPPORTED PERSONNEL

27 **SECTION 35.11.(a)** Salaries and related benefits for positions that are funded:

- 28 (1) Partially from the General Fund or Highway Fund and partially from sources
29 other than the General Fund or Highway Fund shall be increased from the
30 General Fund or Highway Fund appropriation only to the extent of the
31 proportionate part of the salaries paid from the General Fund or Highway
32 Fund.
- 33 (2) Fully from sources other than the General Fund or Highway Fund shall be
34 increased as provided by this act. The Director of the Budget may increase
35 expenditures of receipts from these sources by the amount necessary to
36 provide the legislative increase to receipt-supported personnel in the
37 certified budget.

38 The Director of the Budget may increase expenditures of receipts from these sources
39 in the certified budget by the amount necessary to provide the increases authorized by this Part
40 to receipt-supported personnel. Nothing in this act authorizes the transfer of funds between the
41 General Fund and the Highway Fund for salary increases.

42 **SECTION 35.11.(b)** The legislative salary increases provided in this act:

- 43 (1) For the 2017-2018 fiscal year, do not apply to persons separated from
44 service due to resignation, dismissal, reduction in force, death, or retirement
45 or whose last workday is prior to July 1, 2017.
- 46 (2) For the 2018-2019 fiscal year, do not apply to persons separated from
47 service due to resignation, dismissal, reduction in force, death, or retirement
48 or whose last workday is prior to July 1, 2018.

49 With respect to the legislative increases awarded in this Part, payroll checks issued to
50 employees after July 1 of each year that represent payment of services provided prior to July 1
51 of each year shall not be eligible for salary increases provided for in this act.

1 **SECTION 35.11.(c)** This section applies to all employees paid from State funds,
2 whether or not subject to or exempt from the North Carolina Human Resources Act, including
3 employees of public schools, community colleges, and The University of North Carolina.
4

5 **MOST STATE EMPLOYEES**

6 **SECTION 35.12.** Unless otherwise expressly provided by this part, the annual
7 salaries in effect for the following persons on June 30, 2017, and June 30, 2018, shall be
8 legislatively increased as provided by Section 35.1 of this act:

- 9 (1) Permanent, full-time State officials and persons whose salaries are set in
10 accordance with the State Human Resources Act.
- 11 (2) Permanent, full-time State officials and persons in positions exempt from the
12 State Human Resources Act.
- 13 (3) Permanent, part-time State employees.
- 14 (4) Temporary and permanent hourly State employees.

15 **IMPLEMENT NEW CLASSIFICATION AND COMPENSATION SYSTEM**

16 **SECTION 35.13.** The Office of State Human Resources shall implement the new
17 Classification and Compensation System.
18

19 **SALARY ADJUSTMENT FUND**

20 **SECTION 35.14.(a)** The Salary Adjustment Fund is established to make funding
21 available for salary increases in the executive, judicial, and legislative branches for specified
22 purposes only as authorized in this section. Funds appropriated to the Salary Adjustment Fund
23 by this act, or any other provision of law, shall only be used to fund the following purposes in
24 order to provide competitive salary rates:
25

- 26 (1) Reallocation of positions to higher level job classifications.
- 27 (2) In-range adjustments for job change.
- 28 (3) Career progression adjustments for demonstrated competencies.
- 29 (4) Salary range revisions.
- 30 (5) Geographic site differential adjustments.
- 31 (6) In-range adjustments for labor market.
- 32 (7) In-range adjustments for equity issues.
- 33 (8) Any other adjustments related to an increase in job duties or responsibilities
34 or labor market changes.

35 These adjustments must be documented through data collection and analysis according to
36 accepted human resource professional practices and standards. Further, funds may only be used
37 for salary adjustments for the stated purposes that are in compliance with State Human
38 Commission policies and other provisions of the State Human Resources Act. For the executive
39 branch, funding shall be approved by the State Human Resources Commission or Office of
40 State Human Resources and shall not be used for any other purposes.

41 **SECTION 35.14.(b)** Funds appropriated to the Salary Adjustment Fund for the
42 2017-2019 fiscal biennium in the amount of seventy-three thousand dollars (\$73,000) shall be
43 distributed to the Office of the Lieutenant Governor for staff compensation increases.

44 **SECTION 35.14.(c)** The Director of the Budget may transfer to General Fund
45 budget codes from the Salary Adjustment Fund amounts required to support salary adjustments
46 authorized by this section. The Director of the Budget shall report to the Joint Legislative
47 Commission on Governmental Operations within 30 days of allocation of the funds.
48

49 **USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES**

50 **SECTION 35.15.(a)** The appropriations set forth in Section 2.1 of this act include
51 appropriations for legislatively mandated salary increases and employee benefits in amounts set

1 forth in the Committee Report described in Section 39.2 of this act. The Office of State Budget
2 and Management shall ensure that those funds are used only for the purposes of legislatively
3 mandated salary increases and employee benefits.

4 **SECTION 35.15.(b)** If the Director of the Budget determines that funds
5 appropriated to a State agency for legislatively mandated salary increases and employee
6 benefits exceed the amount required by that agency for those purposes, the Director may
7 reallocate those funds to other State agencies that received insufficient funds for legislatively
8 mandated salary increases and employee benefits.

9 **SECTION 35.15.(c)** No later than March 1, 2018, the Office of State Budget and
10 Management shall report to the Joint Legislative Commission on Governmental Operations on
11 the expenditure of funds for legislatively mandated salary increases and employee benefits.
12 This report shall include at least the following information for each State agency for the
13 2017-2018 fiscal year:

- 14 (1) The total amount of funds that the agency received for legislatively
15 mandated salary increases and employee benefits.
- 16 (2) The total amount of funds transferred from the agency to other State
17 agencies pursuant to subsection (b) of this section. This section of the report
18 shall identify the amounts transferred to each recipient State agency.
- 19 (3) The total amount of funds used by the agency for legislatively mandated
20 salary increases and employee benefits.
- 21 (4) The amount of funds expected to revert under subsection (a) of this section.

22 23 **MITIGATE BONUS LEAVE**

24 **SECTION 35.16.** During the 2017-2019 fiscal biennium, State agencies,
25 departments, institutions, the North Carolina Community College System, and The University
26 of North Carolina may offer State employees the opportunity to use or to cash in special bonus
27 leave benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a)
28 of S.L. 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but
29 only if all of the following requirements are met:

- 30 (1) Employee participation in the program must be voluntary.
- 31 (2) Special leave that is liquidated for cash payment to an employee must be
32 valued at the amount based on the employee's current annual salary rate.
- 33 (3) By September 1, 2019, a report on the demographic information shall be
34 submitted to the respective agency head or employing agency and to the
35 Fiscal Research Division.

36 37 **PAY PLAN RESERVE**

38 **SECTION 35.17.(a)** The Pay Plan Reserve is established within the General Fund.
39 The General Assembly shall appropriate in the Current Operations Appropriations Act or other
40 appropriations act a specific amount to this reserve for allocation, on an as-needed basis only,
41 to fund statutory and scheduled pay expenses authorized by:

- 42 (1) G.S. 20-187.3.
- 43 (2) G.S. 7A-102.
- 44 (3) G.S. 7A-171.1.
- 45 (4) Teacher Salary Schedule, as enacted by the General Assembly.
- 46 (5) Pay Plans for Principals and Assistant Principals, as enacted by the General
47 Assembly.

48 The funds in the Pay Plan Reserve are available to agencies for employee salary and
49 benefit costs only if the amount of funds appropriated for statutory or scheduled salaries and
50 benefits expenses, in any fiscal year, would be insufficient to cover those expenses for eligible
51 employees.

1 After January 1 of each fiscal year, an agency may request an allocation from the
2 Pay Plan Reserve by submitting proof to the Office of State Budget and Management (OSBM)
3 that the agency has exhausted or is projected to exhaust funds appropriated for statutory or
4 scheduled salary and benefit expenses. The OSBM must certify the need for any allocation
5 before disbursing funds from the reserve. The OSBM shall report to the Fiscal Research
6 Division on or before April 1 of each year on any disbursements made from the reserve and
7 regarding projected recurring appropriations necessary to fully fund positions eligible for
8 funding in the next fiscal year. Funds from the reserve may be allocated and reallocated only as
9 expressly provided by this section.

10 **SECTION 35.17.(b)** Funds remaining in the Pay Plan Reserve shall revert at the
11 end of each fiscal year.

13 STATE HUMAN RESOURCES/HIRE FROM POOL OF MOST QUALIFIED 14 PERSONS

15 **SECTION 35.18.** G.S. 126-14.2 reads as rewritten:

16 "§ 126-14.2. Political hirings limited.

17 (a) It is the policy of this State that State departments, agencies, and institutions select
18 from the pool of the most qualified persons for State government employment based upon
19 job-related qualifications of applicants for employment using fair and valid selection criteria.

20 (b) All State departments, agencies, and institutions shall select ~~the most qualified~~
21 ~~person~~ from the pool of the most qualified persons for State government employment without
22 regard to political affiliation or political influence. For the purposes of this section, "qualified
23 persons" shall mean each of the State employees or applicants for initial State employment
24 who:

- 25 (1) Have timely applied for a position in State government;
- 26 (2) Have the essential qualifications for that position; and
- 27 (3) Are determined to be substantially more qualified as compared to other
28 applicants for the position, after applying fair and valid job selection criteria,
29 in accordance with G.S. 126-5(e), G.S. 126-7.1, Articles 6 and 13 of this
30 Chapter, and State personnel policies approved by the State Human
31 Resources Commission.

32 (c) It is a violation of this section if:

- 33 (1) The complaining State employee or applicant for initial State employment
34 timely applied for the State government position in question;
- 35 (2) The complaining State employee or applicant for initial State employment
36 was not hired into the position;
- 37 (3) The complaining State employee or applicant for initial State employment
38 was among the most qualified persons applying for the position as defined in
39 this Chapter;
- 40 (4) The successful applicant for the position was not among the most qualified
41 persons applying for the position; and
- 42 (5) The hiring decision was based upon political affiliation or political
43 influence.

44"

46 SPECIAL ANNUAL LEAVE BONUS

47 **SECTION 35.18A.(a)** Any person who is (i) a full-time, permanent employee of
48 the State, a community college, or a local board of education on July 1, 2017, and (ii) eligible
49 to earn annual leave shall have a one-time additional five days of annual leave credited on July
50 1, 2017.

1 **SECTION 35.18A.(b)** Except as provided by subsection (c) of this section, the
2 additional leave granted in this act shall be accounted for separately with the leave provided by
3 Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, by Section 29.14A of
4 S.L. 2005-276, and by Section 35.10A of S.L. 2014-100. The leave shall remain available
5 during the length of the employee's employment, notwithstanding any other limitation on the
6 total number of days of annual leave that may be carried forward. Part-time, permanent
7 employees shall receive a pro rata amount of the five days.

8 **SECTION 35.18A.(c)** The additional leave awarded under this section has no cash
9 value and is not eligible for cash in. If not used prior to the time of separation or retirement, the
10 bonus leave cannot be paid out and is lost.

