

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**  
**Seventh Edition Engrossed 6/2/17**

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



	FY 2017-2018	FY 2018-2019
1 <b>Current Operations – General Fund</b>		
2		
3 <b>EDUCATION</b>		
4		
5 Community Colleges System Office	1,124,926,730	1,161,099,369
6		
7 Department of Public Instruction	8,980,689,065	9,257,060,082
8		
9 Appalachian State University	134,672,993	134,672,993
10 East Carolina University		
11     Academic Affairs	214,598,809	214,598,809
12     Health Affairs	74,210,941	74,210,941
13 Elizabeth City State University	31,964,712	31,154,712
14 Fayetteville State University	52,116,162	52,116,162
15 NC A&T State University	92,203,482	92,203,482
16 NC Central University	83,243,559	83,243,559
17 NC State University		
18     Academic Affairs	410,148,050	407,648,050
19     Agricultural Extension	39,745,231	39,745,231
20     Agricultural Research	52,636,905	52,636,905
21 UNC-Asheville	38,750,625	38,750,625
22 UNC-Chapel Hill		
23     Academic Affairs	251,309,119	251,309,119
24     Health Affairs	186,665,032	186,665,032
25     AHEC	48,783,693	48,783,693
26 UNC-Charlotte	226,376,692	226,376,692
27 UNC-Greensboro	150,156,774	150,156,774
28 UNC-Pembroke	53,711,549	53,715,428
29 UNC-School of the Arts	30,424,499	30,424,499
30 UNC-Wilmington	120,327,946	120,327,946
31 Western Carolina University	89,729,461	89,730,641
32 Winston-Salem State University	64,717,512	64,717,512
33 General Administration	42,172,369	42,172,369
34 University Institutional Programs	116,563,338	252,290,431
35 Related Educational Programs	108,468,501	109,968,501
36 NC School of Science & Math	20,958,012	20,959,212
37 Aid to Private Institutions	154,799,754	166,799,754
38		
39 Total University of North Carolina – Board of Governors	2,889,455,720	3,035,379,072
40		
41 <b>HEALTH AND HUMAN SERVICES</b>		
42		
43 Department of Health and Human Services		
44     Central Management and Support	113,217,166	121,773,593
45     Division of Aging & Adult Services	45,068,961	45,131,130
46     Division of Blind Services/Deaf/Hard of Hearing	8,374,825	8,484,659
47     Division of Child Development & Early Education	272,271,774	281,326,777
48     Division of Health Service Regulation	18,407,670	19,255,924
49     Division of Medical Assistance	3,678,948,565	3,794,373,052
50     Division of Mental Health, Developmental		
51         Disabilities, & Substance Abuse Services	708,275,316	753,304,347

1	NC Health Choice	459,272	396,901
2	Division of Health Benefits	9,666,437	9,730,893
3	Division of Public Health	160,468,198	157,489,155
4	Division of Social Services	199,591,835	203,807,326
5	Division of Vocational Rehabilitation	38,560,702	39,016,759
6	Total Health and Human Services	5,253,310,721	5,434,090,516
7			
8	<b>AGRICULTURAL, NATURAL, AND ECONOMIC RESOURCES</b>		
9			
10	Department of Agriculture and Consumer Services	123,243,209	123,244,152
11			
12	Department of Commerce		
13	Commerce	138,102,626	134,761,317
14	Commerce State-Aid	19,155,810	15,955,810
15			
16	Wildlife Resources Commission	10,570,985	10,813,148
17			
18	Department of Environmental Quality	79,078,233	78,913,320
19			
20	Department of Labor	17,343,241	17,750,239
21			
22	Department of Natural and Cultural Resources	184,306,935	176,589,243
23	Department of Natural and Cultural		
24	Resources – Roanoke Island	555,571	555,571
25			
26	<b>JUSTICE AND PUBLIC SAFETY</b>		
27			
28	Department of Public Safety	1,990,818,159	2,032,151,538
29			
30	Judicial Department	526,315,948	537,767,784
31			
32	Judicial Department – Indigent Defense	121,885,761	123,365,462
33			
34	Department of Justice	56,739,412	57,126,405
35			
36	<b>GENERAL GOVERNMENT</b>		
37			
38	Department of Administration	62,534,822	63,233,565
39			
40	Office of Administrative Hearings	5,830,759	5,970,209
41			
42	Office of State Auditor	13,768,108	13,770,502
43			
44	Office of State Controller	20,741,775	23,251,812
45			
46	State Board of Elections	6,537,226	6,659,525
47			
48	General Assembly	64,932,281	66,496,475
49			
50	Office of the Governor		
51	Office of the Governor	5,857,833	5,963,129

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

1	Disaster Recovery Appropriations (S.L. 2016-124)	(200,928,370)	0
2	Transfer From Savings Reserve	100,928,370	0
3	Revised Unappropriated Balance	108,607,416	0
4	Over Collections FY 2016-17	580,600,000	0
5	Reversions FY 2016-17	271,000,000	0
6	Replenish Savings Reserve (S.L. 2016-124)	(100,928,370)	0
7	Earmarkings of Year End Fund Balance:		
8	Savings Reserve	(263,000,000)	0
9	Repairs and Renovations	(365,000,000)	0
10	<b>Beginning Unreserved Fund Balance</b>	<b>231,279,046</b>	<b>279,190,692</b>
11			
12	<b>Revenues Based on Existing Tax Structure</b>	<b>22,303,700,000</b>	<b>23,299,200,000</b>
13			
14	<b>Non-tax Revenues</b>		
15	Investment Income	60,100,000	60,600,000
16	Judicial Fees	240,900,000	240,500,000
17	Disproportionate Share	164,700,000	149,600,000
18	Insurance	75,500,000	75,500,000
19	Master Settlement Agreement (MSA)	127,200,000	127,200,000
20	Other Non-Tax Revenues	180,600,000	182,900,000
21	<b>Subtotal Non-tax Revenues</b>	<b>849,000,000</b>	<b>836,300,000</b>
22			
23			
24	<b>Total General Fund Availability</b>	<b>23,383,979,046</b>	<b>24,414,690,692</b>
25			
26	<b>Adjustments to Availability: 2017 Session</b>		
27	Tax Law Changes	(120,600,000)	(246,600,000)
28	Diversion of Taxes from Short-Term Lease		
29	or Rental of Motor Vehicles to Highway Fund	(77,130,000)	(79,060,000)
30	Diversion to Savings Reserve (S.L. 2017-5)	0	(130,135,500)
31	Divert additional MSA funds to Golden L.E.A.F.	(5,000,000)	(5,000,000)
32	Transfer from Department of Insurance	3,419,428	4,104,228
33	Transfer from the Department of the State Treasurer	(5,477,782)	(5,437,786)
34			
35	<b>Subtotal Adjustments to Availability: 2017 Session</b>	<b>(204,788,354)</b>	<b>(462,129,058)</b>
36			
37	<b>Revised General Fund Availability</b>	<b>23,179,190,692</b>	<b>23,952,561,634</b>
38			
39	Less General Fund Net Appropriation	(22,900,000,000)	(23,779,584,013)
40			
41	<b>Unappropriated Balance Remaining</b>	<b>279,190,692</b>	<b>172,977,621</b>
42			

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

1 Reserve Account on June 30, 2017. This transfer is not an "appropriation made by law," as that  
2 phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection  
3 becomes effective June 30, 2017.

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

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

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

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

22 **SECTION 2.2.(h)** Subsection (g) of this section becomes effective July 1, 2017,  
23 and applies to taxes collected on or after that date. Subsection (g) of this section expires June  
24 30, 2019.

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

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

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

30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51
			<b>Current Operations – Highway Fund</b>			<b>FY 2017-2018</b>		<b>FY 2018-2019</b>													
	Department of Transportation																				
	Administration					\$ 96,416,366		\$ 94,370,410													
	Division of Highways																				
	Administration					34,782,224		34,782,224													
	Construction					91,100,000		93,250,000													
	Maintenance					1,340,770,203		1,330,627,286													
	Planning and Research					0		0													
	OSHA Program					358,030		358,030													
	State Aid to Municipalities					147,500,000		147,500,000													
	Intermodal Divisions																				
	Ferry					51,733,375		46,733,375													
	Public Transportation					93,777,592		94,277,592													
	Aviation					135,442,773		133,072,773													
	Rail					43,659,362		43,850,362													

1	Bicycle and Pedestrian	724,032	724,032
2			
3	Governor's Highway Safety	255,367	255,367
4	Division of Motor Vehicles	130,399,383	127,946,774
5			
6	Other State Agencies, Reserves, Transfers	84,095,034	166,158,099
7			
8	Capital Improvements	7,362,700	7,216,707
9			
10	<b>Total Highway Fund Appropriations</b>	<b>\$ 2,258,376,441</b>	<b>\$ 2,321,123,031</b>

**HIGHWAY FUND AVAILABILITY STATEMENT**

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

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

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

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

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

**HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

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

	FY 2017-2018	FY 2018-2019
<b>Highway Trust Fund Availability</b>		
Unreserved Fund Balance	\$ 0	\$ 0
Estimated Revenue	1,547,614,829	1,586,320,316
Adjustment to Revenue Availability:		
Title Fees (Mercury Switch Removal)	(486,538)	(496,154)
<b>Total Highway Trust Fund Availability</b>	<b>\$ 1,547,128,291</b>	<b>\$ 1,585,824,162</b>
Unappropriated Balance	\$ 0	\$ 0

## PART V. OTHER APPROPRIATIONS

### CASH BALANCES AND OTHER APPROPRIATIONS

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

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

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

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

### OTHER RECEIPTS FROM PENDING GRANT AWARDS

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



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:

	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
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	10,744,733	10,744,733
27 LEA Transportation	123,277,192	51,386,090
28		
29 <b>TOTAL APPROPRIATION</b>	<b>\$726,612,932</b>	<b>\$656,747,388</b>

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:

	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
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 <b>Total Appropriation</b>	<b>\$180,177,790</b>	<b>\$173,735,408</b>

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:

<b>Fiscal Year</b>	<b>Appropriation</b>
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 **REPORT ON USE OF LAPSED SALARY FUNDS**

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

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

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

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

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

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

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

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

## 44 **INDUSTRIAL COMMISSION PLAN FOR TRANSITION TO DEPARTMENT OF** 45 **INSURANCE**

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

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

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

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

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

**DPI/ALIGNMENT OF FEDERAL FUNDS**

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

**ADMINISTRATION OF THE EXCELLENT PUBLIC SCHOOLS ACT**

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

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

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

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

**SUPERINTENDENT OF PUBLIC INSTRUCTION SUPPORT STAFF**

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



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

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

26 "**§ 115C-64.15. North Carolina Education and Workforce Innovation Commission.**

27 ...

28  
 29 (d) The Commission shall develop and administer the Education and Workforce  
 30 Innovation Program, as established under G.S. 115C-64.16, and make awards of grants under  
 31 the Program. ~~The Commission shall work closely with the North Carolina New Schools in~~  
 32 ~~administering the program.~~

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

37 (e) The Commission shall publish a report on the Education and Workforce Innovation  
 38 Program and the Career and Technical Education Grade Expansion Program on or before April  
 39 30 of each year. The report shall be submitted to the Joint Legislative Education Oversight  
 40 Committee, the State Board of Education, the State Board of Community Colleges, and the  
 41 Board of Governors of The University of North Carolina. The report shall include at least all of  
 42 the following information:

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

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

3 **"§ 115C-64.17. The Career and Technical Education Grade Expansion Program.**

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

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

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

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

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

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

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

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

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

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

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

#### 41 42 **TRANSFER EDUCATION AND WORKFORCE INNOVATION COMMISSION TO** 43 **DPI**

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

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

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

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

## **FUTURE READY STUDENTS**

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

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

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

...

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

...

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

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

Each local board of education shall develop a policy with provisions for students who are absent from school while doing a job shadow to make up the work. Students shall not be counted as absent when participating in these work-based learning opportunities or in Career and Technical Education

1 student organization activities. Local boards may determine maximum  
2 numbers of days to be used for job-shadowing activities.

3 ...."

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

5 **"§ 115C-55. Advisory councils.**

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

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

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

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

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

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

32 **"§ 115C-81.1. Basic Education Program Funds not to supplant Local funds for schools.**

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

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

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

47 "Article 10.

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

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

50 **"§ 115C-151. Statement of purpose.**



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

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

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

21 **"§ 115C-152. Definitions.**

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

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

1 employment in specific occupations or a cluster of closely related  
 2 occupations and for participation in ~~vocational-career~~ and technical  
 3 education teacher education programs.

4 **"§ 115C-153. Administration of ~~vocational-career~~ and technical education.**

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

13 **"§ 115C-154. Duties of the State Board of Education.**

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

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

1 accordance with the procedures set forth in the Master Plan for ~~Vocational~~  
2 Career and Technical Education.

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

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

20 **"§ 115C-154.1. Approval of local ~~vocational~~—career and technical education plans or**  
21 **applications.**

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

25 (1) The programs are in accordance with the purposes of ~~G.S.~~  
26 ~~115C-151;~~G.S. 115C-151.

27 (2) The ~~vocational~~—career and technical education programs and courses are not  
28 duplicated within a local school administrative unit, unless the unit has data  
29 to justify the duplication or the unit has a plan to redirect the duplicative  
30 programs within three ~~years;~~years.

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

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

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

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

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

49 **"§ 115C-154.2. ~~Vocational~~—Career and technical education equipment standards.**

50 The State Board of Education shall develop equipment standards for each ~~vocational~~—career  
51 and technical education program level and shall assist local school administrative units in

1 determining the adequacy of equipment for each ~~vocational-career~~ and technical education  
2 program available in each local school administrative unit.

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

8 **"§ 115C-155. Acceptance of benefits of federal ~~vocational-career and technical education~~  
9 acts.**

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

16 **"§ 115C-156. State funds for ~~vocational-career and technical education~~.**

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

27 ...

28 **"§ 115C-156.2. Industry certifications and credentials program.**

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

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

49 (b) Beginning in ~~2014,2017~~, the State Board of Education shall report to the Joint  
50 Legislative Education Oversight Committee by ~~September~~-November 15 of each year on the

1 number of students in career and technical education courses who earned (i) community college  
2 credit and (ii) related industry certifications and credentials.

3 **"§ 115C-157. Responsibility of local boards of education.**

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

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

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

23 **"§ 115C-157.5. Extended year agriculture education program; evaluation of career and**  
24 **technical education agriculture teacher personnel.**

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

32 **"§ 115C-158. Federal funds division.**

33 The division between secondary and post-secondary educational systems and institutions of  
34 federal funds for which the State Board of ~~Vocational-Career~~ and Technical Education has  
35 responsibility shall, within discretionary limits established by law, require the concurrence of  
36 the State Board of Education and the State Board of Community Colleges on and after January  
37 1, 1981. The portion of the approved State Plan for post-secondary ~~vocational-career~~ and  
38 technical education required by G.S. 115C-154 shall be as approved by the State Board of  
39 Community Colleges.

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

41 **"§ 115C-159. Statement of purpose.**

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

1 adopt rules for the disposition of these services, products, and properties. Local boards of  
2 education may use available financial resources to support that instruction.

3 **"§ 115C-160. Definitions.**

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

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

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

14 **"§ 115C-161. Duties of the State Board of Education.**

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

20 **"§ 115C-162. Use of proceeds derived from production work.**

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

26 **"§ 115C-163. Acquisition of land for agricultural education instructional programs.**

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

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

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

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

44 **"§ 115C-164. Building trades training.**

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

47 (1) Local boards of education may use supplementary tax funds or other local  
48 funds available for the support of ~~vocational-career~~ and technical education  
49 to purchase and develop suitable building sites on which dwellings or other  
50 buildings are to be constructed by ~~vocational-career~~ and technical education  
51 trade classes of each public school operated by local boards of education.

1 Local boards of education may use these funds for each school to pay the  
 2 fees necessary in securing and recording deeds to these properties for each  
 3 public school operated by local boards of education and to purchase all  
 4 materials needed to complete the construction of buildings by ~~vocational~~  
 5 career and technical education trade classes and for development of site and  
 6 property by other ~~vocational-career~~ and technical education classes. Local  
 7 boards of education may use these funds to acquire skilled services,  
 8 including electrical, plumbing, heating, sewer, water, transportation, grading,  
 9 and landscaping needed in the construction and completion of buildings, that  
 10 cannot be supplied by the students in ~~vocational-career~~ and technical  
 11 education trade classes.

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

17 **"§ 115C-165. Advisory committee on production work activities.**

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

29 "Part 3. Eye Safety Devices Required.

30 **"§ 115C-166. Eye protection devices required in certain courses.**

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

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

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

47 **"§ 115C-167. Visitors to wear eye safety devices.**

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

51 ...

"Part 4. Business Advisory Councils."§ 115C-170. Business advisory councils established; members; selection; duties.

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

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

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

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

- a. The superintendent of the local school administrative unit or his or her designee.
- b. The career and technical education program director of the local school administrative unit as a nonvoting member.
- c. The president of the community college that serves the area in which the local school administrative unit is located, in whole or in part, or his or her designee.
- d. A principal of a school located within the local school administrative unit, as assigned by the superintendent.

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

- a. Local business and industry owners.
- b. Representatives from local manufacturing centers and factories.
- c. Human resource directors employed at businesses and industries in the community.
- d. Representatives from community-based organizations.
- e. Representatives from economic and workforce development organizations.
- f. Parents of students enrolled in career and technical education courses.
- g. Representative or manager of the local apprenticeship coalition.



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

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

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

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

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

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

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

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

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

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

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

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

38        **"§ 115C-174.25. WorkKeys.**

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

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

44        **"§ 115C-302.1. Salary.**

45        ...

46        (b) Salary Payments. – State-allotted teachers shall be paid for a term of 10 months.  
47 Except for career and technical education agriculture teacher personnel positions as provided  
48 for in this subsection, State-allotted months of employment for ~~vocational/career~~ and technical  
49 education to local boards shall be used for the employment of teachers of ~~vocational/career~~ and  
50 technical education for a term of employment to be determined by the local boards of  
51 education. However, local boards shall not reduce the term of employment for any vocational

1 ~~agriculture teacher personnel position that was 12 calendar months for the 1982-83 school year~~  
2 ~~for any school year thereafter. In addition, local boards shall not reduce the term of~~  
3 ~~employment for any vocational agriculture teacher personnel position that was 12 calendar~~  
4 ~~months for the 2003-2004 school year for any school year thereafter.~~Beginning with the  
5 2018-2019 school year, career and technical education agriculture teacher personnel positions  
6 serving students in grades nine through 12 shall be for a term of employment for 12 calendar  
7 months. A local board of education may fund these positions using any combination of State  
8 funds, local funds, or any other funds available to the local board.

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

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

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

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

33 ...

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

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

1 schools to, with the approval of the principal, take vacation leave at a time when students are in  
2 attendance; local funds shall be used to cover the cost of substitute teachers.

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

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

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

14 ...."

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

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

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

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

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

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

#### 47 **ESTABLISH B-3 INTERAGENCY COUNCIL**

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

50 "Article 6D.  
51

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

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

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

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

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

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

- (1) Standards and assessment.
- (2) Data-driven improvement and outcomes, including shared accountability measures such as the NC Pathways to Grade-Level Reading.
- (3) Teacher and administrator preparation and effectiveness.
- (4) Instruction and environment.

1           (5)    Transitions and continuity.

2           (6)    Family engagement.

3           (7)    Governance and funding.

4    **"§ 115C-64.26. Powers and duties of B-3 Interagency Council.**

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

6           (1)    Facilitating the development and implementation of an interagency plan for  
7               a coordinated system of early care, education, and child development  
8               services with a focus on program outcomes in satisfying the developmental  
9               and educational needs of all children from birth to eight years of age that  
10              includes at least the following:

11           a.     Any recommendations to the Secretary of Health and Human  
12               Services and the Superintendent of Public Instruction on necessary  
13               organizational changes needed within the Departments of Health and  
14               Human Services and Public Instruction to be more responsive to and  
15               supportive of the birth to grade three continuum of early learning and  
16               development in an effort to optimize learning gains realized in the  
17               prekindergarten years.

18           b.     An early childhood information system that facilitates and  
19               encourages the sharing of data between and among early childhood  
20               service providers and State agencies.

21           c.     An early childhood accountability plan that includes identification of  
22               appropriate population indicators and program and system  
23               performance measures of early success of children such as the NC  
24               Pathways to Grade-Level Reading.

25           (2)    Implementing a statewide longitudinal evaluation of the educational progress  
26               of children from prekindergarten programs through grade 12.

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

33    **"§ 115C-64.27. Reporting requirement.**

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

38    **"§ 115C-64.28. Establish position of Associate Superintendent of Early Education to**  
39           **serve as chief academic officer of early education.**

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

46           (b)    The Associate Superintendent shall be appointed by the Superintendent of Public  
47               Instruction at a salary established by the Superintendent of Public Instruction within the funds  
48               appropriated for that purpose. The Associate Superintendent may be removed from the position  
49               by the Superintendent of Public Instruction in the event of the Associate Superintendent's  
50               incapacity to serve. The Associate Superintendent shall be exempt from the provisions of

1 Chapter 126 of the General Statutes, except for Articles 6 and 7 of Chapter 126 of the General  
2 Statutes.

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

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

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

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

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

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

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

1           **SECTION 7.23I.(f)** Notwithstanding G.S. 115C-64.27, as enacted by this section,  
2 the B-3 Interagency Council shall submit its initial quarterly report to the Superintendent of  
3 Public Instruction and the Secretary of the Department of Health and Human Services by May  
4 15, 2018.

5  
6 **ALLOTMENT TRANSFER REPORT**

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

8 "**§ 115C-105.25. Budget flexibility.**

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

12           ...  
13           (c) To ensure that parents, educators, and the general public are informed on how State  
14 funds have been used to address local educational priorities, each local school administrative  
15 unit shall publish the following information on its Web site by October 15 of each year:

16           ...  
17           (3) A description of each allotment transfer that increased or decreased the  
18 initial allotment amount by more than five percent ~~(5%) and the (5%)~~,  
19 including all of the following information:

20                   a. The amount of the transfer.

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

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

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

26                   e. The educational priorities that necessitated the transfer.

27           ...  
28           (d) No later than December 1 of each year, the Department of Public Instruction shall  
29 collect the information reported by local school administrative units pursuant to subdivision (3)  
30 of subsection (c) of this section and report the aggregated information to the Joint Legislative  
31 Education Oversight Committee and the Fiscal Research Division."

32  
33 **DIGITAL LEARNING PLAN/PROGRAMS/FUNDS**

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

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

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

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

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

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

47 **SECTION 7.23K.(c)** Of the six million two hundred twenty thousand dollars  
48 (\$6,220,000) in recurring funds appropriated to the Department of Public Instruction to  
49 accelerate implementation of the State's Digital Learning Plan, as set out in S.L. 2016-94,  
50 beginning with the 2017-2018 fiscal year, the Department shall use up to one million eight  
51 hundred thousand dollars (\$1,800,000) to implement the requirements of this section.



**AUDIT OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

**SECTION 7.23L.** The Superintendent of Public Instruction shall select an independent research organization for the 2017-2018 fiscal year to conduct an organizational, functional, and business-process audit of the Department of Public Instruction. No later than May 1, 2018, the Department shall submit a report to the General Assembly, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division with the results of the audit including, at a minimum, all of the following information:

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

**SCHOOL PERFORMANCE GRADES/ESSA COMPLIANCE**

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

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

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

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

II. For schools serving students in any grade from kindergarten to eighth grade, ~~separate performance scores and grades shall also be awarded based on the school performance~~ achievement and growth in

reading and mathematics respectively. ~~The annual "report card" for~~

2. ~~For schools serving students in third grade also shall include grade,~~ the number and percentage of third grade students who
  - (i) take and pass the alternative assessment of reading comprehension; (ii) were retained in third grade for not demonstrating reading proficiency as indicated in G.S. 115C-83.7(a); and (iii) were exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.7(b). ~~The annual "report card" for~~
3. ~~For high schools shall also include schools,~~ measures of Advanced Placement course participation and participation, Cambridge Advanced International Certificate of Education (AICE) Program participation, and International Baccalaureate Diploma Programme participation and Advanced Placement Placement, Cambridge AICE, and International Baccalaureate examination participation and performance."