11 12 **STATE EMPLOYEES – AMEND SALARY CONTINUATION**

13 **SECTION 35.18B.(a)** G.S. 143-166.14 reads as rewritten:

14 **"§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation** 15 **Act applicable after two years; duration of payment.**

16 The salary of any eligible person shall be paid as long as the person's employment in that
17 position continues, notwithstanding the person's total or partial incapacity to perform any duties
18 to which the person may be lawfully assigned, if that incapacity is the result of an injury or
19 injuries resulting from or arising out of an episode of violence, resistance, or due to other
20 special hazards that occur while the eligible person is performing official duties, except if that
21 incapacity continues for more than two years from its inception, the person shall, during the
22 further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General
23 Statutes pertaining to workers' compensation. The time period for which an eligible person
24 receives benefits pursuant to this section shall be deducted from the eligible person's total
25 eligibility for benefits pursuant to G.S. 97-29 and G.S. 97-30. For purposes of this section, the
26 term "salary" shall be defined as the total base pay of the person reflected on the person's salary
27 statement and shall not include overtime pay, shift differential pay, holiday pay, or other
28 additional earnings to which the person may have been entitled prior to such incapacity. Salary
29 paid to an eligible person pursuant to this Article shall cease upon the resumption of the
30 person's regularly assigned ~~duties, duties; assignment of duties which comply with the treating~~
31 physician's restrictions; or retirement, resignation, or death, whichever first occurs, except that
32 occurs; provided that salary payments will be ceased or may be equitably reduced when the
33 employee has returned to work for the same or a different employer. A temporary return to duty
34 shall not prohibit payment of salary for a subsequent period of incapacity which can be shown
35 to be directly related to the original injury."

36 **SECTION 35.18B.(b)** G.S. 143-166.19 reads as rewritten:

37 **"§ 143-166.19. Determination of cause and extent of incapacity; hearing before Industrial** 38 **Commission; appeal; effect of refusal to perform duties.**

39 Upon the filing of the report, the secretary or other head of the department or, in the case of
40 the General Assembly, the Legislative Services Officer, shall determine the cause of the
41 incapacity and to what extent the claimant may be assigned to other than the claimant's normal
42 duties. The finding of the secretary or other head of the department shall determine the right of
43 the claimant to benefits under this Article. Notice of the finding shall be filed with the North
44 Carolina Industrial Commission. The finding of the secretary or other department head shall be
45 final unless the claimant, within 30 days of receipt of the notice, files a request for a hearing
46 with the North Carolina Industrial Commission using a form required by the Commission.
47 Upon the filing of a request, the North Carolina Industrial Commission shall proceed to hear
48 the matter in accordance with its regularly established procedure for hearing claims filed under
49 the Worker's Compensation Act, and shall report its findings to the secretary or other head of
50 the department. From the decision of the North Carolina Industrial Commission, an appeal shall
51 lie as in other matters heard and determined by the Commission. Any person who refuses to

1 perform any duties to which the person may be properly assigned as a result of the finding of
 2 the secretary, other head of the department or of the North Carolina Industrial Commission
 3 shall be entitled to no benefits pursuant to this Article as long as the refusal continues. A duty is
 4 properly assigned if the duty complies with the authorized treating physician's restrictions. Any
 5 eligible person whose salary continuation benefits are terminated by the secretary or other head
 6 of the department shall be immediately entitled to benefits under G.S. 97-29 or G.S. 97-30.
 7 Such benefits under G.S. 97-29 or G.S. 97-30 shall only be suspended or terminated by the
 8 employer pursuant to G.S. 97-18.1."

9 **SECTION 35.18B.(c)** This section is effective when it becomes law and applies to
 10 State employees incapacitated on or after that date.

11
 12 **EXEMPT EMPLOYEES/UNC INFORMATION TECHNOLOGY PROFESSIONALS**

13 **SECTION 35.18C.** G.S. 126-5 reads as rewritten:

14 "**§ 126-5. Employees subject to Chapter; exemptions.**

15 ...
 16 (c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this
 17 Chapter shall not apply to:

- 18 ...
 19 (8) Instructional and research staff, information technology professionals,
 20 physicians, and dentists of The University of North Carolina, including the
 21 faculty of the North Carolina School of Science and Mathematics.
 22"

23
 24 **SALARY-RELATED CONTRIBUTIONS**

25 **SECTION 35.19.(a)** Effective for the 2017-2019 fiscal biennium, required
 26 employer salary-related contributions for employees whose salaries are paid from department,
 27 office, institution, or agency receipts shall be paid from the same source as the source of the
 28 employee's salary. If an employee's salary is paid in part from the General Fund or Highway
 29 Fund and in part from department, office, institution, or agency receipts, required employer
 30 salary-related contributions may be paid from the General Fund or Highway Fund only to the
 31 extent of the proportionate part paid from the General Fund or Highway Fund in support of the
 32 salary of the employee, and the remainder of the employer's requirements shall be paid from the
 33 source that supplies the remainder of the employee's salary. The requirements of this section as
 34 to source of payment are also applicable to payments on behalf of the employee for hospital
 35 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'
 36 compensation, severance pay, separation allowances, and applicable disability income benefits.

37 **SECTION 35.19.(b)** Effective July 1, 2017, the State's employer contribution rates
 38 budgeted for retirement and related benefits as a percentage of covered salaries for the
 39 2017-2018 fiscal year for teachers and State employees, State law enforcement officers (LEOs),
 40 the University and Community Colleges Optional Retirement Programs (ORPs), the
 41 Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System
 42 (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
43 Retirement	10.85%	10.85%	6.84%	31.26%	19.35%
44 Disability	0.14%	0.14%	0.14%	0.00%	0.00%
45 Death	0.16%	0.16%	0.00%	0.00%	0.00%
46 Retiree Health	6.06%	6.06%	6.06%	6.06%	6.06%
47 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate 17.21% 22.21% 13.04% 37.32% 25.41%

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.19.(c) Effective July 1, 2018, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2018-2019 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
Retirement	11.44%	11.44%	6.84%	31.40%	18.27%
Disability	0.14%	0.14%	0.14%	0.00%	0.00%
Death	0.16%	0.16%	0.00%	0.00%	0.00%
Retiree Health	6.28%	6.28%	6.28%	6.28%	6.28%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate 18.02% 23.02% 13.26% 37.68% 24.55%

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.19.(d) Effective July 1, 2017, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2017-2018 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand five hundred sixty dollars (\$4,560) and (ii) non-Medicare-eligible employees and retirees – five thousand eight hundred sixty-nine dollars (\$5,869).

SECTION 35.19.(e) Effective July 1, 2018, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2018-2019 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand seven hundred forty-three dollars (\$4,743) and (ii) non-Medicare-eligible employees and retirees – six thousand one hundred four dollars (\$6,104).

PROVIDE ONE-TIME COST-OF-LIVING SUPPLEMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 35.19A.(a) G.S. 135-5 is amended by adding a new subsection to read: "(vvv) On or before October 31, 2017, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2017, and whose retirement commenced on or before September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.19A.(b) G.S. 135-65 is amended by adding a new subsection to read:

1 "(gg) 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 six-tenths percent (1.6%) 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 35.19A.(c)** G.S. 120-4.22A is amended by adding a new subsection to
10 read:

11 "(aa) In accordance with subsection (a) of this section, on or before October 31, 2017, a
12 one-time cost-of-living supplement payment shall be made to or on account of beneficiaries
13 who are living as of September 1, 2017, and whose retirement commenced on or before
14 September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's
15 annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date
16 of retirement commencement. If the beneficiary dies before the payment is made, then the
17 payment shall be payable to the member's legal representative. No beneficiary shall be deemed
18 to have acquired a vested right to any future supplemental payments."

19 **SECTION 35.19A.(d)** Notwithstanding any other provision of law to the contrary,
20 in order to administer the one-time cost-of-living supplement for retirees provided for in
21 subsections (a), (b), and (c) of this section, the Retirement Systems Division of the Department
22 of State Treasurer may increase receipts from the retirement assets of the corresponding
23 retirement system or pay costs associated with the administration of the payment directly from
24 the retirement assets.

25
26 **ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE**
27 **MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT**
28 **SYSTEM**

29 **SECTION 35.19B.(a)** G.S. 135-1 reads as rewritten:

30 **"§ 135-1. Definitions.**

31 The following words and phrases as used in this Chapter, unless a different meaning is
32 plainly required by the context, shall have the following meanings:

33 ...

34 (11c) "Law-Enforcement Officer" means a full-time paid employee of an employer
35 who is actively serving in a position with assigned primary duties and
36 responsibilities for prevention and detection of crime or the general
37 enforcement of the criminal laws of the State of North Carolina or serving
38 civil processes, and who possesses the power of arrest by virtue of an oath
39 administered under the authority of the State. "Law-Enforcement Officer"
40 also means a probation/parole officer as defined in this section with respect
41 to any service rendered on or after July 1, 2017.

42 ...

43 (17a) "Probation/Parole Officer" shall mean a full-time paid employee of the
44 Division of Adult Correction of the Department of Public Safety whose
45 duties include supervising, evaluating, or otherwise instructing offenders
46 who have been placed on probation, parole, or post-release supervision or
47 have been assigned to any other community-based program operated by the
48 Division of Adult Correction.

49 "

50 **SECTION 35.19B.(b)** G.S. 143-166.41(b) reads as rewritten:

1 "(b) As used in this section, "creditable service" means the service for which credit is
2 allowed under the retirement system of which the officer is a member, provided that at least
3 fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined~~defined or as
4 a probation/parole officer as defined in G.S. 135-1(17a)."

5 **SECTION 35.19B.(c)** This section becomes effective July 1, 2017, and applies to
6 persons retiring on or after that date.

8 **STATE TREASURER AUTHORITY OVER STATE HEALTH PLAN EMPLOYEES**

9 **SECTION 35.22.** G.S. 135-48.23 reads as rewritten:

10 **"§ 135-48.23. Executive Administrator.**

11 (a) The Plan shall have an Executive Administrator and a Deputy Executive
12 Administrator. The Executive Administrator and the Deputy Executive Administrator positions
13 are exempt from the provisions of Chapter 126 of the General Statutes as provided in
14 G.S. 126-5(c1).

15 (b) The Executive Administrator shall be appointed by the State Treasurer. The term of
16 employment and salary of the Executive Administrator shall be set by the State ~~Treasurer after~~
17 ~~consultation with the Board of Trustees.~~Treasurer.

18 The Executive Administrator may be removed from office by the State ~~Treasurer after~~
19 ~~consultation with the Board of Trustees.~~Treasurer, and any vacancy in the office of Executive
20 Administrator may be filled by the State Treasurer.

21 (c) ~~The Executive Administrator~~State Treasurer shall appoint the Deputy Executive
22 ~~Administrator and~~Administrator. The term of employment and salary of the Deputy Executive
23 Administrator shall be set by the State Treasurer. The Deputy Executive Administrator may be
24 removed from office by the State Treasurer. Any vacancy in the office of the Deputy Executive
25 Administrator may be filled by the State Treasurer.

26 (c1) The State Treasurer may employ such clerical and professional staff, and such other
27 assistance as may be necessary to assist the Executive Administrator, the Board of Trustees,
28 and the State Treasurer in carrying out their duties and responsibilities under this Article. ~~The~~
29 ~~Executive Administrator~~State Treasurer may designate any managerial, professional, or
30 policy-making positions as exempt from the North Carolina Human Resources Act. All exempt
31 employees shall serve at the pleasure of the State Treasurer, and any vacancies in these
32 positions may be filled by the State Treasurer. Salaries of exempt employees shall be set by the
33 State Treasurer.

34 (c2) The Executive Administrator may also negotiate, renegotiate and execute contracts
35 with third parties in the performance of the Executive Administrator's duties and
36 responsibilities under this Article; provided any contract negotiations, renegotiations and
37 execution with a Claims Processor, with an optional alternative comprehensive health benefit
38 plan, or program thereunder, authorized under G.S. 135-48.2, with a preferred provider of
39 institutional or professional hospital and medical care, or with a pharmacy benefit manager
40 shall be done only ~~after consultation with the consent of~~the State Treasurer.

41 (d) The Executive Administrator shall quarterly make reports and recommendations on
42 the Plan to the President Pro Tempore of the Senate and the Speaker of the House of
43 Representatives."

45 **PART XXXVI. CAPITAL APPROPRIATIONS**

47 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

48 **SECTION 36.1.** The appropriations made by the 2017 General Assembly for
49 capital improvements are for constructing, repairing, or renovating State buildings, utilities, and
50 other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings
51 and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 36.2.(a) There is appropriated from the General Fund for the 2017-2019 fiscal biennium the following amounts for capital improvements:

Capital Improvements – General Fund	2017-2018	2018-2019
Department of Environment and Natural Resources		
Water Resources Development	\$10,763,000	–
Department of Public Safety		
Greenville Office Building & Garage	2,000,000	\$1,917,993
National Guard- Joint Forces HQ Helipad	1,000,000	–
Department of Natural and Cultural Resources		
Fort Fisher Museum and Visitor Center	5,000,000	–
Planning for Fayetteville Civil War Museum project	500,000	–
East Carolina University		
Planning funds for new building at Brody School of Medicine	2,263,440	–
Western Carolina University		
Energy production facility replacement project	–	9,477,200
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$21,526,440	\$11,395,193

SECTION 36.2.(b) Notwithstanding G.S. 143C-3-3(b), East Carolina University shall use the funds appropriated in subsection (a) of this section to develop plans for the construction of a new medical education building at the Brody School of Medicine.

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.3.(a) The Department of Environmental Quality shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated fourteen million eighty-five thousand dollars (\$14,085,000) in federal funds.

Name of Project	2017-2018
(1) Princeville Flood Damage Reduction	\$431,000
(2) Carolina Beach CSDR (Next cycle plans & specs.)	300,000
(3) Kure Beach CSDR (Next cycle plans & specs.)	300,000
(4) Wrightsville Storm Damage Reduction – Constr. Cycle 12	3,000,000
(5) Wrightsville Storm Damage Reduction – Post-Auth. Change Report	135,000
(6) Planning Assistance	25,000
(7) Wilmington Harbor Maintenance	–
(8) Morehead City Harbor Maintenance	–
(9) Surf City/North Topsail Preconstruction Activities	218,000

1	(10) West Onslow Beach Preconstruction Activities	218,000
2	(11) NRCS EQIP	2,000,000
3	(12) State-Local Projects	1,500,000
4	(13) Eastern NC Storm Debris Removal	1,000,000
5	(14) Cape Fear River Lock & Dam/Fish Ramp Construction	840,000
6	(15) Carolina Beach CSDR	1,158,000
7	(16) North Topsail Shoreline Protection – Phase 2	500,000
8	(17) Kunz Farm Park Riverwalk	250,000
9		
10	TOTALS	\$11,875,000

11
12 **SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried
13 forward from previous fiscal years be used to supplement the ten million seven hundred
14 sixty-three thousand dollars (\$10,763,000) appropriated for water resources development
15 projects in Section 36.2 of this act. Therefore, the following funds carried forward from
16 previous fiscal years shall be used for the following projects:

17	Name of Project	Amount Carried Forward
18		
19		
20	(1) Carolina Beach CSDR (Next cycle plans & specs.)	\$50,000
21	(2) Kure Beach CSDR (Next cycle plans & specs.)	50,000
22	(3) Wrightsville Storm Damage Reduction – Constr.	700,000
23	(4) Wrightsville Storm Damage Reduction – Post-Auth. Change Report	22,000
24	(5) Planning Assistance	25,000
25	(6) Surf City/North Topsail Preconstruction Activities	135,000
26	(7) West Onslow Beach Preconstruction Activities	130,000
27		
28	TOTALS	\$1,112,000

29
30 **SECTION 36.3.(c)** Where the actual costs are different from the estimated costs
31 under subsection (a) of this section, the Department may adjust the allocations among projects
32 as needed. If any projects funded under subsection (a) of this section are delayed and the
33 budgeted State funds cannot be used during the 2017-2018 fiscal year or if the projects funded
34 under subsection (a) of this section are accomplished at a lower cost, the Department may use
35 the resulting fund availability to fund any of the following:

- 36 (1) U.S. Army Corps of Engineers project feasibility studies.
- 37 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and
38 require State matching funds in the 2017-2018 fiscal year.
- 39 (3) State-local water resources development projects.

40 Funds subject to this subsection that are not expended or encumbered for the purposes set forth
41 in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of
42 the 2017-2018 fiscal year.

43 **SECTION 36.3.(d)** The Department shall submit semiannual reports on the use of
44 these funds to the Joint Legislative Oversight Committee on Agriculture and Natural and
45 Economic Resources, the Fiscal Research Division, and the Office of State Budget and
46 Management on or before March 1 and September 1. Each report shall include all of the
47 following:

- 48 (1) All projects listed in this section.
- 49 (2) The estimated cost of each project.
- 50 (3) The date that work on each project began or is expected to begin.

1 (4) The date that work on each project was completed or is expected to be
2 completed.
3 (5) The actual cost of the project.
4 The semiannual reports also shall show those projects advanced in schedule, those projects
5 delayed in schedule, and an estimate of the amount of funds expected to revert to the General
6 Fund.

7 **SECTION 36.3.(e)** Of the funds allocated for State-Local Projects in this section,
8 the Department shall allocate the sum of five hundred thousand dollars (\$500,000) for the
9 2017-2018 fiscal year to be used for phase III of the Joseph McDowell Historical Catawba
10 Greenway restoration project.

11 **SECTION 36.3.(f)** Of the funds allocated for State-Local Projects in this section,
12 the Department shall allocate the sum of five hundred thousand dollars (\$500,000) for the
13 2017-2018 fiscal year to be used for phase VI-2 of the Ararat River Greenway and Stream
14 Restoration project.

15 **SECTION 36.3.(g)** Section 37.2(e) of S.L. 2016-94 reads as rewritten:

16 "**SECTION 37.2.(e)** Notwithstanding any provision of law to the contrary, funds
17 appropriated for a water resources development project shall be used to provide no more than
18 fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to
19 funds appropriated in this act and to funds appropriated prior to the 2015-2017 fiscal biennium
20 that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds
21 for water resources development projects. The limitation on fund usage contained in this
22 subsection applies only to projects in which a local government or local governments
23 participate. This subsection shall not apply to, and there shall be no local match required for,
24 any of the following, notwithstanding any other provision of law:

25 (1) The Environmental Quality Incentives Program. Furthermore, Section
26 36.3(e) of S.L. 2013-360, Section 36.2(e) of S.L. 2014-100, and Section
27 31.3(e) of S.L. 2015-241 shall not apply to funds made available as part of
28 the Environmental Quality Incentives Program in any fiscal year. Any
29 remaining balance of funds appropriated prior to the 2015-2017 fiscal
30 biennium for Environmental Quality Incentives Program projects shall be
31 paid out to each of the original grantees for the full grant award amount,
32 except that the Secretary may retain ten percent (10%) of the State share of
33 funding until the Natural Resources Conservation Service of the United
34 States Department of Agriculture has provided a final practice approval for
35 the project.

36"

37 **SECTION 36.3.(h)** G.S. 143-215.72 is amended by adding two new subsections to
38 read:

39 "**(c)** When the Secretary issues new or revised policies for review of grant applications
40 and fund disbursement under this Part, those policies shall not apply to a project already
41 approved for funding unless the project applicant agrees to the new or revised policy. For
42 purposes of this section, a project is approved for funding when the Department enters into a
43 contract or other binding agreement to provide any share of State funding for the project.
44 Nothing in this subsection is intended to preclude the Secretary from issuing or enforcing
45 policies applicable to projects approved for funding in order to comply with a requirement of
46 State law or federal law or regulations.

47 **(d)** The following procedures apply only to grants for the purpose set forth in
48 G.S. 143-215.71(8):

49 (1) A nongovernmental entity managing, administering, or executing the grant
50 on behalf of a unit of local government may apply as a co-applicant for the

grant and may be included as a responsible party on any required resolution issued by the unit of local government.

(2) The Department may make periodic payments for its share of nonfederal costs of a project prior to receipt of a final practice approval from the Natural Resources Conservation Service if the grantee has submitted a certified reimbursement request or invoice."

SECTION 36.3.(i) G.S. 143-215.72(d), as enacted by subsection (h) of this section, becomes effective July 1, 2017, and applies to projects approved for funding on or after that date.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 36.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	Amount of Non-General Fund Funding Authorized	
	FY 2017-2018	FY 2018-2019
Department of Natural and Cultural Resources		
Museum of Art- New Park and Pavilion Building	915,300	–
Wildlife Resources Commission		
Land Acquisition	7,000,000	3,000,000
Infrastructure Repair/Renovation	1,500,000	–
Setzer Hatchery Building Replacement	750,000	–
Boating Access	900,000	900,000
Setzer Hatchery Raceways Replacement	4,500,000	–
Outer Banks Education Center Air Handlers	–	300,000
Burnsville Depot	500,000	–
Butner Lab & Storage Building	500,000	–
Bolivia Depot	750,000	–
New Shooting Ranges	1,000,000	1,000,000
Department of Public Safety		
Nash Correctional Institution		
Field Ministry Program Facility	3,800,000	–
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	\$22,115,300	\$5,200,000

SECTION 36.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2017-2018 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2018-2019 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

1 **SECTION 36.5.(a)** Of the funds in the Reserve for Repairs and Renovations for
2 the 2017-2018 fiscal year, the following allocations shall be made to the following agencies for
3 repairs and renovations pursuant to G.S. 143C-4-3:

- 4 (1) One-half of the funds shall be allocated to the Board of Governors of The
5 University of North Carolina.
- 6 (2) One-half of the funds shall be allocated to the Office of State Budget and
7 Management.

8 The Office of State Budget and Management shall consult with or report to the Joint
9 Legislative Commission on Governmental Operations, as appropriate, in accordance with
10 G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on
11 Governmental Operations in accordance with G.S. 143C-4-3(d).

12 **SECTION 36.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
13 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
14 portion shall be used each fiscal year by the Board of Governors for the installation of fire
15 sprinklers in University residence halls. This portion shall be in addition to funds otherwise
16 appropriated in this act for the same purpose. Such funds shall be allocated among the
17 University's constituent institutions by the President of The University of North Carolina, who
18 shall consider the following factors when allocating those funds:

- 19 (1) The safety and well-being of the residents of campus housing programs.
- 20 (2) The current level of housing rents charged to students and how that
21 compares to an institution's public peers and other UNC institutions.
- 22 (3) The level of previous authorizations to constituent institutions for the
23 construction or renovation of residence halls funded from the General Fund
24 or from bonds or certificates of participation supported by the General Fund
25 since 1996.
- 26 (4) The financial status of each constituent institution's housing system,
27 including debt capacity, debt coverage ratios, credit rankings, required
28 reserves, the planned use of cash balances for other housing system
29 improvements, and the constituent institution's ability to pay for the
30 installation of fire sprinklers in all residence halls.
- 31 (5) The total cost of each proposed project, including the cost of installing fire
32 sprinklers and the cost of other construction, such as asbestos removal and
33 additional water supply needs.

34 The Board of Governors shall submit progress reports to the Joint Legislative
35 Commission on Governmental Operations. Reports shall include the status of completed,
36 current, and planned projects. Reports also shall include information on the financial status of
37 each constituent institution's housing system, the constituent institution's ability to pay for fire
38 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be
39 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

40 **SECTION 36.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to
41 the Board of Governors of The University of North Carolina in subsection (a) of this section, a
42 portion shall be used each fiscal year by the Board of Governors for campus public safety
43 improvements allowable under G.S. 143C-4-3(b).