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

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

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

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

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

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

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

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

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

- 1           (10)g. One point for each percent of students who graduate within four  
2           years of entering high school.
- 3           h. One point for each percent of students who progress in achieving  
4           English language proficiency.
- 5           i. Points assigned for a school that offers certain subject-area courses as  
6           follows:
- 7           1. 20 points if a school offers at least one course in arts  
8           disciplines, including dance, music, theater, and the visual  
9           arts.
- 10          2. 40 points if a school offers at least one course in physical  
11          education and health.
- 12          3. 20 points if a school offers at least one course in world  
13          languages.
- 14          4. 20 points if a school offers at least one course in career and  
15          technical education.

16          In calculating the ~~overall~~-school achievement score earned by schools, the State Board of  
17          Education shall (i) use a composite approach to weigh the achievement elements based on the  
18          number of students measured by any given achievement element and (ii) proportionally adjust  
19          the scale to account for the absence of a school achievement ~~element~~element, except for  
20          subject-area course offerings under sub-subdivision g. of subdivision (1) of this subsection and  
21          sub-subdivision i. of subdivision (2) of this subsection, for award of scores to a school that does  
22          not have a measure of one of the school achievement elements annually assessed for the grades  
23          taught at that school. The ~~overall~~-school achievement score shall be translated to a 100-point  
24          scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65,  
25          115C-238.66, and 116-239.8.

26          (c) Calculation of the School Growth Score. – Using EVAAS, the State Board shall  
27          calculate the ~~overall-school~~ growth score earned by schools. In calculating the ~~total-school~~  
28          ~~growth score earned by schools,~~score, the State Board of Education shall weight student growth  
29          on the achievement ~~indicators~~elements as provided in subsection (b) of this section that have  
30          available growth values. The numerical values used to determine whether a school has met,  
31          exceeded, or has not met expected growth shall be translated to a 100-point scale and used for  
32          school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and  
33          116-239.8.

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

- 48           (1) ~~A school performance score of at least 90–85 is equivalent to an overall~~  
49           ~~school performance~~ an achievement or growth grade of A.
- 50           (2) ~~A school performance score of at least 80–70 is equivalent to an overall~~  
51           ~~school performance~~ an achievement or growth grade of B.

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

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

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

- 22           (1)    Economically disadvantaged students.
- 23           (2)    Students from major racial and ethnic groups.
- 24           (3)    Children with disabilities.
- 25           (4)    English learners.

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

30           (f)    Indication of Growth. – In addition to awarding the ~~overall school achievement and~~  
31 ~~growth scores for achievement, growth, and performance and the performance grade, and~~  
32 ~~grades,~~ using EVAAS, the State Board shall designate that a school has met, exceeded, or has  
33 not met expected growth. The designation of student growth shall be clearly displayed in the  
34 annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, 115C-238.66, and  
35 116-239.8.

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

- 42           (1)    A summary for each local school administrative unit and for each individual  
43 school of the school achievement and growth grades, whether the school has  
44 met, exceeded, or has not met expected growth, and any other information  
45 required to be provided as part of the annual report card.
- 46           (2)    The percentage of schools receiving a school achievement or growth grade  
47 of A, B, C, D, or F earned by each school located within a local school  
48 administrative unit and statewide.
- 49           (3)    The number of schools that have met, exceeded, or have not met expected  
50 growth by each school located within a local school administrative unit and  
51 statewide.

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

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

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

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

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

**"§ 115C-83.17. Definitions.**

The following definitions apply in this Part:

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

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

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

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

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

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

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

1. The school includes all or part of grades kindergarten through fifth.
2. The school did not exceed growth in at least one of the prior three school years and did not meet growth in at least one of the prior three school years.
3. One of the models established in G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year.

...."

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

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

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

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

- 5 (1) The superintendent shall proceed under G.S. 115C-105.39.
- 6 (2) Within 30 days of the initial identification of a school as low-performing by  
7 the State Board, the superintendent shall submit to the local board of  
8 education a preliminary plan for improving both the school ~~performance~~  
9 achievement grade and school growth score, including how the  
10 superintendent and other central office administrators will work with the  
11 school and monitor the school's progress.
- 12 (3) Within 30 days of its receipt of the preliminary plan, the local board shall  
13 vote to approve, modify, or reject this plan. Before the local board votes on  
14 the preliminary plan, it shall make the plan available to the public, including  
15 the personnel assigned to that school and the parents and guardians of the  
16 students who are assigned to the school, and shall allow for written  
17 comments.
- 18 (4) The local board shall submit a final plan to the State Board within five days  
19 of the local board's approval of the plan. The State Board shall review the  
20 plan expeditiously and, if appropriate, may offer recommendations to  
21 modify the plan. The local board shall consider any recommendations made  
22 by the State Board and, if necessary, amend the plan and vote on approval of  
23 any changes to the final plan.
- 24 (5) The local board of education shall provide access to the final plan on the  
25 local school administrative unit's Web site. The State Board of Education  
26 shall also provide access to each low-performing school plan on the  
27 Department of Public Instruction's Web site.

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

- 32 (1) A statement that the State Board of Education has found that the school has  
33 "received a school ~~performance~~ achievement grade of D or F and a school  
34 growth score of "~~met expected growth~~" or that indicates whether a school  
35 has "not met expected growth" and has been identified as a low-performing  
36 school as defined by G.S. 115C-105.37." The statement shall include an  
37 explanation of the school ~~performance~~ achievement grades and growth  
38 scores.
- 39 (2) The school ~~performance~~ achievement grade and growth score received.
- 40 (3) Information about the preliminary plan developed under subsection (a1) of  
41 this section and the availability of the final plan on the local school  
42 administrative unit's Web site.
- 43 (4) The meeting date for when the preliminary plan will be considered by the  
44 local board of education.
- 45 (5) A description of any additional steps the school is taking to improve student  
46 performance."

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

48 **"§ 115C-105.39A. Identification of low-performing local school administrative units.**

49 (a) Identification of Low-Performing Local School Administrative Units. – The State  
50 Board of Education shall identify low-performing local school administrative units on an  
51 annual basis. A low-performing local school administrative unit is a unit in which the majority

1 of the schools in that unit that received a school ~~performance~~-achievement grade and school  
2 growth score as provided in G.S. 115C-83.15 have been identified as low-performing schools,  
3 as provided in G.S. 115C-105.37.

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

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

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

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

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

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

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

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

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

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

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



- 1 (5) A description of any additional steps the local school administrative unit and  
2 schools are taking to improve student performance.
- 3 (6) For notifications sent to parents and guardians of students attending a school  
4 that is identified as low-performing under G.S. 115C-105.37, a statement  
5 that the State Board of Education has found that the school has "received a  
6 school ~~performance-achievement~~ grade of D or F and a school growth score  
7 of "~~met expected growth~~" or that indicates whether a school has "not met  
8 expected growth" and has been identified as a low-performing school as  
9 defined by G.S. 115C-105.37." This notification also shall include the school  
10 ~~performance-achievement~~ grade and school growth score the school received  
11 and an explanation of the school performance grades and school growth  
12 scores."

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

14 **"§ 115C-218.65. North Carolina School Report Cards.**

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

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

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

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

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

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

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

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

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

50 year.

51

1 **CLARIFY STUDENT CONSENT TO RECEIVE COLLEGE, UNIVERSITY, AND**  
2 **SCHOLARSHIP INFORMATION**

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

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

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

12  
13 **CAREER AND COLLEGE READY LITERACY SKILLS/READING IMPROVEMENT**  
14 **COMMISSION**

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

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

47 **SECTION 7.26B.(b)** Reading Improvement Commission. – The Superintendent of  
48 Public Instruction shall establish a Reading Improvement Commission (Commission) within  
49 the Department of Public Instruction to study and make recommendations on best practices for  
50 public schools in the State to improve reading comprehension, understanding, and application  
51 for students in grades four through 12 to ensure that students complete high school with literacy

1 skills necessary for career and college readiness. The Commission shall develop  
2 recommendations on appropriate methods to monitor student progress and provide appropriate  
3 and timely remediation to students to ensure success on nationally norm-referenced college  
4 admissions tests. The Superintendent of Public Instruction may appoint superintendents,  
5 principals, reading instructors, representatives from research institutions, and other individuals  
6 as determined by the Superintendent to the Commission. Of the funds appropriated to the  
7 Department of Public Instruction for the 2017-2018 fiscal year, the Superintendent of Public  
8 Instruction may use up to two hundred thousand dollars (\$200,000) in nonrecurring funds for  
9 the 2017-2018 fiscal year for the work of the Reading Improvement Commission. The  
10 Superintendent may also use these funds to contract with an independent research organization  
11 to assist in the study. The Superintendent of Public Instruction shall report to the Joint  
12 Legislative Education Oversight Committee, the President Pro Tempore of the Senate, the  
13 Speaker of the House of Representatives, and the State Board of Education on the study,  
14 including any findings and recommendations, no later than January 15, 2019. The State Board  
15 of Education may use the findings and recommendations to inform the State Board's policies  
16 and may submit additional comments on the report to the Joint Legislative Education Oversight  
17 Committee, the President Pro Tempore of the Senate, and the Speaker of the House of  
18 Representatives no later than February 15, 2019.

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

## 21 **NATIONALLY NORM REFERENCED COLLEGE ADMISSIONS TESTS**

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

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

31 a. From the nationally norm-referenced college admission tests adopted  
32 by the State Board, each local board of education shall select one test  
33 to be used in the local school administrative unit. Upon request by  
34 one or more local boards of education, the State Board shall enter  
35 into a contract for a statewide service or contracts for regional  
36 services to offer the nationally norm-referenced college admission  
37 tests in multiple local school administrative units. These contracts  
38 shall be let in accordance with the provisions of Article 3 of Chapter  
39 143 of the General Statutes.

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

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

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

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

13           **"§ 115C-174.22. Tools for student learning.**

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

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

27  
28           **YOUTH SUICIDE AWARENESS AND PREVENTION**

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

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

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

35           **"§ 115C-375.10. Youth suicide awareness and prevention training and risk referral**  
36 **protocol for school personnel.**

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

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

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

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

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

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

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

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

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

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

46       **(f) Liability.** – No board of a public school unit, nor its members, employees,  
47 designees, agents, or volunteers, shall be liable in civil damages to any party for any loss or  
48 damage caused by any act or omission relating to the provision of, participation in, or  
49 implementation of any component of the plan, referral protocol, or training program required  
50 by this section, unless that act or omission amounts to gross negligence, wanton conduct, or

1 intentional wrongdoing. Nothing in this section shall be construed to impose any specific duty  
 2 of care or standard of care."

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

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

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

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

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

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

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

## 21 NORTH CAROLINA INNOVATIVE SCHOOL DISTRICT

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

24 "Article 7A.

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

### 26 "§ 115C-75.5. Definitions.

27 The following definitions apply in this Article:

- 28 (1) ~~Achievement~~ Innovative school. – A qualifying school selected by the State  
 29 Board of Education under the supervision of the ~~Achievement~~ NC  
 30 Innovative School District.
- 31 (2) ~~Achievement~~ NC Innovative School District or ~~ASD~~ ISD. – The statewide  
 32 school unit established pursuant to this Article.
- 33 (3) ~~Achievement~~ Innovative school operator or ~~AS~~ IS operator. – An entity  
 34 selected by the State Board of Education upon the recommendation of the  
 35 ~~ASD~~ ISD Superintendent to operate an ~~achievement~~ innovative school. The  
 36 Department of Public Instruction may not be selected as an ~~AS~~ IS operator.
- 37 (4) ~~ASD~~ ISD Superintendent. – The superintendent of the ~~ASD~~ ISD appointed  
 38 by the State Board of Education in accordance with G.S. 115C-75.6(b).
- 39 (5) Qualifying school. – A low-performing school, as defined in  
 40 G.S. 115C-105.37, that meets one of the following criteria:
  - 41 a. The school received a school performance score in the lowest five  
 42 percent (5%) of all schools in the prior school year that meet all of  
 43 the following requirements:
    - 44 1. The school includes all or part of grades kindergarten through  
 45 fifth.
    - 46 2. The school did not exceed growth in at least one of the prior  
 47 three school years and did not meet growth in at least one of  
 48 the prior three school years.
    - 49 3. One of the models established in G.S. 115C-105.37B for  
 50 continually low-performing schools had not been adopted for  
 51 that school for the immediately prior school year.

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

6     **"§ 115C-75.6. ~~Achievement-NC Innovative School District.~~**

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

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

- 16           (1)     Three members of the State Board of Education.  
17           (2)     One teacher or retired teacher.  
18           (3)     One principal or retired principal.  
19           (4)     One superintendent or retired superintendent.  
20           (5)     One parent of a student currently enrolled in a low-performing school, as  
21           defined in G.S. 115C-105.37.

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

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

32     **"§ 115C-75.7. ~~Selection of achievement-innovative schools.~~**

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

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

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

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

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

23 **"§ 115C-75.8. Selection of ~~AS-IS~~ operators.**

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

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

- 30 (1) The entity has a record of results in improving performance of persistently  
31 low-performing schools or improving performance of a substantial number  
32 of persistently low-performing students within a school or schools operated  
33 by the entity in this State or other states.
- 34 (2) The entity has a credible and specific plan for dramatically improving  
35 student achievement in a low-performing school and provides evidence that  
36 the entity, or a contractual affiliate of such an entity, is either currently  
37 operating a school or schools in this State that provide students a sound,  
38 basic education or demonstrating consistent and substantial growth toward  
39 providing students a sound, basic education in the prior three school years.

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

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

- 47 (1) G.S. 115C-218.20 (Civil liability and insurance requirements).
- 48 (2) G.S. 115C-218.25 (Open meetings and public records).
- 49 (3) G.S. 115C-218.30 (Accountability; reporting requirements to State Board of  
50 Education).
- 51 (4) G.S. 115C-218.50 (Charter school nonsectarian).



- 1 (5) G.S. 115C-218.55 (Nondiscrimination in charter schools).
- 2 (6) G.S. 115C-218.60 (Student discipline).
- 3 (7) G.S. 115C-218.65 (North Carolina School Report Cards).
- 4 (8) G.S. 115C-218.75 (General operating requirements).
- 5 (9) G.S. 115C-218.85 (Course of study requirements).

6 **"§ 115C-75.9. Management of ~~achievement~~ innovative schools.**

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

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

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

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

- 26 (1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local  
27 board of education shall be responsible for facility and capital expenditures  
28 at the qualifying school.
- 29 (2) All ~~AS-IS~~ operators and local boards of education shall enter into an  
30 occupancy agreement establishing the terms of occupancy for the ~~AS-IS~~  
31 operator not otherwise addressed in statute. If the parties are unable to reach  
32 agreement, either party may petition the State Board of Education to resolve  
33 any issues in dispute.
- 34 (3) The ~~AS-IS~~ operator shall have first priority in use of the facility for any  
35 purpose related to the operation of the ~~achievement~~ innovative school. The  
36 local board of education may allow use of the facility by governmental,  
37 charitable, civic, or other organizations for activities within the community  
38 and may retain any funds received for such use for any time the ~~AS-IS~~  
39 operator has not provided written notice to the local board of its use of the  
40 facility during that time for a purpose related to the operation of the  
41 ~~achievement~~ innovative school.

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

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

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

- 1 (1) Facility and capital expenditures.
- 2 (2) Transportation services.
- 3 (3) Services for Children with Disabilities.

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

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

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

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

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

- 40 (1) Continue the employee's employment with the local board of education.
- 41 (2) Dismiss the employee due to a reduction in force as provided in Article 22 of  
42 this Chapter.
- 43 (3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

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

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

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

4 "**§ 115C-75.10. Achievement Innovative schools funds.**

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

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

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

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

28 (2) The local school administrative unit in which the ~~achievement-innovative~~  
29 school is located shall transfer to the ~~ASD-ISD~~ for the ~~achievement~~  
30 ~~innovative~~ school an amount equal to the per pupil share of the local current  
31 expense fund of the local school administrative unit for the fiscal year. The  
32 per pupil share of the local current expense fund shall be transferred to the  
33 ~~ASD-ISD~~ for the ~~achievement-innovative~~ school within 30 days of the  
34 receipt of monies into the local current expense fund. The local school  
35 administrative unit and ~~ASD-ISD~~ may use the process for mediation of  
36 differences between the State Board of Education and a charter school  
37 provided in G.S. 115C-218.95(d) to resolve differences on calculation and  
38 transference of the per pupil share of the local current expense fund. The  
39 amount transferred under this subsection that consists of revenue derived  
40 from supplemental taxes shall be transferred only to an ~~achievement~~  
41 ~~innovative~~ school located in the tax district for which these taxes are levied  
42 and in which the student resides. The local school administrative unit shall  
43 also provide the ~~ASD-ISD~~ with all of the following information within the  
44 30-day time period provided in this subsection:

- 45 a. The total amount of monies the local school administrative unit has  
46 in each of the funds listed in G.S. 115C-426(c).
- 47 b. The student membership numbers used to calculate the per pupil  
48 share of the local current expense fund.
- 49 c. How the per pupil share of the local current expense fund was  
50 calculated.

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

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

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

23 **"§ 115C-75.11. Accountability and governance for ~~achievement-innovative~~ schools.**

24 (a) The ~~AS-IS~~ operator shall set clear goals 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, empower and equip  
27 teachers and school leaders to meet the goals, and hold such teachers and school leaders  
28 accountable to meet the goals. The ~~AS-IS~~ operator shall apply to the ~~ASD-ISD~~ Superintendent  
29 for appropriate waivers for the ~~achievement-innovative~~ school pursuant to G.S. 115C-75.7(e).

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

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

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

40 **"§ 115C-75.12. Term of supervision for an ~~achievement-innovative~~ school.**

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

45 (1) Early termination of contract based on performance. – If, during the  
46 five-year contract, the ~~achievement-innovative~~ school's annual percentage  
47 growth does not exceed the average annual percentage growth of other  
48 qualifying schools for three consecutive years, the State Board of Education,  
49 upon the recommendation of the ~~ASD-ISD~~ Superintendent, may terminate  
50 the contract at the conclusion of the academic year and select another ~~AS-IS~~  
51 operator in accordance with G.S. 115C-75.8 to assume the remainder of the

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

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

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

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

15 **"§ 115C-75.13. Innovation zones.**

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

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

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

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

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

- 49 (1) Early termination of innovation zone based on performance. – If, during the  
50 five-year period, the average of the annual percentage growth of the schools  
51 within the innovation zone does not exceed the average annual percentage

1 growth of other continually low-performing schools for three consecutive  
2 years, the State Board of Education, upon the recommendation of the ~~ASD~~  
3 ISD Superintendent, may terminate the innovation zone at the conclusion of  
4 the academic year.

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

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

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

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

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

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

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

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

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

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

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

49 (2) Innovation zones in turning around low-performing schools beginning with  
50 the 2016-2017 school year through the 2021-2022 school year. The State  
51 Board of Education shall require local boards of education granted

1 innovation zones to provide the independent research organization with  
2 requested data to conduct the evaluation.

3 The independent research organization shall report its interim findings to the State Board of  
4 Education annually no later than February 15, beginning in 2017, and shall submit a final report  
5 no later than February 15, 2023. The State Board of Education shall provide the report of the  
6 independent research commission, along with any recommended legislative changes, to the  
7 Joint Legislative Education Oversight Committee annually no later than March 1, beginning in  
8 2017 until submission of the final report in 2023."

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

10 "**SECTION 6.** It is the intent of the General Assembly to appropriate to the Department of  
11 Public Instruction four hundred fifty thousand dollars (\$450,000) for the 2017-2018 fiscal year  
12 and annually thereafter for innovation zone model grants. Upon appropriation of funds, the  
13 State Board of Education shall award innovation zone model grants of up to one hundred fifty  
14 thousand dollars (\$150,000) per fiscal year for five years to local boards of education who (i)  
15 have been authorized to adopt the innovation zone model by the State Board of Education for  
16 up to three schools or for a local school administrative unit with more than thirty-five percent  
17 (35%) of schools within the unit identified as low-performing and (ii) provide a  
18 dollar-for-dollar match with non-State funding for the requested grant amount. Innovation zone  
19 model grants shall be directed by local boards of education to the innovation zone office to  
20 address specific issues in innovation zone schools."

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

22 "**SECTION 8.** This act is effective when it becomes law and supervision of ~~achievement~~  
23 innovative schools by the ~~Achievement-Innovative~~ School District shall begin with the  
24 2017-2018 school year. In the discretion of the State Board of Education (i) the ~~ASD-ISD~~  
25 Superintendent may not be required during the 2016-2017 school year to recommend  
26 qualifying schools for inclusion in the ~~ASD-ISD~~ for the 2017-2018 school year and (ii) the time  
27 line for selection of ~~achievement-innovative~~ schools for the 2017-2018 school year provided in  
28 G.S. 115C-75.7 may be varied, but in no event may the local board of education's decision  
29 occur later than April 1, 2017. The State Board of Education may select up to five qualifying  
30 schools to transfer to the ~~ASD-ISD~~ beginning with the 2017-2018 school year but shall select at  
31 least two qualifying schools to transfer to the ~~ASD-ISD~~ no later than the 2018-2019 school year  
32 and shall have selected five qualifying schools for transfer to the ~~ASD-ISD~~ no later than the  
33 2019-2020 school year."

## 34 35 **READ TO ACHIEVE DIAGNOSTIC CHANGES**

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

### 37 **"§ 115C-174.11. Components of the testing program.**

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

- 45 (1) Each approved assessment instrument shall provide initial assessments,  
46 interim formative assessments, and progress monitoring capabilities.
- 47 (2) In determining which instruments to approve for use by local school  
48 administrative units, the State Board shall also consider at least the following  
49 factors:
  - 50 a. The time required to conduct formative and diagnostic assessments  
51 with the intention of minimizing the impact on instructional time.



- 1            b. The level of integration of assessment results with instructional  
 2            support for teachers and students.  
 3            c. The timeliness in reporting assessment results to teachers and  
 4            administrators.  
 5            d. The ability to provide timely assessment results to parents and  
 6            guardians.

7            (3) In no case shall an assessment instrument be approved for use by local  
 8            school administrative units if the cost of the assessment instrument,  
 9            including related instructional content, materials, and resources for teachers  
 10            and students, exceeds the funds appropriated for this purpose divided by  
 11            projected enrollment of students in kindergarten, first, second, and third  
 12            grades.

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

21            ...."

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

## 23

## 24 **REIMBURSE INITIAL TEACHER LICENSURE FEE FOR CERTAIN NC TEACHING**

## 25 **GRADUATES**

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

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

- 31            (1) The applicant is a graduate of an approved educator preparation program  
 32            located in North Carolina.  
 33            (2) The applicant has successfully earned an initial teaching license in North  
 34            Carolina.

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

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

## 39

## 40 **TESTING TRANSPARENCY**

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

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

48            "**§ 115C-174.12. Responsibilities of agencies.**

49            ...

50            (d) By ~~September 1~~ October 1 of each year, each local board of education shall notify  
 51            the State Board of Education of any local standardized testing to be administered to students by

1 the local school administrative unit at the direction of the local board of education in its schools  
2 and the calendar for administering those tests. The local board of education shall include  
3 ~~information on the~~ the following information:

- 4 (1) The source of funds supporting the local testing program.
- 5 (2) The time allotted to administer each test.
- 6 (3) Whether the test is a computer-based test or a paper-based test.
- 7 (4) The grade level or subject area associated with the test.
- 8 (5) The date the test results are expected to be available to teachers and parents.
- 9 (6) The type of test, the purpose of the test, and the use of the test results.
- 10 (7) Estimates of average time for administering tests required by the local board  
11 of education by grade level.

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

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

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

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

32 **"§ 115C-174.15. Report student performance on local standardized tests.**

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

- 36 (1) To the student's teachers no later than one week after the standardized test is  
37 administered.
- 38 (2) To the student's parents no later than 30 days after the standardized test is  
39 administered.