44 **SECTION 36.5.(d)** In making campus allocations of funds allocated to the Board
45 of Governors of The University of North Carolina in subsection (a) of this section, the Board of
46 Governors shall negatively weight the availability of non-State resources and carryforward
47 funds available for repair and renovations and shall include information about the manner in
48 which this subsection was complied within any report submitted pursuant to G.S. 143C-4-3(d).

49 **SECTION 36.5.(e)** Notwithstanding G.S. 143C-4-3, of the funds allocated from
50 the Reserve for Repairs and Renovations for the 2017-2018 fiscal year in subsection (a) of this
51 section, the following sums shall be allocated for the following projects:

- 1 (1) Two million dollars (\$2,000,000) shall be allocated to the Department of
2 Public Safety to be provided to the North Carolina National Guard for the
3 demolition of Western Youth Correctional Facility.
- 4 (2) Two million dollars (\$2,000,000) shall be allocated to the Department of
5 Natural and Cultural Resources for the repairs and renovation projects
6 involving the U.S.S. North Carolina Battleship.
- 7 (3) Five million dollars (\$5,000,000) shall be allocated to the Department of
8 Administration for the roof replacement project for the Administration
9 Building.
- 10 (4) Three hundred thousand dollars (\$300,000) shall be allocated to
11 weatherproof Goodwin Hall and Joiner Hall at the North Carolina School for
12 the Deaf in Morganton.
- 13 (5) Thirteen million two hundred thousand dollars (\$13,200,000) shall be
14 allocated to the Department of Public Safety to renovate the Stonewall
15 Jackson Youth Development Center to create additional bed space.
- 16 (6) Ten million dollars (\$10,000,000) shall be allocated for the comprehensive
17 renovation and repurposing of West Hall at the University of North Carolina
18 at Pembroke.
- 19 (7) Three million five hundred thousand dollars (\$3,500,000) shall be allocated
20 to the Department of Natural and Cultural Resources, Division of Parks &
21 Recreation, for repair and renovation projects at Morrow Mountain State
22 Park in Stanly County.
- 23 (8) Four million five hundred thousand dollars (\$4,500,000) shall be allocated to
24 the Department of Natural and Cultural Resources for repair and renovation
25 projects at the North Carolina Zoological Park.
- 26 (9) Two million two hundred thousand dollars (\$2,200,000) shall be allocated to
27 the Department of Public Safety to renovate the Swannanoa Correctional
28 Center for Women to allow for portions to be used for a female Confinement
29 Response to Violation (CRV) facility.
- 30 (10) Five million five hundred thousand dollars (\$5,500,000) shall be allocated to
31 Fayetteville State University for a health fitness center.
32

33 PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

34 **SECTION 36.6.** The appropriations made by the 2017 General Assembly for
35 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of
36 funds shall not be made by any State department, institution, or agency until an allotment has
37 been approved by the Governor as Director of the Budget. The allotment shall be approved
38 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.
39 Prior to the award of construction contracts for projects to be financed in whole or in part with
40 self-liquidating appropriations, the Director of the Budget shall approve the elements of the
41 method of financing of those projects, including the source of funds, interest rate, and
42 liquidation period. Provided, however, that if the Director of the Budget approves the method
43 of financing a project, the Director shall report that action to the Joint Legislative Commission
44 on Governmental Operations at its next meeting.

45 Where direct capital improvement appropriations include the purpose of furnishing
46 fixed and movable equipment for any project, those funds for equipment shall not be subject to
47 transfer into construction accounts except as authorized by the Director of the Budget. The
48 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and
49 approved by the Director of the Budget prior to commitment of funds.

50 Capital improvement projects authorized by the 2017 General Assembly shall be
51 completed, including fixed and movable equipment and furnishings, within the limits of the

1 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided
2 in this act. Capital improvement projects authorized by the 2017 General Assembly for the
3 design phase only shall be designed within the scope of the project as defined by the approved
4 cost estimate filed with the Director of the Budget, including costs associated with site
5 preparation, demolition, and movable and fixed equipment.
6

7 **REPORTING ON CAPITAL PROJECTS**

8 **SECTION 36.7.(a)** Definitions. – The following definitions apply in this section:

- 9 (1) Capital project. – Any capital improvement, as that term is defined in
10 G.S. 143C-1-1, that is not complete by the effective date of this section and
11 that is funded in whole or in part with State funds, including receipts,
12 non-General Fund sources, or statutorily or constitutionally authorized
13 indebtedness of any kind. This term includes only projects with a total cost
14 of one hundred thousand dollars (\$100,000) or more.
- 15 (2) Construction phase. – The status of a particular capital project as described
16 using the terms customarily employed in the design and construction
17 industries.
- 18 (3) New capital project. – A capital project that is authorized in this act or
19 subsequent to the effective date of this act.

20 **SECTION 36.7.(b)** Reporting. – The following reports are required:

- 21 (1) By October 1, 2017, and every six months thereafter, each State agency shall
22 report on the status of agency capital projects to the Joint Legislative
23 Commission on Governmental Operations.
- 24 (2) By October 1, 2017, and quarterly thereafter, each State agency shall report
25 on the status of agency capital projects to the Fiscal Research Division of the
26 General Assembly and to the Office of State Budget and Management.

27 **SECTION 36.7.(c)** The reports required by subsection (b) of this section shall
28 include at least the following information about every agency capital project:

- 29 (1) The current construction phase of the project.
- 30 (2) The anticipated time line from the current construction phase to project
31 completion.
- 32 (3) Information about expenditures that have been made in connection with the
33 project, regardless of source of the funds expended.
- 34 (4) Information about the adequacy of funding to complete the project,
35 including estimates of how final expenditures will relate to initial estimates
36 of expenditures, and whether or not scope reductions will be necessary in
37 order to complete the project within its budget.
- 38 (5) For new capital projects only, an estimate of the operating costs for the
39 project for the first five fiscal years of its operation.

40 **SECTION 36.7.(d)** In addition to the other reports required by this section, on
41 October 1, 2017, and every six months thereafter, the Office of State Construction shall report
42 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative
43 Commission on Governmental Operations. The report shall include (i) summary information
44 about the average length of time that passes between FCAP assessments for an average State
45 building; (ii) detailed information about when the last FCAP assessment was for each State
46 building complex; and (iii) detailed information about the condition and repairs and renovations
47 needs of each State building complex.

48 **SECTION 36.7.(e)** In addition to the other reports required by this section, on
49 October 1, 2017, and quarterly thereafter, the State Construction Office shall report to the Joint
50 Legislative Oversight Committee on Capital Improvements on the status of plan review,
51 approval, and permitting for each State capital improvement project and community college

1 capital improvement project over which the Office exercises plan review, approval, and
2 permitting authority. Each report shall include (i) summary information about the workload of
3 the Office during the previous quarter, including information about the average length of time
4 spent by the State Construction Office on each major function it performs that is related to
5 capital project approval, and (ii) detailed information about the amount of time spent engaged
6 in those functions for each project that the State Construction Office worked on during the
7 previous quarter.

9 ZOO STATE CONSTRUCTION EXEMPTIONS

10 SECTION 36.8.(a) G.S. 143-341 reads as rewritten:

11 "§ 143-341. Powers and duties of Department.

12 The Department of Administration has the following powers and duties:

13 ...

14 (3) Architecture and Engineering:

- 15 a. To examine and approve all plans and specifications for the
16 construction or renovation of:
- 17 1. All State buildings or buildings located on State lands, except
18 those buildings over which a local building code inspection
19 department has and exercises jurisdiction; and
 - 20 2. All community college buildings requiring the estimated
21 expenditure for construction or repair work for which public
22 bidding is required under G.S. 143-129 prior to the awarding
23 of a contract for such work; and to examine and approve all
24 changes in those plans and specifications made after the
25 contract for such work has been awarded.
- 26 a1. To organize and schedule, within three weeks of designer selection
27 and before the design contract is let, a meeting of the stakeholders for
28 each State capital improvement project to discuss plan review
29 requirements and to define the terms of the memorandum of
30 understanding developed by the State Building Commission pursuant
31 to G.S. 143-135.26(2). The stakeholders shall include the funded
32 agency, each State agency having plan review responsibilities for the
33 project, and the selected designer. Notwithstanding the foregoing, the
34 meeting need not be scheduled if the funded agency so requests.
- 35 b. To assist, as necessary, all agencies in the preparation of requests for
36 appropriations for the construction or renovation of all State
37 buildings.
- 38 b1. To certify that a statement of needs pursuant to G.S. 143C-3-3, other
39 than for a project of The University of North Carolina for which
40 advance planning has not been completed, is feasible. For purposes
41 of this sub-subdivision, "feasible" means that the proposed project is
42 sufficiently defined in overall scope; building program; site
43 development; detailed design, construction, and equipment budgets;
44 and comprehensive project scheduling so as to reasonably ensure that
45 it may be completed with the amount of funds requested. At the
46 discretion of the General Assembly, advanced planning funds may be
47 appropriated in support of this certification. This sub-subdivision
48 shall not apply to requests for appropriations of less than one
49 hundred thousand dollars (\$100,000).
- 50 c. To supervise the letting of all contracts for the design, construction or
51 renovation of all State buildings and all community college buildings

1 whose plans and specifications must be examined and approved
2 under a.2. of this subdivision.

- 3 d. To supervise and inspect all work done and materials used in the
4 construction or renovation of all State buildings and all community
5 college buildings whose plans and specifications must be examined
6 and approved under a.2. of this subdivision; to act as the appropriate
7 official inspector or inspection department for purposes of
8 G.S. 143-143.2; and no such work may be accepted by the State or
9 by any State agency until it has been approved by the Department.
- 10 e. To require all State agencies to use existing plans and specifications
11 for construction projects, where feasible. Prior to designing a project,
12 State agencies shall consult with the Department of Administration
13 on the availability of appropriate existing plans and specifications
14 and the feasibility of using them for a project.
- 15 f. To provide written allocation of the deduction allowed under section
16 179D of the Code, as defined in G.S. 105-228.90, for designing
17 energy efficient commercial building property that is installed on or
18 in property owned by the State. The allocation must be made in
19 accordance with section 179D of the Code.

20 Except for sub-subdivisions b., b1., e., and f. of this subdivision, this
21 subdivision does not apply to either (i) the design, construction, or
22 renovation of projects by The University of North Carolina pursuant to ~~G.S.~~
23 ~~116-31.11~~.G.S. 116-31.11 or (ii) the North Carolina Zoological Park Council
24 and the Department of Natural and Cultural Resources, with respect to
25 projects at the North Carolina Zoological Park pursuant to
26 G.S. 143B-135.214.

27"

28 **SECTION 36.8.(b)** Part 39 of Article 2 of Chapter 143B of the General Statutes is
29 amended by adding a new section to read:

30 **"§ 143B-135.214. Powers of Council and Department regarding certain fee negotiations,**
31 **contracts, and capital improvements.**

32 (a) The exception for the North Carolina Zoological Park set forth in G.S. 143-341(3)
33 shall apply only to projects requiring the estimated expenditure of public money of two million
34 dollars (\$2,000,000) or less. The Council and the Department of Natural and Cultural
35 Resources shall, with respect to the design, construction, or renovation of buildings, utilities,
36 and other property developments of the North Carolina Zoological Park that fall below that
37 threshold:

- 38 (1) Conduct the fee negotiations for all design contracts and supervise the letting
39 of all construction and design contracts.
- 40 (2) Develop procedures governing the responsibilities of the Council and the
41 Department to perform the duties of the Department of Administration under
42 G.S. 133-1.1(d) and G.S. 143-341(3).
- 43 (3) Use existing plans and specifications for construction projects, where
44 feasible. Prior to designing a project, the Council and the Department shall
45 consult with the Department of Administration on the availability of existing
46 plans and specifications and the feasibility of using them for a project.

47 (b) The Council and Department shall use the standard contracts for design and
48 construction currently in use for State capital improvement projects by the Office of State
49 Construction of the Department of Administration.

50 (c) A contract may not be divided for the purpose of evading the monetary limit under
51 this section.

1 (d) Notwithstanding any other provision of this Chapter, the Department of
2 Administration shall not be the awarding authority for contracts awarded pursuant to this
3 section.

4 (e) This section shall not exempt any capital improvement project from review and
5 approval as may be required by law by the entity having jurisdiction over the subject property.

6 (f) The Department shall annually report to the State Building Commission the
7 following:

8 (1) A list of projects governed by this section.

9 (2) The estimated cost of each project along with the actual cost.

10 (3) The name of each person awarded a contract under this section.

11 (4) Whether the person or business awarded a contract under this section meets
12 the definition of "minority business" or "minority person" as defined in
13 G.S. 143-128.2(g).

14 (g) Unless clearly indicated otherwise, nothing in this section is intended to relieve the
15 Department or the Council from the obligations imposed by Article 3 of Chapter 143 of the
16 General Statutes."

18 REALIGNMENT OF DHHS CAPITAL PROJECTS

19 **SECTION 36.9.(a)** Section 23.12(e) of S.L. 2006-66, as amended by Section 2(c)
20 of S.L. 2009-209, reads as rewritten:

21 "**SECTION 23.12.(e)** In accordance with G.S. 142-83, this subsection authorizes the
22 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
23 ~~ninety eight million seven hundred eighty two thousand five hundred forty dollars~~
24 ~~(\$98,782,540)~~ninety-one million two hundred eighty-two thousand five hundred forty dollars
25 (\$91,282,540) to finance the capital facility costs of the Department of Health and Human
26 Services Public Health Laboratory and Office of Chief Medical Examiner. The State, with the
27 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of
28 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
29 order to provide funds to the State to be used, together with other available funds, to pay the
30 capital facility costs of the project described in this subsection. No more than a maximum
31 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
32 may be issued or incurred under this subsection prior to July 1, 2007."

33 **SECTION 36.9.(b)** Section 23.12(f) of S.L. 2006-66, as amended by Section 2(c)
34 of S.L. 2009-209, reads as rewritten:

35 "**SECTION 23.12.(f)** In accordance with G.S. 142-83, this subsection authorizes the
36 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
37 ~~one hundred thirty eight million three hundred twenty five thousand eight hundred fourteen~~
38 ~~dollars (\$138,325,814)~~one hundred thirty-nine million three hundred twenty-five thousand
39 eight hundred fourteen dollars (\$139,325,814) to finance the capital facility costs of the Eastern
40 Regional Psychiatric Hospital for the Department of Health and Human Services. The State,
41 with the prior approval of the State Treasurer and the Council of State, as provided in Article 9
42 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
43 order to provide funds to the State to be used, together with other available funds, to pay the
44 capital facility costs of the project described in this subsection. No more than a maximum
45 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
46 may be issued or incurred under this subsection prior to July 1, 2007. No more than a
47 maximum aggregate principal amount of one hundred million dollars (\$100,000,000) of special
48 indebtedness may be issued or incurred under this subsection prior to July 1, 2008."

49 **SECTION 36.9.(c)** Section 23.12(h) of S.L. 2006-66, as amended by Section 2(c)
50 of S.L. 2009-209, reads as rewritten:

1 "SECTION 23.12.(h) In accordance with G.S. 142-83, this subsection authorizes the
2 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of
3 ~~one hundred fifty four million seven hundred seventy two thousand eight hundred one dollars~~
4 ~~(\$154,772,801)~~ one hundred sixty-one million two hundred seventy-two thousand eight hundred
5 one dollars (\$161,272,801) to finance the capital facility costs of the Western Regional
6 Psychiatric Hospital for the Department of Health and Human Services. The State, with the
7 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of
8 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in
9 order to provide funds to the State to be used, together with other available funds, to pay the
10 capital facility costs of the project described in this subsection. No special indebtedness may be
11 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum
12 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness
13 may be issued or incurred under this subsection prior to July 1, 2009. No more than a
14 maximum aggregate principal amount of fifty-four million dollars (\$54,000,000) of special
15 indebtedness may be issued or incurred under this subsection prior to July 1, 2011."

16 17 **DPS EXISTING FACILITIES MAXIMIZATION**

18 **SECTION 36.10.** If House Bill 280 of the 2017 Regular Session becomes law, the
19 Department of Public Safety shall accommodate any new requirements resulting from its
20 enactment by maximizing the use of existing facilities. The Department shall demonstrate that
21 the use of existing facilities has been maximized prior to requesting funding for additional
22 facilities.

23 24 **AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND** 25 **RENOVATION PROJECTS WITH FUNDS AVAILABLE**

26 **SECTION 36.11.** G.S. 143C-8-7 reads as rewritten:

27 "**§ 143C-8-7. When a State agency may begin a capital improvement project.**

28 (a) No State agency may expend funds for the construction or renovation of any capital
29 improvement project except as needed to comply with this Article or otherwise authorized by
30 the General Assembly. Funds that become available by gifts, excess patient receipts above
31 those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private
32 grants, receipts becoming a part of special funds by act of the General Assembly, or any other
33 funds available to a State agency or institution may be utilized for advanced planning through
34 the working drawing phase of capital improvement projects, upon approval of the Director of
35 the Budget.

36 (b) A State agency may undertake repairs and renovations projects, upon approval of
37 the Director of the Budget, so long as each project satisfies the following:

38 (1) Total project costs do not exceed five hundred thousand dollars (\$500,000).

39 (2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

40 (3) The project is paid for with funds available to the agency.

41 (c) A constituent institution of The University of North Carolina, upon approval of the
42 Director of the Budget, may undertake repairs and renovations projects so long as each project
43 satisfies the following:

44 (1) Total project costs do not exceed one million dollars (\$1,000,000).

45 (2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

46 (3) The project is paid for with funds available to the constituent institution.

47 (d) Projects undertaken pursuant to subsection (b) and (c) of this section shall be
48 reported to the Joint Legislative Oversight Committee on Capital Improvements on a quarterly
49 basis. A report under this subsection shall include information about all of the following for
50 each project:

51 (1) The facility at which the project is being undertaken.

- 1 (2) The nature and scope of the project.
- 2 (3) The source of funds for the project.
- 3 (4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls
- 4 within."

6 **PART XXXVII. DEPARTMENT OF INFORMATION TECHNOLOGY**

8 **GOVERNMENT DATA ANALYTICS CENTER/INFRASTRUCTURE AND** 9 **OPERATIONS**

10 **SECTION 37.1.(a)** Of the funds appropriated in this act to the Department of
11 Information Technology, Government Data Analytics Center (GDAC), the sum of two million
12 dollars (\$2,000,000) for the 2017-2018 fiscal year and the sum of two million dollars
13 (\$2,000,000) for the 2018-2019 fiscal year shall be used to fund contract additions that support
14 GDAC infrastructure and operations improvements, including security upgrades to comply
15 with State and federal requirements, and to provide enhanced and expanded GDAC user
16 services, data storage, data integration, and system maintenance.

17 **SECTION 37.1.(b)** Of the two million dollars (\$2,000,000) allocated for expanded
18 services during the 2017-2018 fiscal year in subsection (a) of this section, nine hundred
19 thousand dollars (\$900,000) shall be used for veterans data analytics in coordination with the
20 Department of Military and Veterans Affairs.

21 **GOVERNMENT BUDGETS TRANSPARENCY/ACCOUNTABILITY/REPORTING**

22 **SECTION 37.2.** By September 1, 2017, the State Chief Information Officer, the
23 State Controller, the Office of State Budget and Management (OSBM), and the State Chief
24 Information Officer (State CIO) shall make a detailed written report to the chairs of the Joint
25 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
26 on the status of efforts to effectuate the State budget transparency Internet Web site as
27 mandated in Section 7.17 of S.L. 2015-241 to provide information on budget expenditures for
28 each State agency for each fiscal year beginning 2015-2016. Specifically, the reports shall:

- 29 (1) Include an explanation of coordination efforts with counties and local
30 education agencies to facilitate the posting of their respective local entity
31 budgetary and spending data on their respective Internet Web sites.
- 32 (2) Account for how the appropriated General Funds in the amount of eight
33 hundred fourteen thousand dollars (\$814,000) for the 2015-2016 fiscal year
34 were or were not spent toward the purposes of implementation of the
35 mandated transparency requirements.

36 **DATA CENTER CONSOLIDATION**

37 **SECTION 37.3.(a)** The consolidation of State data centers shall continue as a
38 priority for the 2017-2019 fiscal biennium, however, the Western Data Center in Rutherford
39 County and the Eastern Data Center in Wake County may not be closed or consolidated
40 without express authorization by the General Assembly.

41 **SECTION 37.3.(b)** Unless otherwise exempt, State agencies shall continue to use
42 the State infrastructure to host their projects, services, data, and applications, except that the
43 State Chief Information Officer may grant an exception if the State agency demonstrates any of
44 the following:

- 45 (1) Using an outside contractor would be more cost-effective for the State.
 - 46 (2) The Department of Information Technology does not have the technical
47 capabilities required to host the application.
 - 48 (3) Valid security requirements preclude the use of State infrastructure, and a
49 vendor can provide a more secure environment.
- 50
51

1 **SECTION 37.3.(c)** By December 1, 2017, the State Chief Information Officer shall
2 present a report on data center consolidations to the Joint Legislative Oversight Committee on
3 Information Technology and the Fiscal Research Division. On or before May 1, 2018, the State
4 Chief Information Officer shall report to the Joint Legislative Oversight Committee on
5 Information Technology and the Fiscal Research Division on the number of physical servers
6 eliminated across all departments as a result of data center consolidation and the savings
7 associated with such elimination.

8
9 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND/RATES**

10 **SECTION 37.5.(a)** During the 2017-2019 fiscal biennium:

- 11 (1) Information Technology Internal Service Fund receipts for the 2017-2018
12 fiscal year shall not exceed two hundred five million dollars (\$205,000,000).
13 (2) Information Technology Internal Service Fund receipts for the 2018-2019
14 fiscal year shall not exceed two hundred five million dollars (\$205,000,000).

15 Rates approved by the Office of State Budget and Management during the
16 2017-2019 fiscal biennium to support the Information Technology Internal Service Fund shall
17 be based on the fund limit set in this section.

18 Information Technology Internal Service Fund receipts may be increased for
19 specific purposes only after consultation with the Joint Legislative Commission on
20 Governmental Operations each time a requirement necessitating an increase is identified.

21 **SECTION 37.5.(b)** For the 2017-2018 fiscal year, receipts in excess of
22 requirements, including information technology equipment and fixtures, shall be maintained in
23 a separate account to be managed by the Office of State Budget and Management. The amounts
24 received shall be used for the following purposes:

- 25 (1) To offset agency budget shortfalls resulting from Department of Information
26 Technology rate increases.
27 (2) To offset Department of Information Technology Internal Service Fund
28 budget shortfalls, if approved by the Office of State Budget and
29 Management.