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

44 **"§ 115C-174.16. Report student performance on statewide, standardized tests.**

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

- 1           (1)    A clear explanation of the student's performance on the applicable statewide,  
2                    standardized tests.
- 3           (2)    Information identifying the student's areas of strength and areas in need of  
4                    improvement.
- 5           (3)    Intervention strategies and appropriate resources based on the student's areas  
6                    of strength and areas in need of improvement, when available.
- 7           (4)    Longitudinal information on the student's progress in each subject area based  
8                    on previous statewide, standardized test data, when available.
- 9           (5)    Information showing the student's score compared to other students in the  
10                   local school administrative unit, in the State, or, if available, in other states.
- 11          (6)    Predictive information showing the linkage between the scores attained by  
12                   the student on the statewide, standardized tests and the scores he or she may  
13                   potentially attain on nationally recognized college entrance examinations, if  
14                   available. This information shall be provided in a timely manner as it  
15                   becomes available to the Department of Public Instruction but may be  
16                   provided later than the beginning of the school year."

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

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

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

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

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

1           SECTION 7.28A.(e) This section applies beginning with the 2018-2019 school  
2 year.

3  
4 **PRIVATE ALTERNATIVE TEACHER PREPARATION**

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

6 "**§ 115C-296.12. Lateral entry ~~teacher education~~educator preparation programs.**

7           (a) It is the policy of the State of North Carolina to encourage lateral entry into the  
8 profession of teaching by skilled individuals from the private sector. Skilled individuals who  
9 choose to enter the profession of teaching laterally may be granted an initial teaching license  
10 for no more than three years and shall be required to obtain licensure required for those who  
11 have taught more than three years before contracting for a fourth year of service with any local  
12 school administrative unit in this State. The criteria and procedures for lateral entry shall  
13 include preservice training in all of the following areas:

- 14           (1) The identification and education of children with disabilities.
- 15           (2) Positive management of student behavior.
- 16           (3) Effective communication for defusing and deescalating disruptive or  
17 dangerous behavior.
- 18           (4) Safe and appropriate use of seclusion and restraint.

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

- 23           (1) The competency-based standards necessary to earn a teaching license  
24 pursuant to subdivisions (1) through (4) of subsection (b) of this section.
- 25           (2) At least 80 instructional hours of classroom readiness training, including the  
26 preservice training required pursuant to subsection (a) of this section, prior  
27 to entering the classroom.
- 28           (3) A minimum of three educator coaching visits in the first year of teaching.
- 29           (4) All required pedagogy and subject-area content completed by the end of the  
30 first year of teaching.

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

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

- 45           (1) Provide adequate coursework in the teaching of reading and mathematics for  
46 lateral entry teachers seeking certification in elementary education.
- 47           (2) Assess lateral entry teachers prior to licensure to determine that they possess  
48 the requisite knowledge in scientifically based reading and mathematics  
49 instruction that is aligned with the State Board's expectations.
- 50           (3) Prepare all lateral entry teachers to apply formative and summative  
51 assessments within the school and classroom setting through

1 technology-based assessment systems available in North Carolina schools  
2 that measure and predict expected student improvement.

- 3 (4) Require that lateral entry teachers demonstrate competencies in using digital  
4 and other instructional technologies to provide high-quality, integrated  
5 digital teaching and learning to all students.

6 (c) The State Board of Community Colleges and the State Board of Education shall  
7 jointly identify the community college courses and the educator preparation program courses  
8 that are necessary and appropriate for inclusion in the community college program of study for  
9 lateral entry teachers. To the extent possible, any courses that must be completed through an  
10 approved educator preparation program shall be taught on a community college campus or shall  
11 be available through distance learning. The State Board of Education shall identify the  
12 appropriate courses for a private, nonprofit two-year college to include in the program of study  
13 for lateral entry teachers.

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

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

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

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

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

#### 42 43 **SCHOOL CALENDAR FLEXIBILITY PILOT PROGRAM**

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

49 **SECTION 7.28C.(b)** Participation. – All local school administrative units in the  
50 following counties, which collectively represent the geographic, economic, and social diversity  
51 of the State, are authorized to participate in the program: Anson County, Bladen County,

1 Cabarrus County, Caldwell County, Cherokee County, Cleveland County, Davidson County,  
2 Duplin County, Graham County, Greene County, Guilford County, Martin County, McDowell  
3 County, Mitchell County, Northampton County, Robeson County, Rowan County, Warren  
4 County, Washington County, and Wilson County.

5 Any local board of education of a local school administrative unit authorized to  
6 participate in the program may elect not to participate. For each local school administrative unit  
7 that elects not to participate in the program, the State Board may authorize one replacement  
8 local school administrative unit to participate in the program. Together, the local school  
9 administrative units participating in the program shall represent the geographic, economic, and  
10 social diversity of the State.

11 **SECTION 7.28C.(c) Implementation.** – Each local school administrative unit  
12 participating in the program shall do so for three school years, beginning in either the  
13 2018-2019 school year or the 2019-2020 school year. The State Board shall provide the  
14 Department of Commerce with a list of the participating local school administrative units no  
15 later than February 1, 2018.

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

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

27 **SECTION 7.28C.(d) Data Collection by Department of Public Instruction.** – For  
28 the duration of the program, the Department of Public Instruction shall contact each  
29 participating local school administrative unit annually to determine (i) the actual dates for  
30 opening and closing the public schools, (ii) the impact of the program on student achievement  
31 and summer internships, and (iii) any other information the Department deems necessary for  
32 purposes of the study. The Department of Public Instruction shall provide the Department of  
33 Commerce with the actual dates for opening and closing the public schools in each  
34 participating local school administrative unit.

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

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

50  
51 **WAIVE FEE FOR CAMBRIDGE AICE PROGRAM COURSE**

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

2           "(a) It is the intent of the State to enhance accessibility and encourage students to enroll  
3 in and successfully complete more rigorous advanced courses to enable success in  
4 postsecondary education for all students. For the purposes of this section, an advanced course is  
5 an Advanced Placement ~~or~~ course, an International Baccalaureate Diploma Programme  
6 course, or a Cambridge Advanced International Certificate of Education (AICE) course,  
7 including an AS-Level or A-Level course. To attain this goal, to the extent funds are made  
8 available for this purpose, students enrolled in public schools shall be exempt from paying any  
9 fees for administration of examinations for advanced courses and registration fees for advanced  
10 courses in which the student is enrolled regardless of the score the student achieves on an  
11 examination."

12           **SECTION 7.28D.(b)** Section 8.27(d) of S.L. 2013-360, as amended by Section  
13 8.17 of S.L. 2014-100, reads as rewritten:

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

28           If the funds appropriated for the 2014-2015 fiscal year and subsequent fiscal years are  
29 insufficient, the Department of Public Instruction may use other funds within the State Public  
30 School Fund for these purposes."  
31

## 32 **FINANCIAL LITERACY ELECTIVE COURSE PILOT PROGRAM**

33           **SECTION 7.32.(a)** Purpose. – The State Board of Education (State Board) shall  
34 establish a five-year Financial Literacy Elective Course Pilot Program (Program). The purpose  
35 of the Program is to determine the value of an in-depth high school elective course on personal  
36 financial literacy and the extent to which the course can provide high school students with the  
37 detailed knowledge and skills needed to become self-supporting and to make critical decisions  
38 regarding their personal finances.

39           **SECTION 7.32.(b)** Participation. – The State Board shall select local school  
40 administrative units to participate in the Program. The selected local school administrative units  
41 collectively shall represent the geographic, economic, and social diversity of the State. Each  
42 selected local school administrative unit shall participate in the Program for five school years,  
43 beginning in the 2017-2018 school year.

44           **SECTION 7.32.(c)** Implementation. – The Program shall authorize and assist the  
45 selected local school administrative units in the implementation of a high school elective course  
46 on personal financial literacy. This course shall serve as an in-depth supplement to the  
47 instruction in personal financial literacy required pursuant to G.S. 115C-81(i). The components  
48 of the elective course shall include, at a minimum, detailed information on personal banking,  
49 credit card finance, student loan financing, mortgages, credit scoring and credit reports,  
50 borrowing money for an automobile or other large purchase, and best practices in personal  
51 finance.

1 Prior to selecting the pilot units, the State Board shall develop a curriculum,  
 2 materials, qualifications for teaching the course, and guidelines for local boards of education to  
 3 use in implementing the course.

4 **SECTION 7.32.(d)** Reporting Requirement. – By November 15 of each year  
 5 following the operation of the Program, the State Board shall report to the Joint Legislative  
 6 Education Oversight Committee on the implementation and administration of the Program in  
 7 the pilot units and any recommendations on the modification, continuation, and potential  
 8 expansion of the Program statewide.

9  
 10 **STABILIZATION FUNDS FOR WAYNE COUNTY PUBLIC SCHOOLS/SEYMOUR**  
 11 **JOHNSON AIR FORCE BASE**

12 **SECTION 7.33.(a)** Notwithstanding any other provision of law, the funds  
 13 appropriated by this act for the 2017-2019 fiscal biennium to the Department of Public  
 14 Instruction for supplemental funding in low-wealth counties shall be reduced in the 2017-2018  
 15 fiscal year by two million dollars (\$2,000,000) in nonrecurring funds.

16 **SECTION 7.33.(b)** Notwithstanding any other provision of law, the funds  
 17 appropriated by this act for the 2017-2019 fiscal biennium to the Department of Public  
 18 Instruction shall be increased in the 2017-2018 fiscal year by two million dollars (\$2,000,000)  
 19 in nonrecurring funds for stabilization funds for Wayne County Public Schools, which serve  
 20 Wayne County, the location of Seymour Johnson Air Force Base.

21  
 22 **TRANSPORTATION FUNDS**

23 **SECTION 7.34.** Notwithstanding any other provision of law, the funds  
 24 appropriated from the General Fund to the Department of Public Instruction by this act for the  
 25 2017-2019 fiscal biennium for the transportation allotment shall be decreased by the sum of  
 26 seventy-three million two hundred seventy-seven thousand one hundred ninety-two dollars  
 27 (\$73,277,192) for the 2017-2018 fiscal year and by the sum of fifty-one million three hundred  
 28 eighty-six thousand ninety dollars (\$51,386,090) for the 2018-2019 fiscal year.

29  
 30 **PART VIII. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

31  
 32 **TEACHER SALARY SCHEDULE**

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

36 **2017-2018 Monthly Teacher Salary Schedule**

37 <b>Years of Experience</b>	<b>"A" Teachers</b>
38 0	\$3,530
39 1-2	\$3,630
40 3-4	\$3,730
41 5-6	\$3,830
42 7-8	\$3,930
43 9-10	\$4,055
44 11-12	\$4,205
45 13-14	\$4,355
46 15	\$4,555
47 16	\$4,630
48 17-18	\$4,730
49 19-20	\$4,830
50 21-22	\$4,930
51 23-24	\$5,030



1 25+ \$5,130.

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

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

20 **SECTION 8.1.(c)** The first step of the salary schedule for (i) school psychologists,  
21 (ii) school speech pathologists who are licensed as speech pathologists at the master's degree  
22 level or higher, (iii) school audiologists who are licensed as audiologists at the master's degree  
23 level or higher, and (iv) school counselors shall be equivalent to the sixth step of the "A" salary  
24 schedule. These employees shall receive a salary supplement each month of ten percent (10%)  
25 of their monthly salary and are eligible to receive salary supplements equivalent to those of  
26 teachers for academic preparation at the six-year degree level or the doctoral degree level.

27 **SECTION 8.1.(d)** The twenty-sixth step of the salary schedule for (i) school  
28 psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the  
29 master's degree level or higher, (iii) school audiologists who are licensed as audiologists at the  
30 master's degree level or higher, and (iv) school counselors shall be seven and one-half percent  
31 (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the  
32 salary schedule.

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

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

- 38 (1) The applicable amount on the salary schedule for the applicable fiscal year.
- 39 (2) For teachers who were eligible for longevity for the 2013-2014 fiscal year,  
40 the sum of the following:
- 41 a. The teacher's salary provided in Section 35.11 of S.L. 2013-360.
- 42 b. The longevity that the teacher would have received under the  
43 longevity system in effect for the 2013-2014 fiscal year provided in  
44 Section 35.11 of S.L. 2013-360 based on the teacher's current years  
45 of service.
- 46 c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.
- 47 (3) For teachers who were not eligible for longevity for the 2013-2014 fiscal  
48 year, the sum of the teacher's salary and annual bonus provided in Section  
49 9.1 of S.L. 2014-100.



1           **SECTION 8.3.(c)** A principal compensated in accordance with this section for the  
2 2017-2018 fiscal year shall receive an amount equal to the greater of the following:

- 3           (1) The applicable amount determined pursuant to subsections (a) and (b) of this  
4 section.
- 5           (2) For principals who were eligible for longevity in the 2016-2017 fiscal year,  
6 the sum of the following:
- 7           a. The salary the principal received in the 2016-2017 fiscal year  
8 pursuant to Section 9.2 of S.L. 2016-94.
- 9           b. The longevity that the principal would have received as provided for  
10 State employees under the North Carolina Human Resources Act for  
11 the 2016-2017 fiscal year based on the principal's current years of  
12 service.
- 13           (3) The salary the principal received in the 2016-2017 fiscal year pursuant to  
14 Section 9.2 of S.L. 2016-94.

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

16           "(5c) Funds allocated for school building administration may be converted for any  
17 purpose authorized by the policies of the State Board of Education. For  
18 funds related to principal positions, the salary transferred shall be based on  
19 the first step of ~~the Principal III Salary Schedule~~ the base schedule element  
20 of the Principal Salary Schedule. For funds related to assistant principal  
21 months of employment, the salary transferred shall be based on the first step  
22 of the ~~Assistant Principal Salary Schedule~~ "A" Teachers Salary Schedule at  
23 the salary level for assistant principals. Certified position allotments shall  
24 not be transferred to dollars to hire the same type of position."  
25

## 26 ASSISTANT PRINCIPAL SALARIES

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

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

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

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

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

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

**CENTRAL OFFICE SALARIES**

**SECTION 8.6.(a)** The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2017-2019 fiscal biennium, beginning July 1, 2017:

**2017-2018 Fiscal Year**

	Minimum		Maximum
School Administrator I	\$3,525	to	\$6,501
School Administrator II	\$3,729	to	\$6,888
School Administrator III	\$3,951	to	\$7,300
School Administrator IV	\$4,104	to	\$7,585
School Administrator V	\$4,265	to	\$7,887
School Administrator VI	\$4,517	to	\$8,356
School Administrator VII	\$4,693	to	\$8,688

**2018-2019 Fiscal Year**

	Minimum		Maximum
School Administrator I	\$3,609	to	\$6,585
School Administrator II	\$3,813	to	\$6,972
School Administrator III	\$4,035	to	\$7,384
School Administrator IV	\$4,188	to	\$7,669
School Administrator V	\$4,349	to	\$7,971
School Administrator VI	\$4,601	to	\$8,440
School Administrator VII	\$4,777	to	\$8,772.

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

**SECTION 8.6.(b)** The monthly salary ranges that follow apply to public school superintendents for the 2017-2019 fiscal biennium, beginning July 1, 2017:

**2017-2018 Fiscal Year**

	Minimum		Maximum
Superintendent I	\$4,974	to	\$9,209
Superintendent II	\$5,273	to	\$9,758
Superintendent III	\$5,586	to	\$10,344
Superintendent IV	\$5,921	to	\$10,965
Superintendent V	\$6,277	to	\$11,626

**2018-2019 Fiscal Year**

	Minimum		Maximum
Superintendent I	\$5,058	to	\$9,293
Superintendent II	\$5,357	to	\$9,842
Superintendent III	\$5,670	to	\$10,428
Superintendent IV	\$6,005	to	\$11,049
Superintendent V	\$6,361	to	\$11,710.

The local board of education shall determine the appropriate category and placement for the superintendent based on the average daily membership of the local school

1 administrative unit and within funds appropriated by the General Assembly for central office  
2 administrators and superintendents.

3 **SECTION 8.6.(c)** Longevity pay for superintendents, assistant superintendents,  
4 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as  
5 provided for State employees under the North Carolina Human Resources Act.

6 **SECTION 8.6.(d)** Superintendents, assistant superintendents, associate  
7 superintendents, directors/coordinators, supervisors, and finance officers with certification  
8 based on academic preparation at the six-year degree level shall receive a salary supplement of  
9 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided  
10 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,  
11 directors/coordinators, supervisors, and finance officers with certification based on academic  
12 preparation at the doctoral degree level shall receive a salary supplement of two hundred  
13 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this  
14 section.

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

### 18 19 **NONCERTIFIED PERSONNEL SALARIES**

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

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

27 **SECTION 8.7.(c)** For the 2017-2019 fiscal biennium, part-time, noncertified  
28 public school employees whose salaries are supported from State funds shall receive the  
29 increases authorized by subsections (a) and (b) of this section in the applicable fiscal year on a  
30 prorated and equitable basis.

31 **SECTION 8.7.(d)** Notwithstanding subsection (c) of this section, of the funds  
32 appropriated in this act for salary increases for noncertified personnel in the 2017-2019 fiscal  
33 biennium, the sum of sixteen million eight hundred fifty-five thousand eighty-one dollars  
34 (\$16,855,081) and the sum of thirty-three million seven hundred ten thousand one hundred  
35 sixty-two dollars (\$33,710,162), in the 2017-2018 and 2018-2019 fiscal years, respectively,  
36 shall be allocated to local boards of education to increase the average rates of pay for all school  
37 bus drivers in the local school administrative unit on an equitable basis.

### 38 39 **VETERAN TEACHER RETENTION BONUS PROGRAM**

40 **SECTION 8.8A.(a)** Bonus Program. – The State Board of Education shall  
41 establish the Veteran Teacher Retention Bonus Program (program) to reward eligible veteran  
42 teachers who continue teaching in a local school administrative unit located in North Carolina  
43 according to agreements entered into under subsection (b) of this section. As used in this  
44 section, the following definitions apply:

- 45 (1) Bonus agreement. – A standard contract developed by the Department of  
46 Public Instruction that contains all the terms and conditions required by this  
47 section. The form shall be made available on the Department's Web site in a  
48 form that can be downloaded.
- 49 (2) Eligible veteran teacher. – A teacher who, as of the applicable notification  
50 date, is paid on a step of the State salary schedule for teachers corresponding  
51 to at least 27 years of teaching experience.

- 1 (3) Qualifying veteran teacher. – An eligible veteran teacher who enters into a  
2 bonus agreement pursuant to subdivisions (1) or (2) of subsection (b) of this  
3 section.  
4 (4) Notification date. – One of the following as applicable:  
5 a. September 30, 2017, for an eligible teacher entering into a bonus  
6 agreement pursuant to subdivision (1) of subsection (b) of this  
7 section.  
8 b. April 30, 2018, for an eligible teacher entering into a bonus  
9 agreement pursuant to subdivision (2) of subsection (b) of this  
10 section.  
11 (5) Employing local school administrative unit. – The local school  
12 administrative unit where a qualifying veteran teacher is employed.

13 **SECTION 8.8A.(b)** The Bonus Agreement. – An eligible veteran teacher qualifies  
14 to receive a bonus of up to five thousand dollars (\$5,000) pursuant to this section if the teacher  
15 does one of the following:

- 16 (1) 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 and all of the 2018-2019 school  
19 year. The local school administrative unit shall pay the bonus to the teacher  
20 in two installments of two thousand five hundred dollars (\$2,500) each. The  
21 first installment shall be paid by October 31, 2017, and the second  
22 installment shall be paid by October 31, 2018.  
23 (2) Agrees in writing by the applicable notification date to continue teaching in  
24 a local school administrative unit located in North Carolina for the  
25 remainder of the 2017-2018 school year, all of the 2018-2019 school year,  
26 and all of the 2019-2020 school year. The local school administrative unit  
27 shall pay the bonus to the teacher in two installments of two thousand five  
28 hundred dollars (\$2,500) each. The first installment shall be paid by October  
29 31, 2018, and the second installment shall be paid by October 31, 2019.

30 **SECTION 8.8A.(c)** Additional Terms and Conditions. – The following additional  
31 terms and conditions apply and shall be set out in the bonus agreement:

- 32 (1) An eligible veteran teacher seeking to qualify for a bonus must submit a  
33 signed and notarized bonus agreement to the employing local school  
34 administrative unit and one copy to the Department of Public Instruction.  
35 The executed bonus agreement must be sent via registered or certified mail,  
36 return receipt requested, and postmarked no later than the applicable  
37 notification date.  
38 (2) The employing local school administrative unit shall keep and maintain a list  
39 of qualifying veteran teachers employed in the unit who are participating in  
40 the program. The Department of Public Instruction shall keep and maintain a  
41 list of qualifying veteran teachers employed in the State who are  
42 participating in the program.  
43 (3) If a veteran teacher participating in the program accepts full-time  
44 employment outside the employing local school administrative unit, with the  
45 intention of beginning that employment before the expiration of time  
46 specified in the bonus agreement, the veteran teacher shall notify the  
47 employing local school administrative unit within five days. The local  
48 school administrative unit shall notify the Department of Public Instruction  
49 within 30 days of receiving notification from the veteran teacher.  
50 (4) If a qualifying veteran teacher participating in the program accepts a  
51 full-time teaching position in a different local school administrative unit

1 located in North Carolina, the qualifying veteran teacher shall notify the  
 2 different local school administrative unit that the qualifying veteran teacher  
 3 is a participant in the program.

4 (5) If a veteran teacher fails to continue teaching in a local school administrative  
 5 unit located in North Carolina for the period of time specified in the bonus  
 6 agreement, the employing local school administrative unit shall withhold the  
 7 full bonus amount that has been paid, up to five thousand dollars (\$5,000),  
 8 from any wages due to the veteran teacher. The veteran teacher shall also  
 9 forfeit any additional bonus installment the teacher might otherwise receive.

10 (6) If the local school administrative unit is unable to recover the unearned  
 11 bonus amount pursuant to subdivision (5) of this subsection, the Department  
 12 of Public Instruction shall have the authority to do any of the following:

13 a. Direct the State Treasurer to garnish the unearned bonus amount  
 14 from payments made to the veteran teacher pursuant to the Teachers'  
 15 and State Employees' Retirement System of North Carolina.  
 16 G.S. 135-9 shall not apply to actions taken by the Department of  
 17 Public Instruction under this subdivision.

18 b. Act as a claimant agency under Chapter 105A of the General Statutes  
 19 for purposes of setoff debt collection as to the unearned bonus  
 20 amount.

21 c. Bring a civil action in the General Court of Justice to collect the  
 22 unearned bonus amount.

23 (7) A qualifying veteran teacher who fails to continue teaching in a local school  
 24 administrative unit located in North Carolina for the period of time specified  
 25 in the bonus agreement is exempted from repaying the unearned bonus  
 26 amount if the qualifying veteran teacher is no longer able to continue  
 27 teaching because of death, illness, or disability.

28 **SECTION 8.8A.(d) Maximum Bonus Amount.** – No qualifying veteran teacher  
 29 shall receive more than five thousand dollars (\$5,000) in bonus funds under this section. The  
 30 bonus or bonuses awarded to a qualifying veteran teacher under this section shall be in addition  
 31 to any regular wage or other bonus the teacher receives or is scheduled to receive.

32 **SECTION 8.8A.(e) Bonus Not for Retirement.** – Notwithstanding G.S. 135-1(7a),  
 33 the compensation bonus awarded pursuant to this section is not compensation under Article 1  
 34 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

35 **SECTION 8.8A.(f) 2019-2020 Funds.** – For the 2019-2020 fiscal year only, the  
 36 Director of the Budget shall also include in the base budget, as defined by  
 37 G.S. 143C-1-1(d)(1c), the amount of nonrecurring funds needed to support the program.