30 **SECTION 37.5.(c)** For the 2018-2019 fiscal year, budget requirements and
31 associated rates shall be developed based on actual service costs for fiscal year 2016-2017.
32 These budget requirements and associated rates shall be developed and reported to the Joint
33 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
34 by October 1, 2018.

35 **SECTION 37.5.(d)** Receipts collected for Information Technology Internal Service
36 Fund services shall only be used for the specific purposes for which they were collected and, to
37 the extent not already appropriated, are hereby appropriated for those purposes. Funds collected
38 for information technology equipment and fixtures shall be separately maintained and
39 accounted for by the Department of Information Technology, and such funds shall be used only
40 for the replacement of the fixtures and equipment for which the funds were collected.

41 **SECTION 37.5.(e)** By December 1, 2017, the Department of Information
42 Technology shall report to the Joint Legislative Oversight Committee on Information
43 Technology and the Fiscal Research Division on the development of rates and the means and
44 methods by which it is in compliance with the requirements of this section.

45 **SECTION 37.5.(f)** The State Chief Information Officer shall ensure that bills from
46 the Department of Information Technology are easily understandable and fully transparent. If a
47 State agency fails to pay its IT Internal Service Fund bill within 30 days of receipt, the Office
48 of State Budget and Management may transfer funds from the agency to fully or partially cover
49 the cost of the bill from that agency to the IT Internal Service Fund following notification of
50 the affected agency.

ENTERPRISE RESOURCE PLANNING

SECTION 37.6.(a) The Department of Information Technology shall collaborate with the Office of State Budget and Management and the Office of State Controller to continue to develop a fully consolidated statewide ERP solution. To that end, of the funds appropriated in this act to the Statewide Reserves, the sum of three million two hundred thousand dollars (\$3,200,000) for the 2017-2018 fiscal year and the sum of ten million dollars (\$10,000,000) for the 2018-2019 fiscal year shall be allocated to the Department of Information Technology for Enterprise Resource Planning (ERP) projects.

SECTION 37.6.(b) The Department of Information Technology shall annually report on the progress of the ERP projects to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on or before January 1.

COMMUNITY COLLEGE SYSTEM ENTERPRISE RESOURCE PLAN DESIGN AND IMPLEMENTATION REVISIONS

SECTION 37.7. Section 7.10A of S.L. 2016-94 reads as rewritten:

"COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION

"SECTION 7.10A.(a) The North Carolina Community Colleges System Office, in consultation with the Department of Information Technology, shall begin planning and design of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a minimum, student information system, core financial management, grants, human resource management, and payroll. The planning and design of the ERP system may include either a modernization of the current system or a replacement system. ~~A request for proposal for a replacement system implementation shall be prepared for release~~ The North Carolina Community Colleges System Office shall initiate a competitive solicitation process for implementation of a replacement system no later than October 1, 2017. The North Carolina Community Colleges System Office may use funds from the North Carolina Community College IT Systems Budget Code 26802 to support planning and request for proposal development efforts; ~~provided, that the total amount expended for the project does not exceed one million dollars (\$1,000,000) efforts.~~ To the extent that these funds have not been appropriated for the 2016-2017 fiscal year elsewhere, they are hereby appropriated.

"SECTION 7.10A.(b) The North Carolina Community Colleges System Office shall submit a preliminary report on the planning and implementation of the enterprise resource planning system to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. ~~The report shall identify~~ By no later than October 1, 2017, the System Office shall report on the results of the planning and design effort, including at least all of the following information:

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

ESTABLISH ROTATIONAL DEVELOPMENT PROGRAM FOR STATE INFORMATION TECHNOLOGY

SECTION 37.8. The Department of Information Technology shall develop a rotational development program (RDP) for its Statewide Information Technology Division and for information technology procurement. The RDP shall coordinate with participating agencies, as defined in G.S. 143B-1320, to utilize existing agency staff on a quarterly basis to supplement Department resources and to expand opportunities for education and cross-functional training.

RISK AND VULNERABILITY ASSESSMENT

1 **SECTION 37.9.(a)** The Department of Information Technology shall coordinate
2 with each participating agency, as defined in G.S. 143B-1320, to conduct a risk and
3 vulnerability assessment (RVA). The RVA shall consider, at a minimum, all of the following
4 for each participating agency:

- 5 (1) The existing network infrastructure and configuration, including all
6 interconnectivity and supported protocols and network services offered.
- 7 (2) Publicly available information and data accessible via agency Web sites.
- 8 (3) An inventory of all agency hardware and its operating systems and network
9 management systems.
- 10 (4) An inventory of all applications, data storage devices and systems, and
11 identification and authentication measures.
- 12 (5) Existing security systems and components, including antivirus, firewalls,
13 and network monitoring.
- 14 (6) Network application processes and formal and informal policies, procedures,
15 and guidelines.
- 16 (7) All applicable laws, regulations, and industry best practices.

17 **SECTION 37.9.(b)** The Department shall prepare a mitigation plan based upon the
18 RVA conducted pursuant to this section and shall submit the RVA and the plan to the Joint
19 Legislative Oversight Committee on Information Technology and the Fiscal Research Division
20 on or before February 1, 2018.

21 **SECTION 37.9.(c)** Of the funds appropriated to the Department of Information
22 Technology for the 2017-2019 fiscal biennium, the sum of two million dollars (\$2,000,000)
23 from the Information Technology Reserve Fund balance shall be used to conduct the RVA and
24 mitigation plan pursuant to this section.

25 26 **DIT ENCRYPTED DEVICE STUDY**

27 **SECTION 37.10.** The Department of Information Technology shall conduct a
28 study on the use of encrypted mobile information storage devices. The study shall consider
29 potential benefits, risks, and costs of implementing and utilizing encrypted mobile information
30 storage devices, including any identifiable issues relating to interfacing or networking with
31 existing State resources. The Department shall submit the results of the study to the Joint
32 Legislative Oversight Committee and the Fiscal Research Division on or before January 15,
33 2018.

34 35 **NETWORK SEGMENTATION AND AUTOMATION**

36 **SECTION 37.11.** In an effort to better protect critical State infrastructure and data,
37 the Department of Information Technology shall incorporate network segmentation and
38 automation into its statewide cybersecurity policy and shall require participating agencies, as
39 defined in G.S. 143B-1320, to adopt solutions and security controls that isolate and segment
40 sensitive information.

41 42 **PART XXXVIII. FINANCE PROVISIONS**

43 44 **INCREASE STANDARD DEDUCTION**

45 **SECTION 38.2.(a)** G.S. 105-153.5(a)(1) reads as rewritten:

46 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may
47 deduct from adjusted gross income either the standard deduction amount provided in
48 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)
49 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as
50 follows:

(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly/surviving spouse	\$17,500 <u>\$18,500</u>
Head of Household	14,000 <u>14,800</u>
Single	8,750 <u>9,250</u>
Married, filing separately	8,750 <u>9,250</u>

SECTION 38.2.(b) This section is effective for taxable years beginning on or after January 1, 2018.

INCREASE MORTGAGE EXPENSE AND PROPERTY TAX DEDUCTION CAP

SECTION 38.3.(a) G.S. 105-153.5(a)(2) reads as rewritten:

"(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

...
 (2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

...
 b. Mortgage Expense and Property Tax. – The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence plus the amount allowed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. ~~For taxable years 2014, 2015, and 2016, the amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence shall not include the amount for mortgage insurance premiums treated as qualified residence interest.~~ The amount allowed under this sub-subdivision may not exceed ~~twenty thousand dollars (\$20,000).~~ twenty-two thousand dollars (\$22,000). For spouses filing as married filing separately or married filing jointly, the total mortgage interest and real estate taxes claimed by both spouses combined may not exceed ~~twenty thousand dollars (\$20,000).~~ twenty-two thousand dollars (\$22,000). For spouses filing as married filing separately with a joint obligation for mortgage interest and real estate taxes, the deduction for these items is allowable to the spouse who actually paid them. If the amount of the mortgage interest and real estate taxes paid by both spouses exceeds ~~twenty thousand dollars (\$20,000).~~ twenty-two thousand dollars (\$22,000). these deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for that taxable year.

...."

1 **SECTION 38.3.(b)** This section is effective for taxable years beginning on or after
2 January 1, 2019.

3
4 **REDUCE FRANCHISE TAX RATE**

5 **SECTION 38.6.(a)** G.S. 105-120.2(b) reads as rewritten:

6 "(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the
7 Secretary of Revenue, at the time the return is due, the greater of the following:

8 (1) A franchise or privilege tax at the rate of one dollar and ~~fifty-fourty~~ cents
9 (~~\$1.50~~)(\$1.40) per one thousand dollars (\$1,000) of the amount determined
10 under subsection (a) of this section, but in no case shall the tax be more than
11 one hundred fifty thousand dollars (\$150,000) nor less than two hundred
12 dollars (\$200.00).

13 (2) If the tax calculated under this subdivision exceeds the tax calculated under
14 subdivision (1) of this subsection, then the tax is levied at the rate of one
15 dollar and ~~fifty-fourty~~ cents (~~\$1.50~~)(\$1.40) per one thousand dollars (\$1,000)
16 on the greater of the following:

17 a. Fifty-five percent (55%) of the appraised value as determined for ad
18 valorem taxation of all the real and tangible personal property in this
19 State of each such corporation plus the total appraised value of
20 intangible property returned for taxation of intangible personal
21 property as computed under G.S. 105-122(d).

22 b. The total actual investment in tangible property in this State of such
23 corporation as computed under G.S. 105-122(d)."

24 **SECTION 38.6.(b)** G.S. 105-122(d) reads as rewritten:

25 "(d) Tax Base and Tax Rate. – After determining the proportion of its net worth as set
26 out in subsection (c1) of this section, which amount shall not be less than fifty-five percent
27 (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible
28 personal property in this State of each corporation nor less than its total actual investment in
29 tangible property in this State, every corporation taxed under this section shall annually pay to
30 the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate of
31 one dollar and ~~fifty-fourty~~ cents (~~\$1.50~~)(\$1.40) per one thousand dollars (\$1,000) of the total
32 amount of net worth as provided in this section. The tax imposed in this section shall not be
33 less than two hundred dollars (\$200.00) and is for the privilege of carrying on, doing business,
34 and/or the continuance of articles of incorporation or domestication of each corporation in this
35 State. Appraised value of tangible property including real estate is the ad valorem valuation for
36 the calendar year next preceding the due date of the franchise tax return. The term "total actual
37 investment in tangible property" as used in this section means the total original purchase price
38 or consideration to the reporting taxpayer of its tangible properties, including real estate, in this
39 State plus additions and improvements thereto less reserve for depreciation as permitted for
40 income tax purposes."

41 **SECTION 38.6.(c)** This section is effective for taxable years beginning on or after
42 January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and
43 later corporate income tax returns.

44
45 **EXEMPT MILL MACHINERY FROM TAX AND STUDY**

46 **SECTION 38.8.(a)** Article 5F of Chapter 105 of the General Statutes,
47 G.S. 105-164.13(5a), and G.S. 105-163.13(57a) are repealed.

48 **SECTION 38.8.(b)** G.S. 105-164.4I(b) reads as rewritten:

49 (b) Exemptions. – The tax imposed by this section does not apply to the sales price of
50 or the gross receipts derived from a service contract applicable to any of the following items:

- 1 (1) An item exempt from tax under this Article. This exemption does not apply
2 to water maintained under a service contract for a pool, fish tank, or similar
3 aquatic feature.
- 4 (2) A transmission, distribution, or other network asset contained on
5 utility-owned land, right-of-way, or easement.
- 6 (3) A transmission, an engine, rear-end gears, and any other item purchased,
7 leased, or rented by a professional motorsports racing team or a related
8 member of a team for which the team or related member may receive a sales
9 tax exemption under G.S. 105-164.13(65) or G.S. 105-164.13(65a) or a sales
10 tax refund under G.S. 105-164.14A(a)(5). This subdivision expires January
11 1, 2020.
- 12 ~~(4) An item subject to tax under Article 5F of Chapter 105 of the General~~
13 ~~Statutes.~~
- 14 (5) A qualified aircraft or a qualified jet engine.
- 15 (6) A motor vehicle service contract.
- 16 (7) Repair, maintenance, and installation services exempt under
17 G.S. 105-164.13(61a)."