### 38 **REVISE TEACHER BONUS PROGRAMS**

39 **SECTION 8.8B.(a)** Section 8.8 of S.L. 2016-94 reads as rewritten:

40 "**ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE**  
 41 **BACCALAUREATE/CAMBRIDGE AICE TEACHER BONUS PILOT PROGRAM**

42 **"SECTION 8.8.(a)** The State Board of Education shall establish the Advanced  
 43 Placement/International ~~Baccalaureate Pilot~~ Baccalaureate/Cambridge AICE Program ~~(pilot~~  
 44 ~~program)~~ (program) to reward advanced course teacher performance and to encourage student  
 45 learning and improvement. To attain this goal, the Department of Public Instruction shall  
 46 administer bonus pay for two school years through the end of the 2017-2019 fiscal biennium  
 47 to licensed teachers of advanced courses, courses in public schools, including charter schools,  
 48 beginning with data from the 2015-2016 school year, in accordance with the following:  
 49

- 1 (1) A bonus in the amount of fifty dollars (\$50.00) for each student taught by an  
 2 advanced course teacher in each advanced course who receives the following  
 3 score:  
 4 a. For Advanced Placement courses, a score of three or higher on the  
 5 College Board Advanced Placement Examination.  
 6 b. For International Baccalaureate Diploma Programme courses, a score  
 7 of four or higher on the International Baccalaureate course  
 8 examination.  
 9 c. For the Cambridge Advanced International Certificate of Education  
 10 (AICE) program, a score of "E" or higher on the Cambridge AICE  
 11 program examinations.
- 12 (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds  
 13 ~~two thousand dollars (\$2,000)~~ three thousand five hundred dollars (\$3,500) in  
 14 any given school year. The bonus awarded to a teacher pursuant to this  
 15 subsection shall be in addition to any regular wage or other bonus the  
 16 teacher receives or is scheduled to receive.
- 17 (3) ~~For advanced course scores collected from the 2015-2016 school year and~~  
 18 ~~the 2016-2017 school year, bonuses~~ Bonuses awarded pursuant to this  
 19 subsection are payable in ~~January 2017 and January 2018,~~  
 20 ~~respectively,~~ January, based on data from the previous school year,  
 21 to qualifying advanced course teachers who remain employed teaching  
 22 advanced courses in the same local school administrative unit at least from  
 23 the school year the data is collected until the corresponding school year that  
 24 the bonus is paid.

25 **"SECTION 8.8.(b)** For the purposes of this section, an "advanced course" shall mean an  
 26 Advanced Placement ~~or course,~~ an International Baccalaureate Diploma Programme  
 27 course, or a Cambridge AICE course.

28 **"SECTION 8.8.(c)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded  
 29 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,  
 30 the Teachers' and State Employees' Retirement System.

31 **"SECTION 8.8.(d)** The State Board of Education shall ~~report on and study the pilot~~  
 32 ~~program as follows:~~

- 33 (1) ~~The State Board shall report on study the effect of the program on advanced~~  
 34 ~~course teacher performance and retention. The State Board shall report the~~  
 35 ~~results of its findings and~~ the amount of bonuses awarded to advanced  
 36 course teachers, including the amount awarded for Advanced Placement  
 37 ~~courses and courses,~~ the amount awarded for International Baccalaureate  
 38 Diploma Programme courses, and the amount awarded for Cambridge AICE  
 39 program courses, to the President Pro Tempore of the Senate, the Speaker of  
 40 the House of Representatives, the Joint Legislative Education Oversight  
 41 Committee, and the Fiscal Research Division by ~~March 15, 2017, and again~~  
 42 ~~by March 15, 2018.~~ 15 of each year.
- 43 (2) ~~The State Board shall study the effect of the pilot program on advanced~~  
 44 ~~course teacher performance and retention. The State Board shall report the~~  
 45 ~~results of its findings to the President Pro Tempore of the Senate, the~~  
 46 ~~Speaker of the House of Representatives, the Fiscal Research Division, and~~  
 47 ~~the Joint Legislative Education Oversight Committee by March 15, 2018.~~

48 **"SECTION 8.8.(e)** For the 2017-2018 fiscal year only, the Director of the Budget shall  
 49 also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of  
 50 nonrecurring funds needed to support the ~~pilot~~ program.

51 **"SECTION 8.8.(f)** ~~This section expires June 30, 2018."~~



1           **SECTION 8.8B.(b)** Section 8.9 of S.L. 2016-94 reads as rewritten:  
2 **"INDUSTRY CERTIFICATIONS AND CREDENTIALS TEACHER BONUS PILOT**  
3 **PROGRAM**

4           **"SECTION 8.9.(a)** The State Board of Education, in collaboration with the Department of  
5 Commerce, shall establish the Industry Certifications and Credentials Teacher Bonus ~~Pilot~~  
6 Program (~~pilot program~~)(program) to reward the performance of teachers in public schools,  
7 including charter schools, who teach students earning approved industry certifications or  
8 credentials consistent with G.S.115C-156.2 and to encourage student learning and  
9 improvement. To attain this goal, the Department of Public Instruction shall administer bonus  
10 pay ~~for two school years through the end of the 2017-2019 fiscal biennium~~ to teachers in public  
11 schools, including charter schools, who teach students earning approved industry certifications  
12 or credentials, beginning with data from the 2015-2016 school year, in accordance with the  
13 following:

- 14           (1) For teachers who provide direct instruction to students, bonuses shall be  
15 provided in the following amounts:  
16           a. A bonus in the amount of twenty-five dollars (\$25.00) for each  
17 student taught by a teacher who provided instruction in a course that  
18 led to the attainment of an industry certification or credential with a  
19 twenty-five-dollar (\$25.00) value ranking as determined under  
20 subdivision (3) of this subsection.  
21           b. A bonus in the amount of fifty dollars (\$50.00) for each student  
22 taught by a teacher who provided instruction in a course that led to  
23 the attainment of an industry certification or credential with a  
24 fifty-dollar (\$50.00) value ranking as determined under subdivision  
25 (3) of this subsection.  
26           (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds  
27 ~~two thousand dollars (\$2,000)~~three thousand five hundred dollars (\$3,500) in  
28 any given school year. The bonus awarded to a teacher pursuant to this  
29 subsection shall be in addition to any regular wage or other bonus the  
30 teacher receives or is scheduled to receive.  
31           (3) The Department of Commerce, in consultation with the State Board, shall  
32 assign a value ranking for each industry certification and credential based on  
33 academic rigor and employment value in accordance with this subdivision.  
34 Fifty percent (50%) of the ranking shall be based on academic rigor and the  
35 remaining fifty percent (50%) on employment value. Academic rigor and  
36 employment value shall be based on the following elements:  
37           a. Academic rigor shall be based on the number of instructional hours,  
38 including work experience or internship hours, required to earn the  
39 industry certification or credential, with extra weight given for  
40 coursework that also provides community college credit.  
41           b. Employment value shall be based on the entry wage, growth rate in  
42 employment for each occupational category, and average annual  
43 openings for the primary occupation linked with the industry  
44 certification or credential.  
45           (4) ~~For data on courses leading to student attainment of industry certifications~~  
46 ~~and credentials collected from the 2015-2016 school year and the 2016-2017~~  
47 ~~school year, bonuses~~Bonuses awarded pursuant to this subsection are  
48 payable in January 2017 and January 2018, respectively, to qualifying  
49 teachers who remain employed teaching ~~students earning approved industry~~  
50 ~~certifications or credentials~~ in the same local school administrative unit at

1 least from the school year the data is collected until the corresponding school  
2 year that the bonus is paid.

3 **"SECTION 8.9.(b)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded  
4 under this section are not compensation under Article 1 of Chapter 135 of the General Statutes,  
5 the Teachers' and State Employees' Retirement System.

6 **"SECTION 8.9.(c)** The State Board of Education shall ~~report on and study the pilot~~  
7 ~~program as follows:~~

8 (1) ~~The State Board shall study the effect of the program on teacher~~  
9 ~~performance and retention. The State Board shall report on the results of its~~  
10 ~~findings, the amount of bonuses awarded to teachers who teach students~~  
11 ~~earning approved industry certifications or eredentials credentials, and the~~  
12 ~~type of industry certifications and credentials earned by their students to the~~  
13 ~~President Pro Tempore of the Senate, the Speaker of the House of~~  
14 ~~Representatives, the Joint Legislative Education Oversight Committee, and~~  
15 ~~the Fiscal Research Division by March 15, 2017, and again by March 15,~~  
16 ~~2018. 15 of each year.~~

17 (2) ~~The State Board shall study the effect of the pilot program on teacher~~  
18 ~~performance and retention. The State Board shall report the results of its~~  
19 ~~findings to the President Pro Tempore of the Senate, the Speaker of the~~  
20 ~~House of Representatives, the Fiscal Research Division, and the Joint~~  
21 ~~Legislative Education Oversight Committee by March 15, 2018.~~

22 **"SECTION 8.9.(d)** For the 2017-2018 fiscal year only, the Director of the Budget shall  
23 also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of  
24 nonrecurring funds needed to support the ~~pilot~~ program.

25 **"SECTION 8.9.(e)** ~~This section expires June 30, 2018."~~

26 **SECTION 8.8B.(c)** Section 9.7 of S.L. 2016-94 reads as rewritten:

27 **"THIRD GRADE READING TEACHER PERFORMANCE PILOT PROGRAM**

28 **"SECTION 9.7.(a)** The State Board of Education shall establish the Third Grade Reading  
29 Teacher Performance Pilot Program (program) to reward teacher performance and encourage  
30 student learning and improvement. To attain this goal, the Department of Public Instruction  
31 shall administer bonus pay to ~~licensed third grade~~ teachers who have an Education  
32 Value-Added Assessment System (EVAAS) student growth index score for third grade reading  
33 from the previous school year, beginning with the data from the 2015-2016 school year, as  
34 follows:

35 (1) Of the funds appropriated for ~~this the~~ program, five million dollars  
36 (\$5,000,000) shall be allocated for bonuses to ~~licensed third grade~~ teachers  
37 who are in the top twenty-five percent (25%) of teachers in the State  
38 according to the EVAAS student growth index score for third grade reading  
39 from the previous year. These funds shall be allocated equally among  
40 qualifying teachers.

41 (2) Of the funds appropriated for ~~this the~~ program, five million dollars  
42 (\$5,000,000) shall be allocated to pay bonuses to ~~licensed third grade~~  
43 teachers who are in the top twenty-five percent (25%) of teachers in their  
44 respective local school administrative units according to the EVAAS student  
45 growth index score for third grade reading from the previous year. These  
46 funds shall be split proportionally based on average daily membership for  
47 each local school administrative unit and then distributed equally among  
48 qualifying teachers in each local school administrative unit, subject to the  
49 following conditions:

50 a. Teachers employed in charter schools and regional schools are not  
51 eligible to receive a bonus under this subdivision.

1           b. Any teacher working in a local school administrative unit that  
2           employs three or fewer third grade teachers shall receive a bonus  
3           under this subdivision if that teacher has an EVAAS student growth  
4           index score for third grade reading from the previous school year that  
5           exceeds expected growth.

6           (3) For EVAAS student growth index score data collected during the 2015-2016  
7           school year and the 2016-2017 school year, bonuses awarded pursuant to  
8           subdivisions (1) and (2) of this subsection are payable in January of 2017  
9           and January of 2018, respectively, to qualifying ~~third-grade~~ teachers who  
10          remain employed teaching ~~third-grade~~ in the same local school  
11          administrative unit at least from the school year the data is collected until the  
12          corresponding school year that the bonus is paid.

13          (4) A teacher who is eligible to receive a bonus under both subdivisions (1) and  
14          (2) of this subsection shall receive both bonuses. The bonus or bonuses  
15          awarded to a teacher pursuant to this subsection shall be in addition to any  
16          regular wage or other bonus the teacher receives or is scheduled to receive.

17          **"SECTION 9.7.(b)** Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded  
18          by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the  
19          Teachers' and State Employees' Retirement System.

20          **"SECTION 9.7.(c)** The State Board of Education shall ~~report on and study the Third~~  
21          ~~Grade Reading Teacher Performance Pilot Program (Program) as follows: study the effect of the~~  
22          ~~program on teacher performance and retention. The State Board shall report the results of its~~  
23          ~~findings.~~

24          (1) ~~The State Board of Education shall report on~~ the distribution of statewide  
25          bonuses as among local school administrative ~~units—units,~~ and the  
26          distribution of bonuses within local school administrative units as among  
27          individual schools to the President Pro Tempore of the Senate, the Speaker  
28          of the House of Representatives, the Joint Legislative Education Oversight  
29          Committee, and the Fiscal Research Division on March 1, 2017, and again  
30          on March 1, 2018. 15 of each year bonuses are awarded.

31          (2) ~~The State Board of Education shall study the effect of the Program on~~  
32          ~~teacher performance and retention. The State Board of Education shall report~~  
33          ~~the results of its findings to the President Pro Tempore of the Senate, the~~  
34          ~~Speaker of the House of Representatives, the Fiscal Research Division, and~~  
35          ~~the Joint Legislative Education Oversight Committee no later than March 1,~~  
36          ~~2018.~~

37          **"SECTION 9.7.(d)** For the 2017-2018 fiscal year only, the Director of the Budget shall  
38          also include in the Base Budget, as defined by G.S. 143C-1-1(d)(1c), the amount of  
39          nonrecurring funds needed to support the ~~Program~~ program.

40          **"SECTION 9.7.(e)** This section expires June 30, 2018."

41          **SECTION 8.8B.(d)** In addition to the bonuses payable in January 2018 pursuant to  
42          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  
43          Department of Public Instruction shall make payable no later than October 31, 2017, bonuses  
44          earned by qualifying teachers pursuant to data from the 2015-2016 school year, as follows:

45          (1) Bonuses earned pursuant to Section 8.8 or 8.9 of S.L. 2016-94, as amended  
46          by this section, that were not paid in January of 2017 because the teacher  
47          taught in a charter school.

48          (2) Bonuses earned pursuant to Section 8.8, 8.9, 9.7(a)(1), or 9.7(a)(2) of S.L.  
49          2016-94, as amended by this section, that were not paid in January of 2017  
50          because the teacher did not continue teaching the same subject or grade  
51          level.

- 1 (3) Bonuses earned pursuant to Section 8.8(a)(1)c., as amended by this section,  
2 because the teacher taught a Cambridge AICE program course.  
3

### 4 **THIRD GRADE READING TEACHER BONUS PROGRAM FOR 2018-2019**

5 **SECTION 8.8C.(a)** It is the intent of the State to reward teacher performance and  
6 encourage student learning and improvement. To attain this goal, the Department of Public  
7 Instruction shall administer the Third Grade Reading Teacher Bonus Program (program) for the  
8 2018-2019 fiscal year to qualifying teachers who have an Education Value-Added Assessment  
9 System (EVAAS) student growth index score for third grade reading from the previous school  
10 year, as follows:

- 11 (1) For purposes of this section, the following definitions shall apply:  
12 a. Eligible Teacher. – A teacher who meets one or both of the following  
13 criteria:  
14 1. Is in the top twenty-five percent (25%) of teachers in the  
15 State according to the EVAAS student growth index score for  
16 third grade reading from the previous school year.  
17 2. Is in the top twenty-five percent (25%) of teachers in the  
18 teacher's respective local school administrative unit according  
19 to the EVAAS student growth index score for third grade  
20 reading from the previous school year.  
21 b. Qualifying Teacher. – An eligible teacher who remains teaching in  
22 the same local school administrative unit at least from the school  
23 year the data for the EVAAS student growth index score for third  
24 grade reading is collected until the school year a bonus provided  
25 under this subsection is paid.  
26 (2) Of the funds appropriated for this program, five million dollars (\$5,000,000)  
27 shall be allocated for bonuses to eligible teachers under sub-sub-subdivision  
28 (1)a.1. of this subsection. Funds appropriated for this purpose shall be  
29 distributed equally among qualifying teachers.  
30 (3) Of the funds appropriated for this program, five million dollars (\$5,000,000)  
31 shall be allocated for bonuses to eligible teachers under sub-sub-subdivision  
32 (1)a.2. of this subsection. Funds allocated for this bonus shall be divided  
33 proportionally based on average daily membership in third grade for each  
34 local school administrative unit and then distributed equally among  
35 qualifying teachers in each local school administrative unit, subject to the  
36 following conditions:  
37 a. Teachers employed in charter schools, regional schools, and  
38 University of North Carolina laboratory schools are not eligible to  
39 receive a bonus under this subdivision.  
40 b. Any teacher working in a local school administrative unit that  
41 employs three or fewer third grade teachers shall receive a bonus  
42 under this subdivision if that teacher has an EVAAS student growth  
43 index score for third grade reading from the previous school year that  
44 exceeds expected growth.  
45 (4) Bonuses awarded pursuant to subdivisions (2) and (3) of this subsection are  
46 payable in January to qualifying teachers based on EVAAS student growth  
47 index score data from the previous school year.  
48 (5) A qualifying teacher may receive a bonus under both subdivisions (2) and  
49 (3) of this subsection.

1 (6) The bonus or bonuses awarded to a qualifying teacher pursuant to this  
2 section shall be in addition to any regular wage or other bonus the teacher  
3 receives or is scheduled to receive.

4 (7) A bonus awarded pursuant to either subdivision (2) or subdivision (3) of this  
5 subsection shall not exceed three thousand five hundred dollars (\$3,500) in  
6 any given school year. No teacher shall receive more than seven thousand  
7 dollars (\$7,000) in total bonus compensation for any given school year.

8 **SECTION 8.8C.(b)** Notwithstanding G.S. 135-1(7a), the bonuses awarded by this  
9 section are not compensation under Article 1 of Chapter 135 of the General Statutes, the  
10 Teachers' and State Employees' Retirement System.

11 **SECTION 8.8C.(c)** The State Board of Education shall study the effect of the  
12 bonuses awarded pursuant to this section on teacher performance and retention. The State  
13 Board shall report the results of its findings, the distribution of statewide bonuses as among  
14 local school administrative units, and the distribution of bonuses within local school  
15 administrative units as among individual schools to the President Pro Tempore of the Senate,  
16 the Speaker of the House of Representatives, the Joint Legislative Education Oversight  
17 Committee, and the Fiscal Research Division by March 15, 2019.

## 18 **SCHOOL BUS DRIVER COMPENSATION AND EMPLOYMENT STUDY**

19 **SECTION 8.10.** The Department of Public Instruction shall study the  
20 compensation of school bus drivers in the public schools and the challenges of recruiting and  
21 retaining school bus drivers. No later than April 1, 2018, the Department shall submit to the  
22 Joint Legislative Education Oversight Committee and the Fiscal Research Division a report  
23 containing, at a minimum, all of the following information:

- 24 (1) A detailed explanation of how school bus drivers are compensated and  
25 employed in the public schools, including, at a minimum, the following  
26 information:  
27 a. Average driving experience of school bus drivers.  
28 b. Rates of retention of school bus drivers in local school administrative  
29 units.  
30 c. Average term of service for school bus drivers.  
31 d. Average hours worked by school bus drivers, per week.  
32 e. Career paths for school bus drivers within a local school  
33 administrative unit.  
34 f. Percentage of school bus drivers who work in the local school  
35 administrative unit in another capacity.  
36 (2) The challenges of recruiting and retaining school bus drivers faced by local  
37 school administrative units.  
38 (3) Recommendations, including input from local school administrators, on  
39 improving the process of recruiting and retaining school bus drivers.  
40

## 41 **PART IX. COMMUNITY COLLEGES**

### 42 **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

43 **SECTION 9.1.(a)** Notwithstanding any other provision of law and consistent with  
44 the authority established in G.S. 115D-3, the President of the North Carolina Community  
45 College System may reorganize the System Office in accordance with recommendations and  
46 plans submitted to and approved by the State Board of Community Colleges.  
47

48 **SECTION 9.1.(b)** This section expires June 30, 2018.  
49

### 50 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

51

1           **SECTION 9.2.(a)** Of the funds appropriated to the Community Colleges System  
2 Office for the 2017-2019 fiscal biennium for the College Information System, up to one million  
3 two hundred fifty thousand dollars (\$1,250,000) shall not revert at the end of each fiscal year  
4 but shall remain available until expended. These funds may be used only to purchase periodic  
5 system upgrades and modernize the North Carolina Community College System's enterprise  
6 resource planning (ERP) system.

7           **SECTION 9.2.(b)** The President of the North Carolina Community Colleges  
8 System shall work with the Friday Institute for Educational Innovation at North Carolina State  
9 University, the Government Data Analytics Center, and other State agencies to improve  
10 communication between computer systems. The President shall ensure, to the extent  
11 practicable, that its updated computer systems are able to share data with computer systems at  
12 the Department of Public Instruction, other State agencies, and constituent institutions of The  
13 University of North Carolina.

## 14 15 **COMMUNITY COLLEGE WORKFORCE STUDY**

16           **SECTION 9.3.(a)** The State Board of Community Colleges shall study the costs of  
17 workforce training and related academic instruction delivered by the community colleges. The  
18 study shall assess the various factors that affect instructional costs in workforce training  
19 courses, including at a minimum, specialized equipment requirements and faculty salaries.

20           **SECTION 9.3.(b)** As a separate component of its study, the State Board of  
21 Community Colleges shall contract with an independent research organization to conduct an  
22 evaluation of the statewide Apprenticeship Program (Program), which, beginning with the  
23 2017-2018 fiscal year, shall be transferred to and administered by the Community Colleges  
24 System Office pursuant to Section 15.13 of this act. The State Board shall not contract with an  
25 independent research organization that has contracted with the State Board or Community  
26 Colleges System Office within five years preceding commencement of the evaluation and shall  
27 not contract with the selected independent research organization within five years following  
28 completion of the evaluation. The State Board shall direct the independent organization to  
29 conduct a mixed method evaluation that examines the impact of the Program on at least the  
30 following:

- 31           (1) Development of student skill levels.
- 32           (2) Student employability.
- 33           (3) Participation by business sponsors.

34           The evaluation shall include in its results recommendations for best practices to  
35 enhance employer involvement in the Program and to increase student skill level and  
36 employment acquisition resulting from participation in the Program.

37           **SECTION 9.3.(c)** The State Board of Community Colleges shall analyze the  
38 results of its workforce training study and the independent research organization evaluation in  
39 order to make recommendations on how to most effectively coordinate the joint delivery of the  
40 Program and workforce training programs. By September 1, 2018, the State Board shall submit  
41 a report to the Joint Legislative Education Oversight Committee on the results of its analysis,  
42 including any recommendations on the alignment of tier funding with course costs and any  
43 recommended legislative changes.

## 44 45 **START-UP FUNDS FOR HIGH-COST WORKFORCE COURSES**

46           **SECTION 9.5.(a)** The State Board of Community Colleges shall establish the  
47 Community College High-Cost Workforce Program Grant to allocate funds to community  
48 colleges to establish new high-cost workforce Tier 1A and Tier 1B courses that require  
49 significant start-up funds. The State Board shall adopt an application process for community  
50 colleges to apply for the award of funds to establish new courses beginning with the 2018-2019

1 fiscal year. To be eligible to receive the funds, community colleges shall submit to the State  
2 Board a completed application, which shall include at least the following information:

- 3 (1) A description of the proposed program of study.
- 4 (2) An impact assessment of implementing the proposed course on existing  
5 programs at contiguous colleges.
- 6 (3) Documentation of student interest in the course.
- 7 (4) Alignment of the course with the future employment needs within the area  
8 served by the community college and the State.

9 **SECTION 9.5.(b)** The State Board of Community Colleges shall submit a report to  
10 the Joint Legislative Education Oversight Committee by March 1, 2019, on the implementation  
11 of the new high-cost workforce Tier 1A and Tier 1B courses, including at least the following  
12 information:

- 13 (1) The use of funds by community colleges participating in the grant program,  
14 including:
  - 15 a. Start-up costs to establish new courses.
  - 16 b. Costs associated with student instruction, including faculty salaries,  
17 instructional supplies, and related instructional equipment.
- 18 (2) Evaluation of the success of the community college courses, including:
  - 19 a. Student enrollment numbers.
  - 20 b. Student outcomes, including job attainment and placement data and  
21 completion of any certification, diploma, or associate degree  
22 programs.

#### 24 CLARIFY YOUTH APPRENTICESHIP PROGRAM

25 **SECTION 9.8.(a)** G.S. 115D-5(b)(16) reads as rewritten:

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

- 29 a. Meets one of the following:
  - 30 1. Is a registered apprenticeship program recognized by the  
31 United States Department of Labor.
  - 32 2. Is a pre-apprenticeship program recognized and approved by  
33 the State agency administering the statewide apprenticeship  
34 program.
- 35 b. Has a documented plan of study with courses relating to a  
36 job-specific occupational or technical skill.
- 37 c. Requires the participants in the program to be North Carolina high  
38 school students when entering the program."

39 **SECTION 9.8.(b)** This section applies retroactively beginning with the 2016 fall  
40 academic term.

#### 42 CATAWBA VALLEY CC/MANUFACTURING CENTER

43 **SECTION 9.9.** Chapter 115D of the General Statutes is amended by adding a new  
44 Article to read:

45 "Article 5B.

46 "Manufacturing Solutions Center at Catawba Valley Community College.

47 **"§ 115D-67.10. Purpose of the Center.**

48 The purpose of the Manufacturing Solutions Center at Catawba Valley Community College  
49 is to create and maintain jobs in North Carolina through support of traditional and emerging  
50 industries. The Center's services include training, testing, market development, entrepreneur

1 support, product sourcing, prototyping, applied research, and managing a manufacturing  
2 business incubator.

3 **"§ 115D-67.11. Director and other Center personnel.**

4 The president of the Catawba Valley Community College shall appoint an individual to  
5 serve as the executive director of the Manufacturing Solutions Center. The executive director  
6 shall select other personnel of the Center, subject to the approval by the president of the  
7 Catawba Valley Community College. The executive director and other personnel of the Center  
8 are employees of Catawba Valley Community College and are subject to the personnel policies  
9 of the community college.

10 **"§ 115D-67.12. Fees collected by the Center; use of Center funds.**

11 Notwithstanding any other provision of law, all fees collected by the Manufacturing  
12 Solutions Center for services to industry, except for regular curriculum and continuing  
13 education tuition receipts, shall be retained by the Center and used for the operations of the  
14 Center. Purchases made by the Center using these funds are not subject to the provisions of  
15 Article 3 of Chapter 143 of the General Statutes. However, the Center shall (i) notify the  
16 Secretary of the Department of Administration or the Secretary's designee of the intent to enter  
17 into a contract for supplies, materials, printing, equipment, and contractual services that  
18 exceeds one million dollars (\$1,000,000) as provided in G.S. 114-8.3 and (ii) include in all  
19 agreements or contracts to be awarded by the Center under this section a standard clause which  
20 provides that the State Auditor and internal auditors of the Center may audit the records of the  
21 contractor during and after the term of the contract to verify accounts and data affecting fees  
22 and performance. The Center shall not award a cost plus percentage of cost agreement or  
23 contract for any purpose."

24  
25 **HS STUDENTS/NON-CREDIT COURSES LEADING TO INDUSTRY CREDENTIALS**

26 **SECTION 9.10.(a)** G.S. 115D-5(b)(12) reads as rewritten:

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

29 **SECTION 9.10.(b)** G.S. 115D-20(4)a.2. reads as rewritten:

30 "2. Academic transition pathways for qualified junior and senior  
31 high school students that lead to a career technical education  
32 ~~certificate or diploma~~-certificate, diploma, or State or  
33 industry-recognized credential and academic transition  
34 pathways for qualified freshmen and sophomore high school  
35 students that lead to a career technical education certificate or  
36 diploma in (i) industrial and engineering technologies, (ii)  
37 agriculture and natural resources, or (iii) transportation  
38 technology."

39 **SECTION 9.10.(c)** G.S. 115D-5 is amended by adding a new subsection to read:

40 "(b2) Beginning February 1, 2018, and annually thereafter, the State Board of Community  
41 Colleges shall report to the Joint Legislative Education Oversight Committee on the number  
42 and type of waivers granted pursuant to subsection (b) of this section."

43 **SECTION 9.10.(d)** This section applies beginning with the 2017-2018 academic  
44 year.

45  
46 **ESTABLISH BOARD OF POSTSECONDARY EDUCATION CREDENTIALS**

47 **SECTION 9.11.(a)** Chapter 115D of the General Statutes is amended by adding a  
48 new Article to read:

49 "Article 9.

50 "Postsecondary Education Credentials.

51 **"§ 115D-100. Board of Postsecondary Education Credentials.**



1       (a) Findings. – The General Assembly finds that, in today's economy, opportunities for  
2 North Carolina's citizens to reach the middle class with a high school level education or even  
3 less have significantly decreased. To be competitive and obtain better paying jobs that lead to a  
4 better quality of life in the State's current and future economy, most citizens will need some  
5 type of postsecondary education that qualifies them for employment. The General Assembly  
6 recognizes the importance of bringing together potential employers and providers of  
7 postsecondary education for the purpose of identifying workforce skills and training needs and  
8 developing courses of study and vocational training that meet the standards expected and  
9 required by industries, corporations, and other employers. The General Assembly further finds  
10 that the establishment of a permanent board with members who are knowledgeable about  
11 postsecondary education and workforce training needs will enable providers of postsecondary  
12 education to prepare and design training programs that are responsive to workforce needs and  
13 that will assist the State's citizens in securing the credentials required to obtain better paying  
14 jobs.

15       The General Assembly recognizes that postsecondary education opportunities should be  
16 easily available and accessible to all citizens. Therefore, the General Assembly encourages  
17 State educators, when designing the method and manner for delivering postsecondary  
18 educational programs, to take into account the varying income levels and economic  
19 circumstances of the State's citizens, transportation needs, and other unique challenges in both  
20 urban and rural areas of the State that affect accessibility to postsecondary education  
21 opportunities and to make genuine efforts to accommodate and address those factors.

22       The General Assembly also finds that most employers consider postsecondary credentials  
23 such as academic degrees and high-quality, nondegree certifications awarded by institutions of  
24 higher education when determining whether a person has the expertise and skills required for a  
25 job. However, high-quality credentials may also be obtained through other alternative models  
26 such as open-source online programs, on-the-job training, and military experience. Therefore, it  
27 is essential that a system also be devised in which the meaning and validity of postsecondary  
28 credentials is clear and understandable to educators, employers, and students and that  
29 accurately conveys the knowledge, skills, and training obtained by an individual however and  
30 wherever it is obtained.

31       (b) Board Established. – There is established the Board of Postsecondary Education  
32 Credentials to be located administratively under the Community Colleges System Office;  
33 however, the Board shall exercise all its prescribed powers independently of the Community  
34 Colleges System Office. The Board shall consist of the following members:

- 35           (1) The Lieutenant Governor or the Lieutenant Governor's designee.
- 36           (2) The President of The University of North Carolina or the President's  
37 designee.
- 38           (3) The President of the North Carolina Community College System or the  
39 President's designee.
- 40           (4) The Superintendent of Public Instruction or the Superintendent's designee.
- 41           (5) The Commissioner of Labor or the Commissioner's designee.
- 42           (6) The Secretary of Commerce or the Secretary's designee.
- 43           (7) The President of North Carolina Independent Colleges and Universities or  
44 the President's designee.
- 45           (8) The Executive Director of the Office of Proprietary Schools or the Executive  
46 Director's designee.
- 47           (9) The President of the North Carolina Hospital Association or the President's  
48 designee.
- 49           (10) The Executive Director of the North Carolina State Education Assistance  
50 Authority or the Executive Director's designee.

1       (c) Purpose. – The purpose of the Board is to review and make recommendations for  
2 the development of a statewide system of postsecondary education that links industry,  
3 corporations, and businesses in this State with educators, government, and community  
4 organizations to identify workforce skills and training needs and to ensure that appropriate  
5 courses of study and vocational training are available to North Carolinians, including those  
6 preparing to pursue postsecondary education, entering the workforce, or seeking to update  
7 skills and training for purposes of retaining employment and advancing in the workforce.

8       In addition, the Board shall identify alternative ways in which people gain valuable  
9 workforce skills and experience, such as on-the-job training, that are not represented by  
10 four-year or two-year degrees and the types of credentials used to signify competence of a  
11 certain level upon successful completion of the alternative training experience. The Board shall  
12 review and make recommendations on those criteria to be used to determine the value of a  
13 nondegree credential, the competencies that it represents, and how it should be compared and  
14 valued with regard to other types of postsecondary credentials.

15       (d) Duties. – The duties of the Board include the following:

16           (1) Recommend State goals and a framework for achieving those goals among  
17 educators to ensure that, by 2025, the appropriate percentage, as  
18 recommended by the Board, of the State's adult citizens will hold degrees,  
19 certificates, or other high-quality postsecondary credentials. The Board shall  
20 recommend a division of responsibility among The University of North  
21 Carolina System, the State's Community College System, and any other  
22 providers of postsecondary education credentials for achieving the goals  
23 recommended by the Board. The Board shall periodically review the  
24 progress made toward the recommended goals, evaluate the strategies  
25 developed and used toward attaining those goals, and may make additional  
26 recommendations.

27           (2) Identify the credentials that are acceptable for meeting those recommended  
28 goals and recommend how the responsibility for providing the courses of  
29 study and training for those credentials should be assigned among the State's  
30 educators and others. In making these recommendations, consideration shall  
31 be given to the fact that the individuals who need these courses of study and  
32 training are of various economic levels and are also located in rural areas  
33 and metropolitan areas across the State. These factors shall be taken into  
34 account with regard to the location and delivery of the courses of study and  
35 training programs.

36           (3) Address the issue of postsecondary credentials, the various levels of skill and  
37 knowledge those credentials signify, and how to accurately convey that  
38 information to employers, students and trainees, and providers of  
39 postsecondary education. The Board shall consider procedures and methods  
40 for recognizing skills and training needed in the workforce that an individual  
41 may have obtained through military experience, through on-the-job and  
42 employee-proved training, or through other life experiences.

43       (e) Chair. – The Board shall elect from the members a chair and a vice-chair for terms  
44 of two years. A chair or vice-chair may serve no more than two consecutive terms in that role.

45       (f) Hire Staff and Consultants. – To the extent of funds available, the Chair of the  
46 Board may, with the approval of the Board, hire staff or consultants to assist the Board in  
47 carrying out its purpose and duties.

48       (g) Travel and Subsistence. – Members, staff, and consultants of the Board shall receive  
49 travel and subsistence expenses in accordance with the provisions of G.S. 138-5 or G.S. 138-6,  
50 as appropriate.

1        (h) Meeting Space. – With the approval of the Legislative Services Commission, space  
2 in the Legislative Building and the Legislative Office Building may be made available to the  
3 Board.

4        (i) Frequency of Meetings and Quorum. – The Board shall meet upon the call of the  
5 Chair and shall have its first meeting no later than October 1, 2017. The Board shall meet at  
6 least quarterly. A majority of the members of the Board shall constitute a quorum for the  
7 transaction of business.

8        (j) Reporting Requirement. – The Board shall report initially no later than March 1,  
9 2018, to the Joint Legislative Education Oversight Committee regarding the goals  
10 recommended by the Board pursuant to this section and the progress in meeting those goals and  
11 shall report annually thereafter. The report shall include any recommendations by the Board  
12 regarding legislation needed to implement this section."

13        **SECTION 9.11.(b)** Of the funds appropriated by this act for the 2017-2019 fiscal  
14 biennium to the Community Colleges System Office, the sum of three hundred fifty thousand  
15 dollars (\$350,000) for the 2017-2018 fiscal year and the sum of three hundred fifty thousand  
16 dollars (\$350,000) for the 2018-2019 fiscal year shall be allocated to the Board of  
17 Postsecondary Education Credentials to be used to cover operating expenses of the Board,  
18 including expenses for staff and consultants to assist the Board in carrying out its purpose and  
19 duties.  
20

#### 21 **CC ENROLLMENT IMPACTED BY HURRICANE MATTHEW/HOLD HARMLESS**

22        **SECTION 9.12.(a)** Of the funds appropriated by this act to the Community  
23 College System Office for the 2017-2018 fiscal year, the Community College System Office  
24 shall transfer the sum of two million seven hundred sixty-two thousand four hundred eighteen  
25 dollars (\$2,762,418) into a budget stabilization reserve in Budget Code 16800 to be used to  
26 offset the decline in community college enrollment at certain campuses for the Fall 2016 and  
27 Spring 2017 semesters due to the impact of Hurricane Matthew.

28        **SECTION 9.12.(b)** Notwithstanding any other provision of law, when calculating  
29 the enrollment growth budget request for the Community College System to the Director of the  
30 Budget for the 2018-2019 fiscal year, the Community College System Office shall adjust  
31 full-time equivalent (FTE) enrollment to reflect the 526 FTE lost due to the impact of  
32 Hurricane Matthew.  
33

#### 34 **HIGH ACHIEVING SCHOLARSHIPS FOR TOP-PERFORMING HIGH SCHOOL** 35 **STUDENTS**

36        **SECTION 9.13.(a)** Purpose of Program. – There is created the High Achieving  
37 Tuition Scholarship Program. The purposes of the High Achieving Tuition Scholarship  
38 Program include the following:

- 39        (1) Encourage higher-performing students at community colleges.
- 40        (2) Utilize the State's educational resources to the fullest.
- 41        (3) Create more educational and career options for students.
- 42        (4) Realize significant cost savings to the State.
- 43        (5) Develop a more competitive workforce.

44        **SECTION 9.13.(b)** Scholarship Eligibility. – A student shall be eligible to receive  
45 a High Achieving Tuition Scholarship if the student meets all of the following requirements:

- 46        (1) In the academic semester prior to enrolling in a community college,  
47 graduates with at least a 3.5 unweighted grade point average from either (i) a  
48 public high school located in this State or (ii) a nonpublic high school or  
49 home school, as defined in Article 39 of Chapter 115C of the General  
50 Statutes, located in this State.

- 1 (2) Presents evidence the student is either a United States citizen or eligible  
2 noncitizen.
- 3 (3) Qualifies as a resident of this State for tuition purposes, as provided in  
4 Article 14 of Chapter 116 of the General Statutes.
- 5 (4) Gains admission as a student at a North Carolina community college in a  
6 curriculum program.
- 7 (5) Complies with Selective Service registration requirements.
- 8 (6) Affirmatively states the student does not have a felony conviction for a  
9 controlled substance offense under Article 5 of Chapter 90 of the General  
10 Statutes.

11 **SECTION 9.13.(c)** Award of Scholarships. – The Community Colleges System  
12 Office shall annually award High Achieving Tuition Scholarships to all eligible students in an  
13 amount not to exceed the cost of 16 credit hours of tuition per fall or spring academic semester  
14 for a maximum of four academic semesters. The System Office shall contract with the State  
15 Education Assistance Authority (Authority) for administration of the scholarship program. The  
16 Authority shall require students to complete a Free Application for Federal Student Aid  
17 (FAFSA) to be eligible for a scholarship award and shall reduce the amount of the scholarship  
18 award for any student by the amount of grants or scholarships received by that student from  
19 other State or federal sources. The Authority shall award scholarships to eligible students in the  
20 order in which they are received. The Authority shall award scholarships beginning with the  
21 fall semester of the 2018-2019 academic year to students graduating from high school in the  
22 2017-2018 school year.

23 **SECTION 9.13.(d)** Scholarship Renewal. – A scholarship awarded to an eligible  
24 student shall be annually renewed if the student demonstrates all of the following:

- 25 (1) A cumulative 3.0 grade point average.
- 26 (2) Completion of a minimum of 30 semester credit hours by the end of the  
27 academic year.
- 28 (3) An affirmative statement the student does not have a felony conviction for a  
29 controlled substance offense under Article 5 of Chapter 90 of the General  
30 Statutes.

31 **SECTION 9.13.(e)** Scholarship Revocation. – A scholarship awarded to an eligible  
32 student shall be revoked at the conclusion of the first semester of an academic year for any of  
33 the following:

- 34 (1) Failure to maintain a course load of at least 12 credit hours.
- 35 (2) Default or unpaid refund on a student financial aid program.

36 **SECTION 9.13.(f)** Scholarship Administration. – The State Board of Community  
37 Colleges and the Authority shall adopt rules for administration of the High Achieving Tuition  
38 Scholarship Program.

39 **SECTION 9.13.(g)** Course Counseling and Transfer. – Community colleges shall  
40 ensure that scholarship recipients are provided counseling and assistance in maintaining the  
41 necessary grade point averages and selecting coursework that reflects their educational and  
42 career goals. For students planning to enter a constituent institution of The University of North  
43 Carolina, the State Board of Community Colleges shall ensure that credits earned by those  
44 students participating in the program are transferable.

45 **SECTION 9.13.(h)** Of the funds appropriated by this act to the Community  
46 Colleges System Office for the 2017-2018 fiscal year, the System Office shall use the sum of  
47 fifty thousand dollars (\$50,000) for the 2017-2018 fiscal year for administrative costs related to  
48 the implementation of the High Achieving Tuition Scholarship Program, including contracting  
49 with the Authority for this purpose. Of the funds appropriated by this act to the Community  
50 Colleges System Office for the 2018-2019 fiscal year, the System Office shall use the sum of  
51 two million dollars (\$2,000,000) for the 2018-2019 fiscal year for administrative costs and

1 award of scholarships, including contracting with the Authority for this purpose. Beginning  
2 with the 2018-2019 fiscal year, the System Office may use up to five percent (5%) of the  
3 appropriated funds for administrative costs associated with the Program. Any unexpended  
4 funds for the purposes set forth in this section shall not revert at the end of each fiscal year but  
5 shall remain available to award scholarships to eligible students.

6 **SECTION 9.13.(i)** The Board of Governors of The University of North Carolina  
7 shall adopt a policy to permit any student admitted to a constituent institution who receives a  
8 High Achieving Tuition Scholarship to defer admission to the constituent institution for two  
9 years, beginning with the 2018-2019 academic year. Deferred admission shall be contingent  
10 upon the successful completion of an associate's degree and remaining in good standing in the  
11 Scholarship Program while enrolled in the community college.

12 **SECTION 9.13.(j)** For the 2017-2018 school year, the State Board of Education  
13 shall direct local boards of education to survey high school students in their senior year who  
14 meet the eligibility requirements of the High Achieving Tuition Scholarship Program to  
15 determine interest in the program, including numbers of students who intend to apply for the  
16 scholarship, and reasons that eligible students may choose not to apply for the scholarship. The  
17 State Board of Education shall report to the Joint Legislative Education Oversight Committee  
18 no later than December 15, 2017, on the results of this survey.

19 **SECTION 9.13.(k)** The Board of Governors of The University of North Carolina  
20 and the State Board of Community Colleges shall jointly identify and report to the Joint  
21 Legislative Education Oversight Committee by April 1, 2020, on potential issues related to the  
22 transition of High Achieving Tuition Scholarship recipients from community college to  
23 university enrollment and other recommendations to improve and expand the High Achieving  
24 Tuition Scholarship Program.

25 **SECTION 9.13.(l)** The State Education Assistance Authority shall report annually  
26 on or before September 1, beginning in 2019, to the Joint Legislative Education Oversight  
27 Committee on the implementation of the High Achieving Tuition Scholarship Program. The  
28 report shall include at least the following information:

- 29 (1) Number of students applying for the scholarship, including information  
30 about student demographics and geographic location.
- 31 (2) Number of students awarded the scholarship, including information about  
32 student demographics and geographic location, and community college  
33 attended.
- 34 (3) Amount of funds expended for scholarships.
- 35 (4) Number of students whose scholarships were revoked and reasons for  
36 revocation.
- 37 (5) Other relevant information as determined by the Authority.

## 38 39 **INVEST IN SHORT-TERM WORKFORCE TRAINING**

40 **SECTION 9.14.(a)** Of the funds appropriated by this act to the Community  
41 Colleges System Office for the 2017-2018 fiscal year, the System Office shall allocate funds to  
42 community colleges to support short-term workforce training courses leading to industry  
43 credentials. The State Board of Community Colleges shall adopt an application process for  
44 community colleges to apply to receive these funds. These funds shall be allocated at the same  
45 full-time equivalent (FTE) value as curriculum courses.

46 **SECTION 9.14.(b)** By April 1, 2018, the State Board of Community Colleges  
47 shall submit a report on the implementation of this section to the Joint Legislative Education  
48 Oversight Committee, the House Education Appropriations Committee, the Senate  
49 Education/Higher Education Committee, the Fiscal Research Division, and the Office of State  
50 Budget and Management.

**PART X. UNIVERSITIES****ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS REPORT**

**SECTION 10.2.** The President of The University of North Carolina shall report each quarter of the 2017-2019 fiscal biennium to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on the status of budget stabilization funds appropriated to Elizabeth City State University by this act for the purpose of supporting temporary faculty, aviation science programs, and student success initiatives. The reports shall provide detailed descriptions of the scope of work that has been completed to date, anticipated activities for the next quarter, and a plan with time lines to complete the full scope of work. The reports shall also include outcomes achieved from improvements implemented using these funds. The first quarterly report required by this section shall be made no later than January 1, 2018.

**WESTERN SCHOOL OF ENGINEERING AND TECHNOLOGY FUNDS**

**SECTION 10.5.(a)** Funds appropriated for project management and curriculum development at the Western School of Engineering and Technology which was funded in the Connect NC Bond for the 2016-2017 fiscal year shall not revert and shall remain available for the 2017-2019 fiscal biennium for the purpose of project management and curriculum development.

**SECTION 10.5.(b)** This section becomes effective June 30, 2017.

**ENHANCE UNC DATA SYSTEMS TO IMPROVE INSTITUTIONAL PERFORMANCE AND STUDENT SUCCESS**

**SECTION 10.6.(a)** The Board of Governors of The University of North Carolina shall use funds appropriated by this act to modernize business processes, increase standardization, and maximize State resources. The investment will enable better financial management of The University of North Carolina and should yield, at a minimum, but not limited to, cost-per-unit analysis, predictive modeling, and more timely access to actionable information. Funds shall also be used to enhance data systems for the following purposes: integrating financial, human resource, and student account systems across The University of North Carolina System; developing new data collections systems that track faculty and staff retention rates and post-graduation student outcomes; expanding "Know Before You Go" data reporting; and implementing a Web-based student advising tool as part of a pilot program to be known as "Finish in Four."

**SECTION 10.6.(b)** The President of The University of North Carolina shall report on implementation of this section to the Joint Legislative Education Oversight Committee on or before March 1 of each fiscal year of the 2017-2019 fiscal biennium. The report shall identify specific improvements to data access, analytics, and transparency available to the public and legislative and executive branch decision-makers resulting from this project.

**UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS**

**SECTION 10.7.(a)** The funds appropriated by this act from the Escheat Fund for the 2017-2019 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year,

1 the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the  
2 amount of the Escheat Fund income for that fiscal year.

3 **SECTION 10.7.(b)** The State Education Assistance Authority (SEAA) shall  
4 conduct periodic evaluations of expenditures of the student financial aid programs administered  
5 by SEAA to determine if allocations are utilized to ensure access to institutions of higher  
6 learning and to meet the goals of the respective programs. The SEAA may make  
7 recommendations for redistribution of funds to the President of The University of North  
8 Carolina and the President of the Community College System regarding their respective student  
9 financial aid programs, who then may authorize redistribution of unutilized funds for a  
10 particular fiscal year.

#### 11 **UNC MANAGEMENT FLEXIBILITY REDUCTION**

12 **SECTION 10.8.(a)** The Board of Governors shall develop a new plan for  
13 implementing the management flexibility reduction for The University of North Carolina that is  
14 more inclusive of all of the constituent institutions, departments, services, and other entities of  
15 the University of North Carolina System. In allocating the management flexibility reduction, no  
16 constituent institution shall be disproportionately singled out. The constituent institutions and  
17 other entities listed in subsection (b) of this section shall be excluded from the management  
18 flexibility reduction.

19 Before taking reductions in instructional budgets, the Board of Governors and the  
20 campuses of the constituent institutions shall consider all of the following:

- 21 (1) Reducing State funding for centers and institutes, speaker series, and other  
22 nonacademic activities.
- 23 (2) Faculty workload adjustments.
- 24 (3) Restructuring of research activities.
- 25 (4) Implementing cost-saving span of control measures.
- 26 (5) Reducing the number of senior and middle management positions.
- 27 (6) Eliminating low-performing, redundant, or low-enrollment programs.
- 28 (7) Using alternative funding sources.
- 29 (8) Protecting direct classroom services.