18 **SECTION 38.8.(c)** G.S. 105-164.13 is amended by adding the following new
19 subdivisions to read:

20 "**§ 105-164.13. Retail sales and use tax.**

21 The sale at retail and the use, storage, or consumption in this State of the following tangible
22 personal property, digital property, and services are specifically exempted from the tax imposed
23 by this Article:

- 24 ...
- 25 (5e) Sales of mill machinery or mill machinery parts or accessories to any of the
26 following:
- 27 a. A manufacturing industry or plant. A manufacturing industry or plant
28 does not include (i) a delicatessen, cafe, cafeteria, restaurant, or
29 another similar retailer that is principally engaged in the retail sale of
30 foods prepared by it for consumption on or off its premises or (ii) a
31 production company.
- 32 b. A contractor or subcontractor if the purchase is for use in the
33 performance of a contract with a manufacturing industry or plant.
- 34 c. A subcontractor if the purchase is for use in the performance of a
35 contract with a general contractor that has a contract with a
36 manufacturing industry or plant.
- 37 (5f) Sales to a major recycling facility of any of the following tangible personal
38 property for use in connection with the facility:
- 39 a. Cranes, structural steel crane support systems, and foundations
40 related to the cranes and support systems.
- 41 b. Port and dock facilities.
- 42 c. Rail equipment.
- 43 d. Material handling equipment.
- 44 (5g) Sales of equipment, or an attachment or repair part for equipment, that meets
45 all of the following requirements:
- 46 a. Is sold to a company primarily engaged at the establishment in
47 research and development activities in the physical, engineering, and
48 life sciences included in industry group 54171 of NAICS.
- 49 b. Is capitalized by the company for tax purposes under the Code.
- 50 c. Is used by the company at the establishment in the research and
51 development of tangible personal property.

- 1 (5h) Sales of equipment, or an attachment or repair part for equipment, that meets
2 all of the following requirements:
3 a. Is sold to a company primarily engaged at the establishment in
4 software publishing activities included in industry group 5112 of
5 NAICS.
6 b. Is capitalized by the company for tax purposes under the Code.
7 c. Is used by the company at the establishment in the research and
8 development of tangible personal property.
9 (5i) Sales of equipment, or an attachment or repair part for equipment, that meets
10 all of the following requirements:
11 a. Is sold to a company primarily engaged at the establishment in
12 industrial machinery refurbishing activities included in industry
13 group 811310 of NAICS.
14 b. Is capitalized by the company for tax purposes under the Code.
15 c. Is used by the company at the establishment in repairing or
16 refurbishing tangible personal property.
17 (5j) Sales of the following to a company located at a ports facility for waterborne
18 commerce:
19 a. Machinery and equipment that is used at the facility to unload or to
20 facilitate the unloading or processing of bulk cargo to make it
21 suitable for delivery to and use by manufacturing facilities.
22 b. Parts, accessories, or attachments used to maintain, repair, replace,
23 upgrade, improve, or otherwise modify such machinery and
24 equipment.
25 (5k) Sales of the following to a secondary metals recycler:
26 a. Equipment, or an attachment or repair part for equipment, that (i) is
27 capitalized by the person for tax purposes under the Code, (ii) is used
28 by the person in the secondary metals recycling process, and (iii) is
29 not a motor vehicle or an attachment or repair part for a motor
30 vehicle.
31 b. Fuel, piped natural gas, or electricity for use at the person's facility at
32 which the primary activity is secondary metals recycling.
33 (5l) Sales of equipment, or an attachment or repair part for equipment, that meets
34 all of the following requirements:
35 a. Is sold to a company primarily engaged at the establishment in
36 processing tangible personal property for the purpose of extracting
37 precious metals, as defined in G.S. 66-406, to determine the value for
38 potential purchase.
39 b. Is capitalized by the company for tax purposes under the Code.
40 c. Is used by the company in the process described in this subdivision.
41 (5m) Sales of equipment, or an attachment or repair part for equipment, that meets
42 all of the following requirements:
43 a. Is sold to a company that is engaged in the fabrication of metal work
44 and that has annual gross receipts, including the gross receipts of all
45 related persons, as defined in G.S. 105-163.010, from the fabrication
46 of metal work of at least eight million dollars (\$8,000,000).
47 b. Is capitalized by the company for tax purposes under the Code.
48 c. Is used by the company at the establishment in the fabrication or
49 manufacture of metal products or used by the company to create
50 equipment for the fabrication or manufacture of metal products.

1 (5n) Sales of equipment, or an accessory, an attachment, or a repair part for
 2 equipment, that meets all of the following requirements:
 3 a. Is sold to a large manufacturing and distribution facility.
 4 b. Is used in the manufacturing process, the assembly process, or the
 5 distribution process.
 6 c. Is not electricity.
 7 If the level of investment or employment required by G.S. 105-164.3(16g)b.
 8 is not timely made, achieved, or maintained, then the exemption provided
 9 under this subdivision is forfeited. If the exemption is forfeited due to a
 10 failure to timely make the required investment or to timely achieve the
 11 minimum required employment level, then the exemption provided under
 12 this subdivision is forfeited on all purchases. If the exemption is forfeited
 13 due to a failure to maintain the minimum required employment level once
 14 that level has been achieved, then the exemption provided under this
 15 subdivision is forfeited for those purchases occurring on or after the date the
 16 taxpayer fails to maintain the minimum required employment level. A
 17 taxpayer that forfeits an exemption under this subdivision is liable for all
 18 past sales and use taxes avoided as a result of the forfeiture, computed at the
 19 applicable State and local rates from the date the taxes would otherwise have
 20 been due, plus interest at the rate established under G.S. 105-241.21. Interest
 21 is computed from the date the sales or use tax would otherwise have been
 22 due. The past taxes and interest are due 30 days after the date of forfeiture. A
 23 taxpayer that fails to pay the past taxes and interest by the due date is subject
 24 to the provisions of G.S. 105-236. This subdivision expires for sales
 25 occurring on or after July 1, 2018.

26 (5o) Sales of repair or replacement parts for a ready-mix concrete mill, regardless
 27 of whether the mill is freestanding or affixed to a motor vehicle, to a
 28 company that primarily sells ready-mix concrete.

29 "

30 **SECTION 38.8.(d)** G.S. 105-164.3 is amended by adding two new subdivisions to

31 read:

32 "(16g) Large manufacturing and distribution facility. – A facility that satisfies both
 33 of the following conditions:

- 34 a. The facility is used primarily for manufacturing or assembling
 35 products and distributing finished products.
- 36 b. The Secretary of Commerce has certified that an investment of
 37 private funds of at least eighty million dollars (\$80,000,000) has been
 38 or will be made in real and tangible personal property for the facility
 39 within five years after the date on which the first property investment
 40 is made and that the facility will achieve an employment level of at
 41 least 550 within five years after the date the facility is placed into
 42 service and maintain that minimum level of employment throughout
 43 its operation.

44 ...

45 (37g) Secondary metals recycler. – A person that gathers and obtains ferrous
 46 metals, nonferrous metals, and items that have served their original
 47 economic purpose and that converts them by processes, including sorting,
 48 cutting, classifying, cleaning, baling, wrapping, shredding, or shearing into a
 49 new or different product for sale consisting of prepared grades."

50 **SECTION 38.8.(e)** Sales of mill machinery to manufacturers and certain industrial
 51 processors have historically enjoyed preferential tax treatment, whether in the form of a

1 reduced wholesale tax, a preferential rate of sales and use tax, or a one-percent (1%) privilege
2 tax with an eighty-dollar (\$80.00) cap per article. Despite the nature of the tax, the operational
3 language has remained virtually unchanged for over 60 years and lacks clear guidance with
4 regard to its application. Specifically, Article 5F of Chapter 105 of the General Statutes, and its
5 predecessors, did not define "manufacturing industry or plant" or "mill machinery." This lack
6 of guidance has resulted in a substantial body of administrative interpretation being developed
7 over the years by the Department of Revenue. These interpretations are not included in the
8 statutes and may not necessarily comport with the traditional definition of manufacturing, but
9 they may be consistent with the General Assembly's intent to provide preferential tax treatment
10 to certain industrial equipment.

11 This act repeals the one-percent (1%) privilege tax on mill machinery and mill
12 machinery parts and accessories and substitutes a sales and use tax exemption for the items.
13 However, the General Assembly recognizes that, once this transition has occurred, efforts need
14 to be made to provide more guidance and specificity to taxpayers and the Department of
15 Revenue with respect to the treatment of manufacturing and industrial processing equipment.
16 Therefore, the Revenue Laws Study Committee is directed to study ways in which to clarify the
17 scope of the sales and use tax exemption for mill machinery, as enacted by this act, by
18 modernizing and further defining the statutory language and by incorporating existing
19 administrative interpretations of the Department of Revenue, to the extent the General
20 Assembly desires to maintain those interpretations.

21 The Committee may report its findings, together with any recommended legislation,
22 to the 2018 Regular Session of the 2017 General Assembly upon its convening. The study may
23 include an examination of the following:

- 24 (1) The criteria that had to be met under prior law to qualify for the preferential
25 rate under Article 5F of Chapter 105 of the General Statutes and whether
26 that criteria should be incorporated into or otherwise clarified in the
27 corresponding sales and use tax exemption, as enacted by this act, including
28 the following:
 - 29 a. What constitutes an eligible manufacturer or industrial processor.
 - 30 b. The extent to which a business's activities must consist of
31 manufacturing or processing items for sale in order for the sales and
32 use tax exemption, as enacted by this act, to apply.
 - 33 c. The types of activities that qualify as manufacturing or industrial
34 processing.
 - 35 d. The types of machinery, parts, accessories, and other supplies that
36 are eligible for the exemption and the degree to which they must be
37 used in that process to qualify.
- 38 (2) A review of the Department's administrative interpretations of the mill
39 machinery statute, in all its forms, and whether and how to incorporate those
40 interpretations into the statutes.
- 41 (3) Terminology used by surrounding states in their statutory provisions that
42 provide a sales and use tax exemption for manufacturing equipment.
- 43 (4) Any other issues the Committee deems relevant.

44 **SECTION 38.8.(f)** Subsections (a), (b), and (c) of this section become effective
45 July 1, 2017, and apply to sales made on or after that date. The remainder of this section is
46 effective when it becomes law.

47 **SALES TAX EXEMPTION FOR FULFILLMENT CENTERS**

48 **SECTION 38.9.(a)** G.S. 105-164.3 is amended by adding a new subdivision to
49 read:
50

1 "(16f) Large fulfillment center. – A facility that satisfies both of the following
2 conditions:

- 3 a. The facility is used primarily for receiving, inventorying, sorting,
4 repackaging, and distributing finished retail products for the purpose
5 of fulfilling customer orders.
6 b. The Secretary of Commerce has certified that an investment of
7 private funds of at least one hundred million dollars (\$100,000,000)
8 has been or will be made in real and tangible personal property for
9 the facility within five years after the date on which the first property
10 investment is made and that the facility will achieve an employment
11 level of at least 400 within five years after the date the facility is
12 placed into service and maintain that minimum level of employment
13 throughout its operation."