30 The Board of Governors and the campuses of the constituent institutions also shall  
31 review the institutional trust funds and the special funds held by or on behalf of The University  
32 of North Carolina and its constituent institutions to determine whether there are monies  
33 available in those funds that can be used to assist with operating costs. In addition, the  
34 campuses of the constituent institutions also shall require their faculty to have a teaching  
35 workload equal to the national average in their Carnegie classification.

36 **SECTION 10.8.(b)** In allocating the management flexibility reduction, no  
37 reduction in State funds shall be allocated to any of the following:

- 38 (1) NC School of Science and Mathematics.
- 39 (2) University of North Carolina School of the Arts.
- 40 (3) Any entity receiving less than one and one-half percent (1.5%) of the annual  
41 net General Fund appropriation for The University of North Carolina.
- 42 (4) Any need-based financial aid.

43 **SECTION 10.8.(c)** The Board of Governors shall submit its management  
44 flexibility reduction plan revised pursuant to subsections (a) and (b) of this section for the  
45 2017-2019 fiscal biennium to the 2017 General Assembly within 60 days of the date this  
46 section becomes effective.

#### 47 **IN-STATE TUITION FOR VETERANS/COMPLIANCE WITH FEDERAL LAW**

48 **SECTION 10.11.** G.S. 116-143.3A reads as rewritten:  
49  
50

1 **"§ 116-143.3A. Waiver of 12-month residency requirement for certain veterans and other**  
2 **individuals entitled to federal education benefits under 38 U.S.C. Chapter 30 or**  
3 **38 U.S.C. Chapter 33.**

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

5 (1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).

6 (2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).

7 (3) Veteran. – A person who served active duty for not less than 90 days in the  
8 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,  
9 or the National Oceanic and Atmospheric Administration and who was  
10 discharged or released from such service.

11 (b) Waiver of 12-Month Residency Requirement for Veteran. – Any veteran who  
12 qualifies for admission to an institution of higher education as defined in G.S. 116-143.1(a)(3)  
13 is eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment  
14 without satisfying the 12-month residency requirement under G.S. 116-143.1, provided the  
15 veteran meets all of the following criteria:

16 (1) The veteran applies for admission to the institution of higher education and  
17 enrolls within three years of the veteran's discharge or release from the  
18 Armed Forces, the Commissioned Corps of the U.S. Public Health Service,  
19 or the National Oceanic and Atmospheric Administration.

20 (2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C.  
21 Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance  
22 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as  
23 administered by the U.S. Department of Veterans Affairs.

24 (3) The veteran's abode is North Carolina.

25 (4) The veteran provides the institution of higher education at which the veteran  
26 intends to enroll a letter of intent to establish residence in North Carolina.

27 (c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38  
28 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational  
29 benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the  
30 in-State tuition rate and applicable mandatory fees for enrollment without satisfying the  
31 12-month residency requirement under G.S. 116-143.1, if the person meets all of the following  
32 criteria:

33 (1) The person qualifies for admission to the institution of higher education as  
34 defined in G.S. 116-143.1(a)(3) ~~and~~ and, with the exception of individuals  
35 described in subsections (c1) and (c2) of this section, enrolls in the  
36 institution of higher education within three years of the veteran's discharge  
37 or release from the Armed Forces, the Commissioned Corps of the U.S.  
38 Public Health Service, or the National Oceanic and Atmospheric  
39 Administration.

40 (2) The person is the recipient of federal educational benefits pursuant to 38  
41 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance  
42 Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as  
43 administered by the U.S. Department of Veterans Affairs.

44 (3) The person's abode is North Carolina.

45 (4) The person provides the institution of higher education at which the person  
46 intends to enroll a letter of intent to establish residence in North Carolina.

47 (c1) Recipients using transferred Post-9/11 GI Bill benefits (38 U.S.C. § 3319) while the  
48 transferor is on active duty in the Armed Forces, the commissioned corps of the U.S. Public  
49 Health Service, or the National Oceanic and Atmospheric Administration are eligible for the  
50 in-State tuition rate, provided the recipient's abode is in North Carolina and the recipient



1 provides the institution of higher education a letter of intent to establish residency in North  
2 Carolina.

3 (c2) Recipients of the Marine Gunnery Sergeant John David Fry Scholarship (38 U.S.C.  
4 § 3311(b)(9)), whose parent or spouse died in the line of duty, without regard as to whether the  
5 death in the line of duty followed a period of active duty service of 90 days or more, are  
6 eligible to receive in-State tuition under this section, provided the recipient's abode is in North  
7 Carolina and the recipient provides the institution of higher education a letter of intent to  
8 establish residency in North Carolina.

9 (d) After the expiration of the three-year period following discharge ~~or death~~ as  
10 described in 38 U.S.C. § 3679(c), any enrolled veteran entitled to federal educational benefits  
11 under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other enrolled individual  
12 described in subsection (c) of this section entitled to federal educational benefits under 38  
13 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who is eligible for in-State tuition under this section  
14 shall continue to be eligible for the in-State tuition rate so long as the covered individual  
15 remains continuously enrolled (other than during regularly scheduled breaks between courses,  
16 quarters, terms, or semesters) at that institution of higher education."  
17

## 18 SENIOR CITIZENS MAY AUDIT COURSES AT UNC AND COMMUNITY 19 COLLEGES

20 SECTION 10.12.(a) Chapter 115B of the General Statutes is amended by adding a  
21 new section to read:

### 22 "§ 115B-2B. Senior citizens may audit classes.

23 Any person who is at least 65 years old may audit courses offered at the constituent  
24 institutions of The University of North Carolina and the Community Colleges as defined in  
25 G.S. 115D-2(2) without payment of any required registration or enrollment fee for the audit  
26 provided the audit is approved by the instructor of the class and there is no cost to the State. A  
27 person shall be allowed to audit a class under this section only on a space available basis.  
28 Persons auditing classes under this section shall not be counted in the computation of  
29 enrollment for funding purposes."

30 SECTION 10.12.(b) G.S. 115B-4 reads as rewritten:

### 31 "§ 115B-4. Enrollment computation for funding purposes.

32 ~~Persons~~ Except as provided in G.S. 115B-2B, persons attending classes under the  
33 provisions of this Chapter, without payment of tuition, shall be counted in the computation of  
34 enrollment for funding purposes."

35 SECTION 10.12.(c) This section becomes effective July 1, 2017, and applies  
36 beginning with the 2017 fall academic semester.  
37

## 38 BOARD OF GOVERNORS STUDIES/ESTABLISH SCHOOL OF HEALTH SCIENCES 39 AND HEALTH CARE AT UNC-PEMBROKE AND ESTABLISH PHYSICIAN 40 ASSISTANT PROGRAM, CHIROPRACTIC MEDICINE PROGRAM, AND A 41 PILOT PROGRAM FOR BASIC LAW ENFORCEMENT TRAINING AT WSSU

42 SECTION 10.14.(a) The Board of Governors of The University of North Carolina  
43 shall study the feasibility of establishing a School of Health Sciences and Health Care at the  
44 University of North Carolina at Pembroke. In its study, the Board of Governors shall consider  
45 the health care needs of the region and what health science and health care programs would  
46 best serve the region and meet its health care needs. The Board of Governors shall also  
47 consider the costs and financial benefits of establishing a School of Health Sciences and Health  
48 Care.

49 The Board of Governors shall submit a report on the study, including its findings  
50 and recommendations, by March 1, 2018, to the members of the Senate and the House of  
51 Representatives, by filing a copy of the report with the Office of the President Pro Tempore of

1 the Senate, the Office of the Speaker of the House of Representatives, and the Legislative  
2 Library.

3 **SECTION 10.14.(b)** Of the funds appropriated by this act to the Board of  
4 Governors of The University of North Carolina for the 2017-2018 fiscal year, the Board may  
5 use up to one hundred thousand dollars (\$100,000) to cover the costs of the study required by  
6 subsection (a) of this section.

7 **SECTION 10.14.(c)** The Board of Governors of The University of North Carolina  
8 shall study the feasibility of establishing the following programs at Winston-Salem State  
9 University: a Physician Assistant Program, a Chiropractic Medicine Program, and a pilot  
10 program for Basic Law Enforcement Training. In its study, the Board of Governors shall  
11 consider the costs and financial benefits of establishing these programs at Winston-Salem State  
12 University.

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 **UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS**

19 **SECTION 10.15.** Of the funds appropriated by this act to the Board of Governors  
20 of The University of North Carolina, the Board of Governors shall use twenty-nine million  
21 dollars (\$29,000,000) for the 2017-2018 fiscal year and twenty-nine million dollars  
22 (\$29,000,000) for the 2018-2019 fiscal year to support UNC-related activities at the North  
23 Carolina Research Campus at Kannapolis.

### 24 **CERTAIN EMPLOYMENT AUTHORITY**

25 **SECTION 10.17.** G.S. 116-11 is amended by adding a new subdivision to read:  
26 "**§ 116-11. Powers and duties generally.**

27 The powers and duties of the Board of Governors shall include the following:

28 ...

29 (13b) The Board may authorize the hiring of private counsel to represent the  
30 Board, The University of North Carolina, and any constituent institution.  
31 G.S. 114-2.3 and G.S. 147-17 shall not apply to these actions.

32 ...."

### 33 **LIMIT NC PROMISE TUITION RATE TO NC RESIDENTS**

34 **SECTION 10.18.(a)** G.S. 116-143.11(a) reads as rewritten:

35 "(a) The NC Promise Tuition Plan shall be established and implemented as provided by  
36 this section. Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The  
37 University of North Carolina shall set the rate of undergraduate tuition for Elizabeth City State  
38 University, the University of North Carolina at Pembroke, and Western Carolina University as  
39 follows: beginning with the 2018 fall academic semester, the rate of tuition for students deemed  
40 to be North Carolina residents for purposes of tuition shall be five hundred dollars (\$500.00)  
41 per academic semester ~~and the rate of tuition for nonresident students shall be two thousand~~  
42 ~~five hundred dollars (\$2,500) per academic semester.~~ The rate of tuition for  
43 nonresident students shall be fixed pursuant to G.S. 116-144."

44 **SECTION 10.18.(b)** G.S. 116-144 reads as rewritten:

45 "**§ 116-144. Higher tuition to be charged nonresidents.**

46 ~~Unless provided otherwise by law, the~~ The Board of Governors shall fix the tuition and  
47 required fees charged nonresidents of North Carolina who attend the institutions enumerated in  
48 G.S. 116-4 at rates higher than the rates charged residents of North Carolina and comparable to  
49  
50  
51

1 the rates charged nonresident students by comparable public institutions nationwide, except that  
2 a person who serves as a graduate teaching assistant or graduate research assistant or in a  
3 similar instructional or research assignment and is at the same time enrolled as a graduate  
4 student in the same institution may, in the discretion of the Board of Governors, be charged a  
5 lower rate fixed by the Board, provided the rate is not lower than the North Carolina resident  
6 rate."  
7

## 8 **"FINISH IN FOUR" AND "STUDENT SUCCESS INITIATIVES" REPORTING** 9 **REQUIREMENTS**

10 **SECTION 10.19.(a)** The University of North Carolina General Administration  
11 shall report to the Joint Legislative Education Oversight Committee regarding "Finish in Four"  
12 which is a pilot program for the implementation of a particular type of software that functions  
13 as a digital advising tool and is designed to help a student select the right academic courses at  
14 the right time to ensure the timely completion of a degree. The initial report shall be submitted  
15 by March 1, 2018, and shall include the institutions selected to participate in the pilot program  
16 and the vendor selected for the software. A progress report shall be submitted no later than May  
17 1, 2019, and shall include an evaluation of the utilization of the software and the success of the  
18 program.

19 **SECTION 10.19.(b)** The University of North Carolina General Administration  
20 shall report to the Joint Legislative Education Oversight Committee regarding the "Student  
21 Success Innovation Initiative" which is a competitive grant program that awards grants to  
22 institutions to implement or scale a strategy designed to do the following: enhance student  
23 advising and coaching, leverage technology to redesign courses with high withdrawal and  
24 failure rates, and provide peer-to-peer tutoring and academic support. The initial report shall be  
25 submitted by March 1, 2018, and shall include the institutions selected to receive grants. A final  
26 report shall be submitted by March 15, 2019, and shall include the strategies implemented, the  
27 amount of funds awarded to each recipient, and the progress made with regard to students'  
28 academic success.  
29

## 30 **UNC COMPUTER COMPATIBILITY**

31 **SECTION 10.20.** The President of The University of North Carolina shall work  
32 with the Department of Information Technology to ensure, to the extent practicable, that The  
33 University of North Carolina computer systems are able to share data among computer systems  
34 at the constituent institutions, community colleges, Department of Public Instruction, and other  
35 State agencies.  
36

## 37 **UNC CYBERSECURITY**

38 **SECTION 10.21.(a)** The President of The University of North Carolina, in  
39 collaboration with the Department of Information Technology or other cybersecurity consultant  
40 selected by the President, shall review the existing security for the information technology  
41 systems and associated data of The University of North Carolina System to determine whether  
42 the cybersecurity and risk management services supporting the System's network are sufficient  
43 or whether expansion is needed. The review shall include an evaluation of all of the following:  
44 (i) continuous monitoring and risk assessment; (ii) security policy, implementation of security  
45 programs and effective security controls, and ongoing support for operating security  
46 governance; and (iii) security training and education services for faculty, staff, and  
47 administrators. The President shall take appropriate measures to address any potential problems  
48 or issues identified by the review.

49 **SECTION 10.21.(b)** Each constituent institution shall conduct a review of the  
50 existing security for the information technology systems and associated data of the constituent  
51 institution to determine whether the cybersecurity and risk management services supporting the

1 System's network are sufficient or whether expansion is needed. The review shall include an  
2 evaluation of (i) continuous monitoring and risk assessment; (ii) security policy,  
3 implementation of security programs and effective security controls, and ongoing support for  
4 operating security governance; and (iii) security training and education services for faculty,  
5 staff, and administrators. The Chancellor of the constituent institution shall take appropriate  
6 measures to address any potential problems or issues identified by the review.  
7

#### 8 **UNC NEED-BASED FINANCIAL AID PROGRAM/MANAGEMENT FLEX FUNDS**

9 **SECTION 10.22.(a)** Notwithstanding any other provision of law, the funds  
10 appropriated from the General Fund to the Board of Governors by this act for the 2017-2019  
11 fiscal biennium for the UNC Need-Based Financial Aid Program shall be increased by the sum  
12 of fifty-three million four hundred eleven thousand six hundred forty-eight dollars  
13 (\$53,411,648) for the 2017-2018 fiscal year and by the sum of fifty-one million three hundred  
14 eighty-six thousand ninety dollars (\$51,386,090) for the 2018-2019 fiscal year.

15 **SECTION 10.22.(b)** Notwithstanding any other provision of law, the management  
16 flexibility reduction for The University of North Carolina for the 2017-2018 fiscal year set  
17 forth in this act shall be decreased by the sum of nineteen million eight hundred sixty-five  
18 thousand five hundred forty-four dollars (\$19,865,544) for the 2017-2018 fiscal year.  
19

#### 20 **SUBPART X-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY**

#### 21 **SOFTWARE FOR ADMINISTRATION OF THE OPPORTUNITY SCHOLARSHIP** 22 **AND SPECIAL EDUCATION SCHOLARSHIP PROGRAMS**

23 **SECTION 10A.1.(a)** Notwithstanding G.S. 115C-562.8, of the funds appropriated  
24 by this act for the Opportunity Scholarship Grant Fund Reserve for the 2017-2018 fiscal year,  
25 the North Carolina State Education Assistance Authority (Authority) may use up to one million  
26 eight hundred thousand dollars (\$1,800,000) in nonrecurring funds for the 2017-2018 fiscal  
27 year to purchase software necessary to support the administration of the Opportunity  
28 Scholarship Grant Program and the Special Education Scholarships for Children with  
29 Disabilities Program. These funds may also be used for customization of the software,  
30 development of interfaces with other internal systems, conversion of data, and training for staff  
31 on the new software system.  
32

33 **SECTION 10A.1.(a1)** The Authority shall work with the Department of  
34 Information Technology to ensure, to the extent practicable, that the Authority's computer  
35 systems are able to share data among computer systems at The University of North Carolina  
36 and constituent institutions, the North Carolina Community College System, the Department of  
37 Public Instruction, and other State agencies.

38 **SECTION 10A.1.(b)** The Authority shall report by October 1 of each year,  
39 beginning October 1, 2017, and ending October 1, 2018, to the Fiscal Research Division and  
40 the Joint Legislative Education Oversight Committee on the acquisition of software for  
41 administration of the program and all aspects of implementation of the software system and the  
42 expenditure of funds.  
43

#### 44 **ELIMINATE SCHOOL SITE SCHOLARSHIP ENDORSEMENT REQUIREMENT**

45 **SECTION 10A.2.(a)** G.S. 115C-112.6(b1)(1)a. reads as rewritten:

- 46 "a. Scholarship endorsement for tuition. – The Authority shall remit, at  
47 least two times each school year, scholarship funds awarded to  
48 eligible students for endorsement by at least one of the student's  
49 parents or guardians for tuition to attend a nonpublic school that  
50 meets the requirements of Part 1 or Part 2 of Article 39 of this  
51 Chapter as identified by the Department of Administration, Division

of Nonpublic Education, is deemed eligible by the Division, and is subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student ~~to the school~~ for deposit into the account of the ~~school~~ nonpublic school to the credit of the eligible student. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds ~~but shall endorse the scholarship funds in person at the site of the school funds.~~ A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student."

**SECTION 10A.2.(b)** G.S. 115C-562.6 reads as rewritten:

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

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

**SECTION 10A.2.(c)** This section applies to scholarship funds awarded beginning with the 2017-2018 school year.

**NORTH CAROLINA TEACHING FELLOWS**

**SECTION 10A.3.(a)** Article 23 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 3. North Carolina Teaching Fellows Program.

**"§ 116-209.60. Definitions.**

The following definitions apply in this Part:

- (1) Commission. – The North Carolina Teaching Fellows Commission.
- (2) Director. – The Director of the North Carolina Teaching Fellows Program.
- (3) Forgivable loan. – A forgivable loan made under the Program.
- (4) Program. – The North Carolina Teaching Fellows Program.
- (5) Public school. – An elementary or secondary school located in North Carolina that is governed by a local board of education, charter school board of directors, regional school board of directors, or University of North Carolina laboratory school board of trustees.
- (6) STEM. – Science, technology, engineering, and mathematics.
- (7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund.

**"§ 116-209.61. North Carolina Teaching Fellows Commission established; membership.**

(a) Commission Established. – There is established the North Carolina Teaching Fellows Commission. The Commission shall determine program and forgivable loan recipient selection criteria and selection procedures and shall select the recipients to receive forgivable loans under the North Carolina Teaching Fellows Program in accordance with the requirements of this Part. The Director of the North Carolina Teaching Fellows Program shall appoint staff to the Commission.

- 1       **(b) Membership.** – The Commission shall consist of 14 members who shall be  
2 appointed or serve as ex officio members as follows:
- 3           **(1)** The Board of Governors of The University of North Carolina shall appoint  
4 seven members to the Commission as follows:
- 5               **a.** Two deans of approved schools of education at postsecondary  
6 constituent institutions of The University of North Carolina.
- 7               **b.** The president of a North Carolina community college.
- 8               **c.** A teacher who graduated from an approved educator preparation  
9 program located in the State within three years of appointment to  
10 serve on the Commission.
- 11               **d.** A principal who graduated from an approved educator preparation  
12 program located in the State.
- 13               **e.** A local board of education member.
- 14               **f.** A member to represent business and industry in North Carolina.
- 15           **(2)** The General Assembly shall appoint two members to the Commission in  
16 accordance with G.S. 120-121 as follows:
- 17               **a.** One dean of an approved school of education at a private  
18 postsecondary institution operating in the State upon the  
19 recommendation of the Speaker of the House of Representatives.
- 20               **b.** One dean of an approved school of education at a private  
21 postsecondary institution operating in the State upon the  
22 recommendation of the President Pro Tempore of the Senate.
- 23           **(3)** The following five members shall serve as ex officio members to the  
24 Commission:
- 25               **a.** The North Carolina Teacher of the Year.
- 26               **b.** The North Carolina Principal of the Year.
- 27               **c.** The North Carolina Superintendent of the Year.
- 28               **d.** The chair of the Board of the State Education Assistance Authority.
- 29               **e.** The Director of the North Carolina Teaching Fellows Program.
- 30       **(c) Terms of Office.** – Appointments to the Commission shall be for two-year terms,  
31 expiring on July 1 in odd-numbered years. Members serving ex officio, other than the chair of  
32 the Board of the State Education Assistance Authority and Director of the North Carolina  
33 Teaching Fellows Program, who have otherwise completed their term of service, shall continue  
34 to serve on the Commission until July 1, annually.
- 35       **(d) Vacancies.** – Except as otherwise provided, if a vacancy occurs in the membership  
36 of the Commission, the appointing authority shall appoint another person meeting the same  
37 qualifications to serve for the balance of the unexpired term.
- 38       **(e) Chair; Meetings.** – The Director of the Program shall call the first meeting of the  
39 Commission. The Commission members shall elect a chair and a vice-chair from the  
40 membership of the Commission to serve one-year terms. The Commission shall meet regularly  
41 at times and places deemed necessary by the chair or, in the absence of the chair, by the  
42 vice-chair.
- 43       **(f) Conflict of Interest.** – A member of the Commission shall abstain from voting on  
44 the selection of an educator preparation program of a postsecondary constituent institution of  
45 The University of North Carolina or a private postsecondary institution operating in the State  
46 under G.S. 116-209.62(f) if the member is an officer or employee of the institution or sits as a  
47 member of the institution's board of directors.
- 48       **(g) Expenses.** – Commission members shall receive per diem, subsistence, and travel  
49 allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.
- 50 **§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

1       (a) Program. – There is established the North Carolina Teaching Fellows Program to be  
2 administered by the General Administration of The University of North Carolina, in  
3 conjunction with the Authority and the Commission. The purpose of the Program is to recruit,  
4 prepare, and support students residing in or attending institutions of higher education located in  
5 North Carolina for preparation as highly effective STEM or special education teachers in the  
6 State's public schools. The Program shall be used to provide a forgivable loan to individuals  
7 interested in preparing to teach in the public schools of the State in STEM or special education  
8 licensure areas.

9       (b) Trust Fund. – There is established the North Carolina Teaching Fellows Program  
10 Trust Fund to be administered by the Authority, in conjunction with the General Administration  
11 of The University of North Carolina. All funds (i) appropriated to, or otherwise received by, the  
12 Program for forgivable loans, (ii) received as repayment of forgivable loans, and (iii) earned as  
13 interest on these funds shall be placed in the Trust Fund. The purpose of the Trust Fund is to  
14 provide financial assistance to qualified students for completion of teacher education and  
15 licensure programs to fill STEM or special education licensure areas in the public schools of  
16 the State.

17       (c) Uses of Monies in the Trust Fund. – The monies in the Trust Fund may be used only  
18 for (i) forgivable loans granted under the Program, (ii) administrative costs associated with the  
19 Program, including recruitment and recovery of funds advanced under the Program, and (iii)  
20 extracurricular enhancement activities of the Program. The Authority may use up to six  
21 hundred thousand dollars (\$600,000) from the Trust Fund in each fiscal year for its  
22 administrative costs, the salary of the Director of the Program, expenses of the Commission,  
23 and to provide the Commission with funds to use for the extracurricular enhancement activities  
24 of the Program.