14 **SECTION 38.9.(b)** G.S. 105-164.13(5n), as enacted by Section 38.8(c) of this act,
15 reads as rewritten:

16 "(5n) Sales of equipment, or an accessory, an attachment, or a repair part for
17 equipment, that meets all of the following requirements:

- 18 a. Is sold to a large manufacturing and distribution ~~facility~~ facility or to
19 a large fulfillment center.
20 b. Is used in the manufacturing process, the assembly process, or the
21 distribution process.
22 c. Is not electricity.

23 If the level of investment or employment required by G.S. 105-164.3(16f)b.
24 or G.S. 105-164.3(16g)b. is not timely made, achieved, or maintained, then
25 the exemption provided under this subdivision is forfeited. If the exemption
26 is forfeited due to a failure to timely make the required investment or to
27 timely achieve the minimum required employment level, then the exemption
28 provided under this subdivision is forfeited on all purchases. If the
29 exemption is forfeited due to a failure to maintain the minimum required
30 employment level once that level has been achieved, then the exemption
31 provided under this subdivision is forfeited for those purchases occurring on
32 or after the date the taxpayer fails to maintain the minimum required
33 employment level. A taxpayer that forfeits an exemption under this
34 subdivision is liable for all past sales and use taxes avoided as a result of the
35 forfeiture, computed at the applicable State and local rates from the date the
36 taxes would otherwise have been due, plus interest at the rate established
37 under G.S. 105-241.21. Interest is computed from the date the sales or use
38 tax would otherwise have been due. The past taxes and interest are due 30
39 days after the date of forfeiture. A taxpayer that fails to pay the past taxes
40 and interest by the due date is subject to the provisions of G.S. 105-236. This
41 subdivision expires for sales to a large manufacturing and distribution
42 facility occurring on or after July 1, 2018."

43 **SECTION 38.9.(c)** This section becomes effective July 1, 2017, and applies to
44 sales made on or after that date.

45 **SALES TAX REFUND FOR RESEARCH AND DEVELOPMENT SUPPLIES**

46 **SECTION 38.10.(a)** Article 5 of Chapter 105 of the General Statutes is amended
47 by adding a new section to read:

48 "**§ 105-164.14C. Research and development sales tax refund.**

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

- 50 (1) Business. – A corporation or limited liability company.
51

- 1 (2) Development tier area. – Defined in G.S. 143B-437.08.
- 2 (3) In-house research expenses. – Defined in section 41(b)(2) of the Code.
- 3 (4) Related person. – A person described in one of the relationships set forth in
4 section 276(b) or 707(b) of the Code.
- 5 (5) Research and development supplies. – Tangible personal property, the
6 purchase of which qualifies as an in-house research expense.
- 7 (6) Rural research and development business. – A small research and
8 development business that incurs more than fifty percent (50%) of its
9 in-house research expenses in a development tier one or development tier
10 two area in the calendar year for which a refund is claimed. For purposes of
11 this subdivision, expenses are incurred at a location if (i) in the case of
12 research and development supplies, the supplies are used or consumed at the
13 location and (ii) in the case of wages paid to an employee, at least fifty
14 percent (50%) of the employee's duties are performed at the location.
- 15 (7) Small research and development business. – A business that meets all of the
16 following criteria for the calendar year for which a refund is claimed:
- 17 a. It employs 200 or fewer full-time employees or full-time equivalents.
- 18 b. It has annual receipts, combined with the annual receipts of all
19 related persons, not in excess of five million dollars (\$5,000,000).
20 Annual receipts do not include grants awarded by the State or federal
21 government.
- 22 c. It is either (i) engaged primarily in research and development or (ii)
23 certified by a university located in this State as performing under a
24 licensing agreement for the purpose of commercializing technology
25 developed at the university.
- 26 d. It spent on in-house research expenses the greater of ten thousand
27 dollars (\$10,000) or three percent (3%) of its annual receipts.
- 28 (b) Refunds. – A small research and development business is eligible for a refund equal
29 to the State and local sales or use taxes paid by it in the previous calendar year for research and
30 development supplies used or consumed solely in this State. A rural research and development
31 business is eligible for a refund equal to the greater of (i) the State and local sales or use taxes
32 paid by the business in the previous calendar year for research and development supplies used
33 or consumed solely in this State or (ii) fifty percent (50%) of the sales or use taxes paid by the
34 business under this Article in the previous calendar year pursuant to G.S. 105-164.4.
- 35 (c) Application. – A request for a refund must be in writing and must include any
36 information and documentation required by the Secretary. Applications for refunds shall be
37 submitted on a schedule determined by the Secretary.
- 38 (d) Limitations. – The aggregate annual refund amount allowed an eligible business
39 under this section for a calendar year may not exceed twenty thousand dollars (\$20,000). The
40 maximum total amount of all refunds allowed to all eligible businesses under this section for a
41 calendar year may not exceed fifteen million dollars (\$15,000,000). The Secretary of Revenue
42 shall calculate the total amount of refunds claimed from the applications filed pursuant to
43 subsection (c) of this section. If the total amount of refunds claimed for sales and use taxes paid
44 in a calendar year exceeds the maximum total amount, the Secretary shall allow a portion of the
45 refunds claimed by allocating the maximum total amount in proportion to the amount of the
46 refund claimed by each eligible business. If a refund claimed under this section is reduced as
47 provided in this subsection, the Secretary shall notify the business of the amount of the
48 reduction of the refund at the time the refund is paid. The Secretary shall pay refunds due under
49 this section no later than October 1 of the year following the calendar year in which the taxes
50 were paid."

1 Laws of 1989, Section 2 of Chapter 608 of the Session Laws of 1989, and
2 Chapter 601 of the Session Laws of 1993.

3 (9) Chapter 705 of the Session Laws of 1987 (Hickory).

4 (10) Chapter 536 of the Session Laws of 1985, as amended by Chapter 258 of the
5 Session Laws of 1987, Chapter 986 of the Session Laws of 1987, Chapter
6 987 of the Session Laws of 1987, and Chapter 988 of the Session Laws of
7 1987 (Kill Devil Hills, Kitty Hawk, Manteo, Nags Head, and Southern
8 Shores).

9 (11) Chapter 668 of the Session Laws of 1987 (Knightdale).

10 (12) Chapter 155 of the Private Laws of 1927, as amended by Chapter 430 of the
11 Session Laws of 1989 and Chapter 770 of the Session Laws of 1989
12 (Knightdale).

13 (13) Article XIV of the Charter of the Town of Pittsboro, being Chapter 348 of
14 the Session Laws of 1973, as amended by Chapter 460 of the 1987 Session
15 Laws.

16 (14) Chapter 1184 of the Session Laws of 1949, as amended by Chapter 498 of
17 the Session Laws of 1985 and Chapter 514 of the Session Laws of 1987
18 (Raleigh).

19 (15) Chapter 996 of the Session Laws of 1987 (Rolesville).

20 (16) Chapter 607 of the Session Laws of 1989 (Southern Pines).

21 (17) Chapter 502 of the Session Laws of 1989 (Wake Forest).

22 (18) Chapter 68 of the Session Laws of 1987 (Wendell).

23 (19) Chapter 668 of the Session Laws of 1987 and Sections 8.30, 8.31, 8.32, and
24 8.33 of the Charter of the Town of Zebulon, being Chapter 386 of the
25 Session Laws of 1973, as amended by Chapter 606 of the Session Laws of
26 1989 (Zebulon).

27 **SECTION 38.11.(e)** This section is effective when it becomes law.

29 **MODIFY DISABLED VETERAN PROPERTY TAX CHANGES**

30 **SECTION 38.12.** If House Bill 2 of the 2017 Regular Session becomes law, then
31 Section 3 of that act reads as rewritten:

32 "SECTION 3. This act is effective for taxes imposed for taxable years beginning on or
33 after July 1, ~~2017-2018.~~"

35 **PART XXXIX. MISCELLANEOUS PROVISIONS**

37 **STATE BUDGET ACT APPLIES**

38 **SECTION 39.1.** The provisions of the State Budget Act, Chapter 143C of the
39 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
40 this act by reference.

42 **COMMITTEE REPORT**

43 **SECTION 39.2.(a)** The House of Representatives Appropriations Committee
44 Report on the Base, Expansion, and Capital Budgets for Senate Bill 257, dated May 31, 2017,
45 which was distributed in the House of Representatives and used to explain this act, shall
46 indicate action by the General Assembly on this act and shall, therefore, be used to construe
47 this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as
48 appropriate, and for these purposes shall be considered a part of this act and, as such, shall be
49 printed as a part of the Session Laws.

50 **SECTION 39.2.(b)** The budget enacted by the General Assembly is for the
51 maintenance of the various departments, institutions, and other spending agencies of the State

1 for the 2017-2019 biennial budget as provided in G.S. 143C-3-5. This budget includes the
2 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

3 The Director of the Budget submitted a recommended base budget to the General
4 Assembly in the Governor's Recommended Budget for the 2017-2019 fiscal biennium, dated
5 March 2017, and in the Budget Support Document for the various departments, institutions, and
6 other spending agencies of the State. The adjustments to these documents made by the General
7 Assembly are set out in the Committee Report.

8 **SECTION 39.2.(c)** The budget enacted by the General Assembly shall also be
9 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other
10 appropriate legislation. In the event that there is a conflict between the line-item budget
11 certified by the Director of the Budget and the budget enacted by the General Assembly, the
12 budget enacted by the General Assembly shall prevail.

13 **SECTION 39.2.(d)** Notwithstanding subsection (a) of this section, the following
14 portions of the Committee Report are for reference, and do not expand, limit, or define the text
15 of the Committee Report:

- 16 (1) Summary pages setting forth the enacted budget, the legislative changes, the
17 revised budget, and the related FTE information for a particular budget code
18 and containing no other substantive information.
- 19 (2) Summary pages setting forth the enacted budget, the legislative changes, the
20 revised budget, and the related FTE information for multiple fund codes
21 within a single budget code and containing no other substantive information.

22 **REPORT BY FISCAL RESEARCH DIVISION**

23 **SECTION 39.3.** The Fiscal Research Division shall issue a report on budget
24 actions taken by the 2017 Regular Session of the General Assembly. The report shall be in the
25 form of a revision of the Committee Report adopted for Senate Bill 257 pursuant to
26 G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report
27 issued pursuant to this section to the Director of the Budget. The report shall be published on
28 the General Assembly's Internet Web site for public access.

29 **MOST TEXT APPLIES ONLY TO THE 2017-2019 FISCAL BIENNIUM**

30 **SECTION 39.4.** Except for statutory changes or other provisions that clearly
31 indicate an intention to have effects beyond the 2017-2019 fiscal biennium, the textual
32 provisions of this act apply only to funds appropriated for, and activities occurring during, the
33 2017-2019 fiscal biennium.

34 **EFFECT OF HEADINGS**

35 **SECTION 39.5.** The headings to the Parts, subparts, and sections of this act are a
36 convenience to the reader and are for reference only. The headings do not expand, limit, or
37 define the text of this act, except for effective dates referring to a Part or subpart.

38 **SEVERABILITY CLAUSE**

39 **SECTION 39.6.** If any section or provision of this act is declared unconstitutional
40 or invalid by the courts, it does not affect the validity of this act as a whole or any part other
41 than the part so declared to be unconstitutional or invalid.

42 **EFFECTIVE DATE**

43 **SECTION 39.7.** Except as otherwise provided, this act becomes effective July 1,
44 2017.
45
46
47
48
49