25       (d) Director of the Program. – The Board of Governors of The University of North  
26 Carolina shall appoint a Director of the Program. The Director shall appoint staff to the  
27 Commission and shall be responsible for recruitment and coordination of the Program,  
28 including proactive, aggressive, and strategic recruitment of potential recipients. Recruitment  
29 activities shall include (i) targeting regions of the State with the highest teacher attrition rates  
30 and teacher recruitment challenges, (ii) actively engaging with educators, business leaders,  
31 experts in human resources, elected officials, and other community leaders throughout the  
32 State, and (iii) attracting candidates in STEM and special education licensure areas to the  
33 Program. The Director shall report to the President of The University of North Carolina. The  
34 Authority shall provide office space and clerical support staff, as necessary, to the Director for  
35 the Program.

36       (e) Student Selection Criteria for Forgivable Loans. – The Commission shall adopt  
37 stringent standards for awarding forgivable loans based on multiple measures to ensure that  
38 only the strongest applicants receive them, including the following:

39           (1) Grade point averages.

40           (2) Performance on relevant career and college readiness assessments.

41           (3) Experience, accomplishments, and other criteria demonstrating qualities  
42 positively correlated with highly effective teachers, including excellent  
43 verbal and communication skills.

44           (4) Demonstrated commitment to serve in a STEM or special education  
45 licensure area in North Carolina public schools.

46       (f) Program Selection Criteria. – The Authority shall administer the Program in  
47 cooperation with five institutions of higher education with approved educator preparation  
48 programs selected by the Commission that represent both postsecondary constituent institutions  
49 of The University of North Carolina and private postsecondary institutions operating in the  
50 State. The Commission shall adopt stringent standards for selection of the most effective  
51 educator preparation programs, including the following:

- 1           (1)   Demonstrates high rates of educator effectiveness on value-added models  
2           and teacher evaluations, including using performance-based, subject-specific  
3           assessment and support systems, such as edTPA or other metrics of  
4           evaluating candidate effectiveness that have predictive validity.
- 5           (2)   Demonstrates measurable impact of prior graduates on student learning,  
6           including impact of graduates teaching in STEM or special education  
7           licensure areas.
- 8           (3)   Demonstrates high rates of graduates passing exams required for teacher  
9           licensure.
- 10          (4)   Provides curricular and co-curricular enhancements in leadership, facilitates  
11          learning for diverse learners, and promotes community engagement,  
12          classroom management, and reflection and assessment.
- 13          (5)   Requires at least a minor concentration of study in the subject area that the  
14          candidate may teach.
- 15          (6)   Provides early and frequent internship or practical experiences, including the  
16          opportunity for participants to perform practicums in diverse school  
17          environments.
- 18          (7)   Is approved by the State Board of Education as an educator preparation  
19          program.

20          (g)   Awards of Forgivable Loans. – The Program shall provide forgivable loans to  
21          selected students to be used at the five selected institutions for completion of a program leading  
22          to teacher licensure as follows:

- 23           (1)   North Carolina high school seniors. – Forgivable loans of up to eight  
24           thousand two hundred fifty dollars (\$8,250) per year for up to four years.
- 25           (2)   Students applying for transfer to a selected educator preparation program at  
26           an institution of higher education. – Forgivable loans of up to eight thousand  
27           two hundred fifty dollars (\$8,250) per year for up to three years.
- 28           (3)   Individuals currently holding a bachelor's degree seeking preparation for  
29           teacher licensure. – Forgivable loans of up to eight thousand two hundred  
30           fifty dollars (\$8,250) per year for up to two years.
- 31           (4)   Students matriculating at institutions of higher education who are changing  
32           to enrollment in a selected educator preparation program. – Forgivable loans  
33           of up to eight thousand two hundred fifty dollars (\$8,250) per year for up to  
34           two years.

35          Forgivable loans may be used for tuition, fees, and the cost of books.

36          (h)   Identification of STEM and Special Education Licensure Areas. – The  
37          Superintendent of Public Instruction shall identify and provide to the Commission and the  
38          Authority a list of STEM and special education licensure areas and shall annually provide to  
39          the Commission the number of available positions in each licensure area relative to the number  
40          of current and anticipated teachers in that area of licensure. The Commission shall make the list  
41          of STEM and special education licensure areas readily available to applicants.

42          (i)   Administration of Forgivable Loan Awards. – Upon the naming of recipients of the  
43          forgivable loans by the Commission, the Commission shall transfer to the Authority its  
44          decisions. The Authority, in coordination with the Director, shall perform all of the  
45          administrative functions necessary to implement this Part, which functions shall include rule  
46          making, disseminating information, acting as a liaison with participating institutions of higher  
47          education, implementing forgivable loan agreements, loan monitoring, loan cancelling through  
48          service and collection, determining the acceptability of service repayment agreements,  
49          enforcing the agreements, and all other functions necessary for the execution, payment, and  
50          enforcement of promissory notes required under this Part.



1       (j) Annual Report. – The Commission, in coordination with the Authority, shall report  
2 no later than January 1, 2019, and annually thereafter, to the Joint Legislative Education  
3 Oversight Committee regarding the following:

4       (1) Forgivable loans awarded from the Trust Fund, including the following:

5       a. Demographic information regarding recipients.

6       b. Number of recipients by institution of higher education and program.

7       c. Information on number of recipients by anticipated STEM and  
8 special education licensure area.

9       (2) Placement and repayment rates, including the following:

10      a. Number of graduates who have been employed in a STEM or special  
11 education licensure area within two years of program completion.

12      b. Number of graduates who accepted employment at a low-performing  
13 school identified under G.S. 115C-105.37 as part of their years of  
14 service.

15      c. Number of graduates who have elected to do loan repayment and  
16 their years of service, if any, prior to beginning loan repayment.

17      d. Number of graduates employed in a STEM or special education  
18 licensure area who have received an overall rating of at least  
19 accomplished and have met expected growth on applicable standards  
20 of the teacher evaluation instrument.

21      e. Aggregate information on student growth and proficiency in courses  
22 taught by graduates who have fulfilled service requirements through  
23 employment in a STEM or special education licensure area.

24      (3) Selected school outcomes by program, including the following:

25      a. Turnover rate for forgivable loan graduates.

26      b. Aggregate information on student growth and proficiency as  
27 provided annually by the State Board of Education to the  
28 Commission in courses taught by forgivable loan graduates.

29      c. Fulfillment rate of forgivable loan graduates.

30 **§ 116-209.63. Terms of forgivable loans; receipt and disbursement of funds.**

31      (a) Notes. – All forgivable loans shall be evidenced by notes made payable to the  
32 Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the  
33 Authority and beginning on the first day of September after the completion of the program  
34 leading to teacher licensure or 90 days after termination of the forgivable loan, whichever is  
35 earlier. The forgivable loan may be terminated upon the recipient's withdrawal from school or  
36 by the recipient's failure to meet the standards set by the Commission.

37      (b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the  
38 loan if, within 10 years after graduation from a program leading to teacher licensure, exclusive  
39 of any authorized deferment for extenuating circumstances, the recipient serves as a teacher in a  
40 STEM or special education licensure area, as provided in G.S. 116-209.62(h), for every year  
41 the teacher was awarded the forgivable loan, in any combination of the following:

42      (1) One year at a North Carolina public school identified as low-performing  
43 under G.S. 115C-105.37 at the time the teacher accepts employment at the  
44 school or, if the teacher changes employment during this period, at another  
45 school identified as low-performing.

46      (2) Two years at a North Carolina public school not identified as  
47 low-performing under G.S. 115C-105.37.

48      The Authority shall also forgive the loan if it finds that it is impossible for the recipient to  
49 work for up to eight years, within 10 years after completion of the program leading to teacher  
50 licensure, at a North Carolina public school because of the death or permanent disability of the  
51 recipient. If the recipient repays the forgivable loan by cash payments, all indebtedness shall be

1 repaid within 10 years after completion of the program leading to teacher licensure supported  
2 by the forgivable loan. If the recipient completes a program leading to teacher licensure,  
3 payment of principal and interest shall begin no later than the first day of September after the  
4 completion of the program. Should a recipient present extenuating circumstances, the Authority  
5 may extend the period to repay the loan in cash to no more than a total of 12 years."

6 **SECTION 10A.3.(b)** Initial appointments to the North Carolina Teaching Fellows  
7 Commission shall be made no later than August 15, 2017. Initial appointments to the  
8 Commission shall expire July 1, 2019.

9 **SECTION 10A.3.(c)** The Commission shall establish initial selection criteria for  
10 recipients and select the five institutions of higher education with approved educator  
11 preparation programs at which a recipient may use a forgivable loan no later than November  
12 15, 2017, and shall make available applications to prospective students no later than December  
13 31, 2017.

14 **SECTION 10A.3.(d)** The Superintendent of Public Instruction shall establish the  
15 list of STEM and special education licensure areas and provide that information to the  
16 Commission and Authority no later than October 1, 2017.

17 **SECTION 10A.3.(e)** The Commission shall select recipients and award the initial  
18 forgivable loans for the 2018-2019 academic year no later than April 1, 2018.

19 **SECTION 10A.3.(f)** G.S. 115C-472.16(b) reads as rewritten:

20 "(b) The General Assembly shall only appropriate moneys in the North Carolina  
21 Education Endowment Fund for ~~teacher compensation that is related directly to improving~~  
22 ~~student academic outcomes in the public schools of the State.~~ the forgivable loans for the North  
23 Carolina Teaching Fellows Program and administration of the North Carolina Teaching  
24 Fellows Program under Part 3 of Article 23 of Chapter 116 of the General Statutes."

25 **SECTION 10A.3.(g)** G.S. 116-209.27(a) reads as rewritten:

26 "(a) The Authority shall, as of March 1, 2015, administer all outstanding scholarship  
27 loans previously awarded by the former North Carolina Teaching Fellows Commission and  
28 subject to repayment under the former Teaching Fellows ~~Program~~ Program administered  
29 pursuant to Part 2 of Article 24C of Chapter 115C of the General Statutes."

30 **SECTION 10A.3.(h)** For the 2017-2018 fiscal year, the Department of Public  
31 Instruction shall transfer the sum of four hundred fifty thousand dollars (\$450,000) in  
32 nonrecurring funds from the North Carolina Education Endowment Fund to the Board of  
33 Governors of The University of North Carolina to allocate to the Authority to be used to  
34 implement the North Carolina Teaching Fellows Program (Program), as established by this  
35 section. Beginning with the 2018-2019 fiscal year, the Department of Public Instruction shall  
36 transfer the sum of six million dollars (\$6,000,000) in recurring funds from the North Carolina  
37 Education Endowment Fund to the Board of Governors to be allocated to the Authority for the  
38 operation of the Program and for the award of forgivable loans to selected recipients beginning  
39 with the 2018-2019 academic year.

40 **SECTION 10A.3.(i)** Notwithstanding G.S. 115C-472.16, of the funds available in  
41 the North Carolina Education Endowment Fund (Fund) for the 2017-2018 fiscal year, the sum  
42 of six million one hundred forty-five thousand four hundred sixty-one dollars (\$6,145,461) in  
43 nonrecurring funds for the 2017-2018 fiscal year shall be transferred from the Fund to the  
44 Department of Public Instruction to be used to support the supervision and administration of the  
45 public school system.

#### 46 **AMEND TRANSFORMING PRINCIPAL PREPARATION**

47 **SECTION 10A.5.(a)** Section 11.9 of S.L. 2015-241, as amended by Section 11A.4  
48 of S.L. 2016-94 and by Section 4.3 of S.L. 2016-123, reads as rewritten:

49 "**SECTION 11.9.(a)** Purpose. – The purpose of this section is to establish a competitive  
50 grant program for eligible entities to elevate educators in North Carolina public schools by  
51

1 transforming the preparation of principals across the State. The State Education Assistance  
2 Authority (Authority) shall administer this grant program through a cooperative agreement with  
3 a private, nonprofit corporation to provide funds for the preparation and support of highly  
4 effective future school principals in North Carolina.

5 **"SECTION 11.9.(b)** Definitions. – For the purposes of this section, the following  
6 definitions apply:

- 7 (1) Eligible entity. – A for-profit or nonprofit organization or an institution of  
8 higher education that has an evidence-based plan for preparing school  
9 leaders who implement school leadership practices linked to increased  
10 student achievement.
- 11 (2) High-need school. – A public school, including a charter school, that meets  
12 one or more of the following criteria:
  - 13 a. Is a school identified under Part A of Title I of the Elementary and  
14 Secondary Education Act of 1965, as amended.
  - 15 b. Is a persistently low-achieving school, as identified by the  
16 Department of Public Instruction for purposes of federal  
17 accountability.
  - 18 c. A middle school containing any of grades five through eight that  
19 feeds into a high school with less than a sixty percent (60%)  
20 four-year cohort graduation rate.
  - 21 d. A high school with less than a sixty percent (60%) four-year cohort  
22 graduation rate.
- 23 (3) Principal. – The highest administrative official in a public school building  
24 with primary responsibility for the instructional leadership, talent  
25 management, and organizational development of the school.
- 26 (4) School leader. – An individual employed in a school leadership role,  
27 including principal or assistant principal roles.
- 28 (5) Student achievement. – At the whole school level, after three years of  
29 leading a school, consistent and methodologically sound measures of:
  - 30 a. Student academic achievement.
  - 31 b. Aggregated individual student academic growth.
  - 32 c. Additional outcomes, such as high school graduation rates, the  
33 percentage of students taking advanced-level coursework, or the  
34 percentage of students who obtain a career-related credential through  
35 a national business certification exam.

36 **"SECTION 11.9.(c)** Program Authorized. – The Authority shall award grants to eligible  
37 entities to support programs that develop well-prepared school leaders in accordance with the  
38 provisions of this section. The Authority shall establish any necessary rules to administer the  
39 grant program.

40 **"SECTION 11.9.(d)** Contract With a Nonprofit for Administration. – By November 1,  
41 2015, the Authority shall issue a Request for Proposal (RFP) for a private, nonprofit  
42 corporation to contract with the Authority for the administration of the program, including  
43 making recommendations to the Authority for the award of grants, as authorized by this  
44 section. The nonprofit corporation applying to the Authority shall meet at least the following  
45 requirements:

- 46 (1) The nonprofit corporation shall be a nonprofit corporation organized  
47 pursuant to Chapter 55A of the General Statutes and shall comply at all  
48 times with the provisions of section 501(c)(3) of the Internal Revenue Code.
- 49 (2) The nonprofit corporation shall employ sufficient staff who have  
50 demonstrated a capacity for the development and implementation of grant

1 selection criteria and a selection process to promote innovative school leader  
2 education programs, including:

- 3 a. Focus on school leader talent.
- 4 b. Expertise supporting judgments about grant renewal based on  
5 achievement of or substantial school leader progress toward  
6 measurable results in student achievement.
- 7 c. Expectation of creating positive experiences working with the  
8 educational community in North Carolina to establish the foundation  
9 for successfully administering the programs set forth in this section.

10 (3) The nonprofit corporation shall comply with the limitations on lobbying set  
11 forth in section 501(c)(3) of the Internal Revenue Code.

12 (4) No State officer or employee may serve on the board of the nonprofit  
13 corporation.

14 (5) The board of the nonprofit corporation shall meet at least quarterly at the call  
15 of its chair.

16 **"SECTION 11.9.(e)** Report on Selection of the Nonprofit. – The Authority shall select a  
17 nonprofit corporation to enter into a contract with to administer the program by January 15,  
18 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on the  
19 selection of the nonprofit corporation by February 1, 2016.

20 **"SECTION 11.9.(f)** Application Requirements. – The nonprofit corporation entering into a  
21 contract with the Authority under subsection (d) of this section shall issue an initial RFP with  
22 guidelines and criteria for the grants no later than March 1, 2016. The nonprofit corporation  
23 may issue additional RFPs for grant applicants as it may deem necessary, subject to available  
24 funds. An eligible entity that seeks a grant under the program authorized by this section shall  
25 submit to the nonprofit corporation an application at such time, in such manner, and  
26 accompanied by such information as the nonprofit may require. An applicant shall include at  
27 least the following information in its response to the RFP for consideration by the nonprofit  
28 corporation:

29 (1) The extent to which the entity has a demonstrated record of preparing school  
30 leaders who implement school leadership practices linked to increased  
31 student achievement.

32 (2) The extent to which the entity has a rigorous school leader preparation  
33 program design that includes the following research-based programmatic  
34 elements:

- 35 a. A proactive, aggressive, and intentional recruitment strategy.
- 36 b. Rigorous selection criteria based on competencies that are predictive  
37 of success as a school leader, including, but not limited to, evidence  
38 of significant positive effect on student learning growth in the  
39 classroom, at the school-level, and the local school administrative  
40 unit-level, professional recommendations, evidence of problem  
41 solving and critical thinking skills, achievement drive, and leadership  
42 of adults.
- 43 c. Alignment to high-quality national standards for school leadership  
44 development.
- 45 d. Rigorous coursework that effectively links theory with practice  
46 through the use of field experiences and problem-based learning.
- 47 e. Full-time paid clinical practice of at least five months and 750 hours  
48 in duration in an authentic setting, including substantial leadership  
49 responsibilities where candidates are evaluated on leadership skills  
50 and effect on student outcomes as part of program completion.

- f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.
- g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.
- h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.
- i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.
- j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs.

**"SECTION 11.9.(g) Priorities.** – The nonprofit corporation shall evaluate the applicants for grants by giving priority to an eligible entity with a record of preparing principals demonstrating the following:

- (1) Improvement in student achievement.
- (2) Placement as school leaders in eligible schools.
- (3) A proposed focus on and, if applicable, a record of serving high-need schools, high-need local school administrative units, or both.
- (4) A detailed plan and commitment to share lessons learned and to improve the capacity of other entities in reaching similar outcomes.
- (5) A service area that is underserved by existing principal preparation programs or demonstrates unmet need despite current available programs.

**"SECTION 11.9.(h) Uses of Funds.** – By June 1, 2016, the nonprofit corporation shall recommend to the Authority the recipients of grants under the program. Each eligible entity that receives grant funds shall use those funds to carry out the following:

- (1) Recruiting and selecting, based on a rigorous evaluation of the competencies of the school leader candidates participating in the program and their potential and desire to become effective school leaders.
- (2) Operating a school leader preparation program that provides the opportunity for all candidates to earn a master's degree, if they do not already have one, and subsequent principal licensure by doing the following:
  - a. Utilizing a research-based content and curriculum, including embedded participant assessments to evaluate candidates before program completion, that prepares candidates to do the following:
    1. Provide instructional leadership, such as developing teachers' instructional practices and analyzing classroom and school-wide data to support teachers.
    2. Manage talent, such as developing a high-performing team.
    3. Build a positive school culture, such as building a strong school culture focused on high academic achievement for all students, including gifted and talented students, students with disabilities, and English learners, maintaining active engagement with family and community members, and ensuring student safety.
    4. Develop organizational practices, such as aligning staff, budget, and time to the instructional priorities of the school.
  - b. Providing opportunities for sustained and high-quality job-embedded practice in an authentic setting where candidates are responsible for moving the practice and performance of a subset of teachers or for

- 1 school-wide performance as principal-in-planning or interim school  
2 leaders.
- 3 (3) Collecting data on program implementation and program completer  
4 outcomes for continuous program improvement.

5 **"SECTION 11.9.(i)** Duration of Grants. – The nonprofit corporation shall also recommend  
6 to the Authority the duration and renewal of grants to eligible entities according to the  
7 following:

- 8 (1) The duration of grants shall be as follows:
- 9 a. Grants shall be no more than five years in duration.
- 10 b. The nonprofit corporation may recommend renewal of a grant based  
11 on performance, including allowing the grantee to scale up or  
12 replicate the successful program as provided in subdivision (2) of this  
13 subsection.
- 14 c. The nonprofit shall develop a process with the Authority for early  
15 retrieval of grant funds from grant recipients due to noncompliance  
16 with grant terms, including participation in third-party evaluation  
17 activities. Grantees shall develop and enforce requirements for  
18 program graduates to serve a minimum of four years as school-based  
19 administrators in North Carolina. Requirements are subject to the  
20 approval of the nonprofit corporation.
- 21 (2) In evaluating performance for purposes of grant renewal and making  
22 recommendations to the Authority, the nonprofit corporation shall consider:
- 23 a. For all grantees, the primary consideration in renewing grants shall  
24 be the extent to which program participants improved student  
25 achievement in eligible schools.
- 26 b. Other criteria from data received in the annual report in subsection (j)  
27 of this section may include the following:
- 28 1. The percentage of program completers who are placed as  
29 school leaders in this State within three years of receiving a  
30 grant.
- 31 2. The percentage of program completers who are rated  
32 proficient or above on the North Carolina School Executive  
33 Evaluation Rubric.

34 **"SECTION 11.9.(j)** Reporting Requirements for Grant Recipients. – Recipients of grants  
35 under the program shall participate in all evaluation activities required by the nonprofit and  
36 submit an annual report to the nonprofit corporation contracting with the Authority, beginning  
37 in the third year of the grant, Authority with any information requested by the nonprofit  
38 corporation. The recipients shall comply with additional report requests made by the nonprofit.  
39 Whenever practicable and within a reasonable amount of time, grant recipients shall also make  
40 all materials developed as part of the program and with grant funds publically available to  
41 contribute to the broader sharing of promising practices. Materials shall not include personally  
42 identifiable information regarding individuals involved or associated with the program,  
43 including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff,  
44 without their prior written consent. The nonprofit corporation shall work with recipients and  
45 local school administrative units, as needed, to enable the collection, analysis, and evaluation of  
46 at least the following relevant data, within necessary privacy constraints:

- 47 (1) Student achievement in eligible schools.
- 48 (2) The percentage of program completers who are placed as school leaders  
49 within three years in the State.
- 50 (3) The percentage of program completers rated proficient or above on school  
51 leader evaluation and support systems.

1 (4) The percentage of program completers that are school leaders who have  
2 remained employed in a North Carolina public school for two or more years  
3 of initial placement.

4 **"SECTION 11.9.(k)** Licensure Process. – By June 1, 2016, the State Board of Education  
5 shall adopt a policy to provide for a specific licensure process applicable to school  
6 administrators who provide documentation to the State Board of successful completion of a  
7 principal preparation program selected for a competitive grant in accordance with this section.  
8 Licensure shall include a requirement for candidates to hold a master's degree.

9 **"SECTION 11.9.(l)** Evaluation and Revision of Program. – The nonprofit corporation  
10 administering the program shall provide the State Board of Education and the Joint Legislative  
11 Education Oversight Committee with the data collected in accordance with subsection (j) of  
12 this section on an annual basis. By September 15, 2021, the State Board of Education, in  
13 coordination with the Board of Governors of The University of North Carolina, shall revise, as  
14 necessary, the licensure requirements for school administrators and the standards for approval  
15 of school administrator preparation programs after evaluating the data collected from the grant  
16 recipients, including the criteria used in selecting grant recipients and the outcomes of program  
17 completers. The State Board of Education shall report to the Joint Legislative Education  
18 Oversight Committee by November 15, 2021, on any changes made to the licensure  
19 requirements for school administrators and the standards for approval of school administrator  
20 preparation programs in accordance with this section.

21 **"SECTION 11.9.(m)** Of the funds appropriated by this act for the 2015-2016 fiscal year  
22 for this program, the sum of five hundred thousand dollars (\$500,000) shall be allocated to the  
23 State Education Assistance Authority to contract with the nonprofit corporation selected  
24 pursuant to subsection (e) of this section to establish and administer the program. The State  
25 Education Assistance Authority may use up to five percent (5%) of those funds for  
26 administrative costs.

27 Beginning with the 2017-2018 fiscal year, of the funds appropriated each fiscal year for this  
28 program, the sum of three hundred eighty thousand dollars (\$380,000) shall be allocated to the  
29 State Education Assistance Authority to contract with the nonprofit corporation selected  
30 pursuant to subsection (e) of this section to establish and administer the program. The State  
31 Education Assistance Authority may use up to fifteen thousand dollars (\$15,000) of those funds  
32 for administrative costs.

33 ~~**"SECTION 11.9.(n)** Beginning with the 2016-2017 fiscal year and for each subsequent~~  
34 ~~fiscal year, of~~ Of the funds appropriated for this program, program for the 2016-2017 fiscal  
35 year, the sum of three hundred thousand dollars (\$300,000) shall be allocated to the State  
36 Education Assistance Authority to contract with the nonprofit corporation selected pursuant to  
37 subsection (e) of this section to establish and administer the program, and the State Education  
38 Assistance Authority may use up to five percent (5%) of those funds for administrative costs.  
39 The remaining funds appropriated for a ~~the~~ fiscal year for this program shall be allocated to the  
40 State Education Assistance Authority to award grants to selected recipients.

41 **"SECTION 11.9.(o)** Beginning with the 2017-2018 fiscal year, of the funds appropriated  
42 for this program, the sum of four million two hundred thousand dollars (\$4,200,000) shall be  
43 allocated each fiscal year to the State Education Assistance Authority to award grants to  
44 selected recipients. Any unexpended funds appropriated to award grants to selected recipients  
45 remaining at the end of each fiscal year shall revert to the General Fund, except that the  
46 Authority may carry forward for the next fiscal year an amount necessary to ensure that any  
47 outstanding allowable reimbursements can be disbursed in accordance with this section. Any  
48 funds carried forward for the purpose of meeting anticipated reimbursement obligations from  
49 the prior fiscal year that are not expended shall not be used to award additional grants to grant  
50 recipients but shall revert to the General Fund at the end of the fiscal year."

1           **SECTION 10A.5.(b)** Pursuant to Chapter 143E of the General Statutes, the  
2 Program Evaluation Division is directed to conduct a measurability assessment of the Principal  
3 Preparation Program authorized in Section 11.9 of S.L. 2015-241, as amended by Section  
4 11A.4 of S.L. 2016-94, Section 4.3 of S.L. 2016-123, and subsection (a) of this section. The  
5 State Education Assistance Authority (hereinafter "Authority") and the nonprofit corporation  
6 establishing and administering the Program shall provide the Division and the independent  
7 assessor selected by the Division any requested written information, electronic data, and access  
8 to facilities and personnel appropriate for the measurability assessment. The assessment shall,  
9 in addition to requirements provided for in Chapter 143E of the General Statutes, include  
10 recommendations for periodic reporting of program output and program outcomes compared to  
11 objectives established for the Program. The recommendations shall include changes to the  
12 contract with the nonprofit by the Authority to effect periodic reporting. Periodic reports shall  
13 be made by the nonprofit to the Authority, State Board of Education, and Joint Legislative  
14 Education Oversight Committee. The Division shall furnish the measurability assessment to the  
15 Joint Legislative Program Evaluation Oversight and Joint Legislative Education Oversight  
16 Committee. The Division shall use funds available to it for such purposes to pay for the  
17 measurability assessment.

18  
19 **OPPORTUNITY SCHOLARSHIP STUDENT ASSESSMENTS/IOWA TEST OF BASIC**  
20 **SKILLS (ITBS)**

21           **SECTION 10A.6.(a)** G.S. 115C-562.5(a)(4) reads as rewritten:

22           "(4) Administer, at least once in the fall semester and once in the spring semester  
23 of each school year, a nationally standardized test or other nationally  
24 standardized equivalent measurement selected by the chief administrative  
25 officer of the nonpublic school the Iowa Test of Basic Skills (ITBS) to all  
26 eligible students whose tuition and fees are paid in whole or in part with a  
27 scholarship grant enrolled in grades three and higher. The nationally  
28 standardized test or other equivalent measurement selected must measure  
29 achievement in the areas of English grammar, reading, spelling, and  
30 mathematics, higher to enable comparison of student performance. After an  
31 eligible student is administered the test in the semester in which the student  
32 is first enrolled in the nonpublic school, the student shall only be required to  
33 take the test in the following semester and on an annual basis thereafter. Test  
34 performance data shall be submitted to the Authority by July 15 of each  
35 year. Test performance data reported to the Authority under this subdivision  
36 is not a public record under Chapter 132 of the General Statutes."

37           **SECTION 10A.6.(a1)** G.S. 115C-562.7(c)(1) reads as rewritten:

38           "(1) Learning gains or losses of students receiving scholarship grants. The report  
39 shall include learning gains of participating students on a statewide basis and  
40 shall compare, to the extent possible, the learning gains or losses of eligible  
41 students by nonpublic school to the statewide learning gains or losses of  
42 public school students with similar socioeconomic backgrounds, using  
43 aggregate standardized test performance data provided to the Authority by  
44 nonpublic schools and by the Department of Public Instruction.  
45 Notwithstanding any provision of G.S. 115C-174.11(c) to the contrary, all  
46 students participating in the comparison of learning gains or losses pursuant  
47 to this subdivision shall complete the Iowa Test of Basic Skills."

48           **SECTION 10A.6.(b)** Notwithstanding G.S. 115C-562.5(a)(4), as amended by this  
49 section, all eligible students enrolled in grades three through 12 (i) whose tuition and fees are  
50 paid in whole or in part with a scholarship grant and (ii) who are enrolled in a nonpublic school  
51 for the 2017-2018 school year pursuant to Part 2A of Article 39 of the General Statutes shall be



1 administered the Iowa Test of Basic Skills (ITBS) in the fall semester and in the spring  
2 semester of the 2017-2018 school year. Thereafter, those students shall be administered the  
3 Iowa Test of Basic Skills (ITBS) on an annual basis in the spring semester.

4 **SECTION 10A.6.(c)** Subsection (a) of this section applies only to students in  
5 grades three through 12 (i) whose tuition and fees are paid in whole or in part with a  
6 scholarship grant and (ii) who are enrolled for the first time in a nonpublic school pursuant to  
7 Part 2A of Article 39 of Chapter 115C of the General Statutes beginning with the 2018-2019  
8 school year and subsequent school years thereafter.

## 10 **PART XI. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

### 12 **SUBPART XI-A. CENTRAL MANAGEMENT AND SUPPORT**

#### 14 **HEALTH INFORMATION TECHNOLOGY**

15 **SECTION 11A.1.** Article 3 of Chapter 143B of the General Statutes is amended by  
16 adding a new section to read:

17 **"§ 143B-139.4D. Department of Health and Human Services; coordination of health**  
18 **information technology.**

19 (a) The Department of Health and Human Services, in cooperation with the State Chief  
20 Information Officer, shall coordinate health information technology policies and programs  
21 within the State of North Carolina. The goal of the Chief Information Officer of the Department  
22 of Health and Human Services in coordinating State health information technology policy and  
23 programs shall be to avoid duplication of efforts and to ensure that each State agency, public  
24 entity, and private entity that undertakes health information technology activities does so within  
25 the area of its greatest expertise and technical capability and in a manner that supports  
26 coordinated State and national goals, which shall include at least all of the following:

- 27 (1) Ensuring that patient health information is secure and protected, in  
28 accordance with applicable law.
- 29 (2) Improving health care quality, reducing medical errors, reducing health  
30 disparities, and advancing the delivery of patient-centered medical care.
- 31 (3) Providing appropriate information to guide medical decisions at the time and  
32 place of care.
- 33 (4) Ensuring meaningful public input into health information technology  
34 infrastructure development.
- 35 (5) Improving the coordination of information among hospitals, laboratories,  
36 physicians' offices, and other entities through an effective infrastructure for  
37 the secure and authorized exchange of health care information.
- 38 (6) Improving public health services and facilitating early identification and  
39 rapid response to public health threats and emergencies, including  
40 bioterrorist events and infectious disease outbreaks.
- 41 (7) Facilitating health and clinical research.
- 42 (8) Promoting early detection, prevention, and management of chronic diseases.

43 (b) The Department, in cooperation with the Department of Information Technology,  
44 shall establish and direct a health information technology management structure that is efficient  
45 and transparent and that is compatible with the Office of the National Health Coordinator for  
46 Information Technology (National Coordinator) governance mechanism. The health  
47 information technology management structure shall be responsible for all of the following:

- 48 (1) Developing a State Plan for implementing and ensuring compliance with  
49 national health information technology standards and for the most efficient,  
50 effective, and widespread adoption of health information technology.

- 1           (2)    Ensuring that (i) specific populations are effectively integrated into the State  
2           Plan, including aging populations, populations requiring mental health  
3           services, and populations utilizing the public health system, and (ii) unserved  
4           and underserved populations receive priority consideration for health  
5           information technology support.
- 6           (3)    Identifying all health information technology stakeholders and soliciting  
7           feedback and participation from each stakeholder in the development of the  
8           State Plan.
- 9           (4)    Ensuring that existing health information technology capabilities are  
10          considered and incorporated into the State Plan.
- 11          (5)    Identifying and eliminating conflicting health information technology efforts  
12          where necessary.
- 13          (6)    Identifying available resources for the implementation, operation, and  
14          maintenance of health information technology, including identifying  
15          resources and available opportunities for North Carolina institutions of  
16          higher education.
- 17          (7)    Ensuring that potential State Plan participants are aware of health  
18          information technology policies and programs and the opportunity for  
19          improved health information technology.
- 20          (8)    Monitoring health information technology efforts and initiatives in other  
21          states and replicating successful efforts and initiatives in North Carolina.
- 22          (9)    Monitoring the development of the National Coordinator's strategic plan and  
23          ensuring that all stakeholders are aware of and in compliance with its  
24          requirements.
- 25          (10)   Monitoring the progress and recommendations of the Health Information  
26          Technology Policy and Standards Committee and ensuring that all  
27          stakeholders remain informed of the Committee's recommendations.
- 28          (11)   Monitoring all studies and reports provided to the United States Congress  
29          and reporting to the Joint Legislative Oversight Committee on Information  
30          Technology and the Fiscal Research Division on the impact of report  
31          recommendations on State efforts to implement coordinated health  
32          information technology."

## 33 34 **FUNDS FOR MEDICAID MANAGEMENT INFORMATION SYSTEM/ANALYTICS** 35 **REPROCUREMENT**

36           **SECTION 11A.2.(a)** Of the funds appropriated in this act to the Department of  
37 Health and Human Services, Division of Central Management and Support, the sum of one  
38 hundred forty-two thousand seven hundred dollars (\$142,700) in prior year earned revenues for  
39 the 2017-2018 fiscal year and the sum of two hundred forty-three thousand nine hundred  
40 sixty-seven dollars (\$243,967) in prior year earned revenues for the 2018-2019 fiscal year shall  
41 be used to match federal funds to (i) determine enhancements necessary or plan the strategy to  
42 align the Medicaid Management Information System (MMIS) and Reporting and Analytics  
43 systems with federal Medicaid Information Technology Architecture standards and (ii) prepare  
44 for the procurement of a new MMIS contract and a new Reporting and Analytics contract, all  
45 as required by the federal Centers for Medicare and Medicaid Services. This project shall not  
46 proceed until the business case has been approved by the Office of State Budget and  
47 Management and the State Chief Information Officer in the Enterprise Project Management  
48 Office Touchdown System. Upon such approval, funds may be budgeted and the Department  
49 may create up to 10 full-time equivalent time-limited positions dedicated to the project for the  
50 2018-2019 fiscal year.

1           **SECTION 11A.2.(b)** Departmental receipts appropriated in this act in the sum of  
2 one million two hundred eighty-four thousand three hundred dollars (\$1,284,300) for the  
3 2017-2018 fiscal year and in the sum of two million one hundred ninety-five thousand seven  
4 hundred three dollars (\$2,195,703) for the 2018-2019 fiscal year shall be used for the purposes  
5 described in subsection (a) of this section.  
6

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

9           **SECTION 11A.3.(a)** Of the funds appropriated in this act to the Department of  
10 Health and Human Services, Division of Central Management and Support, the sum of eight  
11 million nine hundred thousand dollars (\$8,900,000) in nonrecurring funds for the 2017-2018  
12 fiscal year and the sum of eleven million one hundred nine thousand dollars (\$11,109,000) in  
13 nonrecurring funds for the 2018-2019 fiscal year, along with prior year earned revenue in the  
14 amount of eleven million nine hundred thousand dollars (\$11,900,000) for each year of the  
15 2017-2019 fiscal biennium and the cash balance in Budget Code 24410 Fund 2411 shall be  
16 used to match federal funds to expedite the development and implementation of Child Services  
17 Case Management, additional Medicaid eligibility requirements, Enterprise Program Integrity,  
18 and Identity Proofing Feasibility components of the North Carolina Families Accessing  
19 Services through Technology (NC FAST) project. The Department shall report any changes in  
20 approved federal funding or federal match rates within 30 days after the change to the Joint  
21 Legislative Oversight Committee on Health and Human Services, the Joint Legislative  
22 Oversight Committee on Information Technology, and the Fiscal Research Division.  
23 Departmental receipts appropriated in this act in the sum of one hundred three million four  
24 hundred fifty thousand dollars (\$103,450,000) for the 2017-2018 fiscal year and in the sum of  
25 seventy-five million five hundred ninety-one thousand dollars (\$75,591,000) for the 2018-2019  
26 fiscal year shall be used to implement the components of the NC FAST project described in this  
27 subsection.

28           **SECTION 11A.3.(b)** 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 one  
30 million nine hundred thousand dollars (\$1,900,000) in recurring funds for the 2017-2018 fiscal  
31 year and seven million seven hundred thousand dollars (\$7,700,000) in recurring funds for the  
32 2018-2019 fiscal year shall be used to provide ongoing maintenance and operations for the NC  
33 FAST system, including the creation of 32 full-time equivalent positions for the 2017-2018  
34 fiscal year and 54 full-time equivalent positions for the 2018-2019 fiscal year. Departmental  
35 receipts appropriated in this act in the sum of ten million five hundred thousand dollars  
36 (\$10,500,000) for the 2017-2018 fiscal year and in the sum of fifteen million dollars  
37 (\$15,000,000) for the 2018-2019 fiscal year shall be used for the purposes specified in this  
38 subsection.  
39

40           **HEALTH ANALYTICS PILOT PROGRAM**

41           **SECTION 11A.4.** The Department of Health and Human Services shall continue to  
42 coordinate with the Government Data Analytics Center (GDAC) to further develop and fully  
43 operationalize the Health Analytics Pilot Program for Medicaid claims analytics and population  
44 health management authorized by Section 12A.17 of S.L. 2015-241, as amended by Section  
45 12A.7 of S.L. 2016-94. The purpose of the Health Analytics Program is to apply analytics to  
46 Medicaid data available to GDAC through the Department in a manner that maximizes health  
47 care savings and efficiencies to the State, optimizes positive impacts on health outcomes, and  
48 assists in the transition to, and management of, the transformed North Carolina Medicaid and  
49 North Carolina Health Choice programs as described in S.L. 2015-245, as amended by Section  
50 2 of S.L. 2016-121.  
51

**HEALTH INFORMATION EXCHANGE**

**SECTION 11A.5.(a)** Section 12A.5(a)(1) of S.L. 2015-241 reads as rewritten:

"(1) Establish a successor HIE Network to which ~~(i) all Medicaid providers shall be connected by February 1, 2018, and (ii) all other entities that receive State funds for the provision of health services, including local management entities/managed care organizations, shall be connected by June 1, 2018.~~the following providers shall establish connectivity and commence submission of demographic and clinical data or encounter and claims data, as appropriate, in accordance with the following time line:

- a. The following providers of Medicaid services that have an electronic health record system, by June 1, 2019:
  1. Hospitals as defined in G.S. 131E-176(13).
  2. Physicians licensed to practice under Article 1 of Chapter 90 of the General Statutes.
  3. Physician assistants as defined in 21 NCAC 32S .0201.
  4. Nurse practitioners as defined in 21 NCAC 36 .0801.
- b. Prepaid Health Plans, as defined in S.L. 2015-245, by the commencement date of a capitated contract with the Division of Health Benefits for the delivery of Medicaid and NC Health Choice services as specified in S.L. 2015-245.
- c. All other providers of Medicaid and State-funded services, including local management entities/managed care organizations, by June 1, 2020."

**SECTION 11A.5.(b)** G.S. 90-414.4 reads as rewritten:

**"§ 90-414.4. Required participation in HIE Network for some providers.**

(a) Findings. – The General Assembly makes the following findings:

- (1) That controlling escalating health care costs of the Medicaid program and other State-funded health services is of significant importance to the State, its taxpayers, its Medicaid recipients, and other recipients of State-funded health services.
- (2) That the State needs timely access to certain demographic and clinical information pertaining to services rendered to Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid or other State-funded health care funds in order to assess performance, improve health care outcomes, pinpoint medical expense trends, identify beneficiary health risks, and evaluate how the State is spending money on Medicaid and other State-funded health services.
- (3) That making demographic and clinical information available to the State by secure electronic means as set forth in subsection (b) of this section will, with respect to Medicaid and other State-funded health care programs, improve care coordination within and across health systems, increase care quality for such beneficiaries, enable more effective population health management, reduce duplication of medical services, augment syndromic surveillance, allow more accurate measurement of care services and outcomes, increase strategic knowledge about the health of the population, and facilitate health care cost containment.

(a1) Mandatory Connectivity to HIE Network. – Notwithstanding the voluntary nature of the HIE Network under G.S. 90-414.2, the following providers shall establish connectivity to the HIE Network and commence submission of demographic and clinical data or encounter and claims data, as appropriate under subsections (b) and (c) of this section, by the following dates:

- 1           (1) The following providers of Medicaid services that have an electronic health  
2 record system, by June 1, 2019:
- 3           a. Hospitals as defined in G.S. 131E-176(13).  
4           b. Physicians licensed to practice under Article 1 of Chapter 90 of the  
5 General Statutes.  
6           c. Physician assistants as defined in 21 NCAC 32S .0201.  
7           d. Nurse practitioners as defined in 21 NCAC 36 .0801.
- 8           (2) Prepaid Health Plans, as defined in S.L. 2015-245, by the commencement  
9 date of a capitated contract with the Division of Health Benefits for the  
10 delivery of Medicaid and NC Health Choice services as specified in S.L.  
11 2015-245.
- 12           (3) All other providers of Medicaid and State-funded services, including local  
13 management entities/managed care organizations, by June 1, 2020.
- 14           (a2) Extensions of Time for Establishing Connectivity. – The Authority and the  
15 Department may establish a process to grant limited extensions of the time for providers to  
16 establish connectivity to the HIE Network and commence data submission as required under  
17 this section upon the request of a provider that demonstrates an ongoing good-faith effort to  
18 take necessary steps to establish such connectivity. The process for granting an extension of  
19 time must include a presentation by the provider to the Authority and the Department of the  
20 expected time line for establishing connectivity to the HIE Network and commencing data  
21 submission as required by this section. Neither the Authority nor the Department shall grant an  
22 extension of time (i) to any provider that fails to provide this information to the Authority and  
23 the Department or (ii) that would result in the provider establishing connectivity to the HIE  
24 Network and commencing data submission as required by this section later than June 1, 2021.
- 25           (b) Mandatory Submission of Demographic and Clinical Data. – Notwithstanding the  
26 voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in  
27 subsection (d) of this section, as a condition of receiving State funds, including Medicaid funds,  
28 the following entities shall submit at least twice daily, through the HIE network, demographic  
29 and clinical information pertaining to services rendered to Medicaid and other State-funded  
30 health care program beneficiaries and paid for with Medicaid or other State-funded health care  
31 funds, solely for the purposes set forth in subsection (a) of this section:
- 32           (1) Each hospital, as defined in ~~G.S. 131E-76(3)~~, G.S. 131E-176(13), that has an  
33 electronic health record system.
- 34           (2) Each Medicaid provider.
- 35           (3) Each provider that receives State funds for the provision of health services.
- 36           (4) Each local management entity/managed care organization, as defined in  
37 G.S. 122C-3.
- 38 This subsection does not apply to the entities listed in subsection (c) of this section.
- 39           (c) Mandatory Submission of Encounter and Claims Data. – Notwithstanding the  
40 voluntary nature of the HIE Network under G.S. 90-414.2 and except as otherwise provided in  
41 subsection (d) of this section, beginning June 1, 2019, the following entities shall submit,  
42 through the HIE network, encounter and claims data pertaining to services rendered to  
43 Medicaid and other State-funded health care program beneficiaries and paid for with Medicaid  
44 or other State-funded health care funds as a condition of receiving State funds:
- 45           (1) Providers of respiratory, developmental, rehabilitative, or restorative  
46 services, or a combination of these services.
- 47           (2) Facilities that provide respite care.
- 48           (3) Providers of speech, language, or hearing services, or a combination of these  
49 services.
- 50           (4) Providers of transportation services.
- 51           (5) Suppliers of durable medical equipment.

1       (d) Exemption for Certain Records. – Providers with patient records that are subject to  
2 the disclosure restrictions of 42 C.F.R. § 2 are exempt from the requirements of subsections (b)  
3 and (c) of this section but only with respect to the patient records subject to these disclosure  
4 restrictions. Providers shall comply with the requirements of subsections (b) and (c) of this  
5 section with respect to all other patient records.

6       (e) Method of Data Submissions. – The ~~daily~~ data submissions required under this  
7 subsection-section shall be by connection to the HIE Network periodic asynchronous secure  
8 structured file transfer or any other secure electronic means commonly used in the industry and  
9 consistent with document exchange and data submission standards established by the Office of  
10 the National Coordinator for Information Technology within the U.S. Department of Health  
11 and Human Services."

12       **SECTION 11A.5.(c)** G.S. 90-414.10(e) is repealed.

13       **SECTION 11A.5.(d)** The Department of Health and Human Services shall include  
14 as one of the terms and conditions of any contract it enters into on or after the effective date of  
15 this section with a local management entity/managed care organization or Prepaid Health Plan  
16 (PHP), as defined in S.L. 2015-245, a requirement that the local management entity/managed  
17 care organization or PHP comply with the provisions of G.S. 90-414.4, as amended by this  
18 section.

19       **SECTION 11A.5.(e)** Funds appropriated in this act to the Department of Health  
20 and Human Services, Division of Central Management and Support, for the 2017-2018 fiscal  
21 year for the Health Information Exchange Network shall be used as follows:

- 22       (1) The sum of three million dollars (\$3,000,000) in nonrecurring funds shall be  
23 transferred by November 1, 2017, to the Department of Information  
24 Technology, Government Data Analytics Center, and shall be used to  
25 support all activities related to upgrading the data exchange technical  
26 environment.
- 27       (2) The sum of one million dollars (\$1,000,000) in recurring funds shall be used  
28 to provide ongoing maintenance and operations of the new data exchange  
29 technical environment.

30       **SECTION 11A.5.(f)** The Joint Legislative Oversight Committee on Medicaid and  
31 NC Health Choice and the Joint Legislative Oversight Committee on Information Technology  
32 shall conduct a joint study of the feasibility of Medicaid providers, other than those specified in  
33 subdivision (1) of subsection (a1) of G.S. 90-414.4, as amended by this act, connecting with  
34 and submitting demographic, clinical, encounter, and claims data through the HIE Network. As  
35 part of this study, the Committees shall examine at least all of the following:

- 36       (1) The availability of connection, exchange, and data submission standards  
37 established by the Office of the National Coordinator for Information  
38 Technology within the U.S. Department of Health and Human Services.
- 39       (2) The adoption of national standards for the connection, exchange, and data  
40 submission standards by provider type.
- 41       (3) Cost estimates by provider type to connect and submit data to the HIE and  
42 any availability of federal or State funds to meet connection or submission  
43 requirements.
- 44       (4) Data captured in the treatment of patients, segmented by provider type.
- 45       (5) Activity of other states and payor plans with respect to the establishment of  
46 an HIE Network.
- 47       (6) Alternatives to the connection and submission of demographic, clinical,  
48 encounter, and claims data through the HIE Network.

49       By April 1, 2018, the Joint Legislative Oversight Committee on Medicaid and NC  
50 Health Choice and the Joint Legislative Oversight Committee on Information Technology shall

1 jointly submit a final report of their findings and recommendations to the 2018 Regular Session  
2 of the 2017 General Assembly.  
3

#### 4 **CONTROLLED SUBSTANCES REPORTING SYSTEM IMPROVEMENTS**

5 **SECTION 11A.6.(a)** It is the intent of the General Assembly to improve the  
6 security and functionality capabilities of the Controlled Substances Reporting System (CSRS)  
7 in order to provide additional value to practitioners and dispensers within their current clinical  
8 workflows. Toward that end, of the one million two hundred thousand dollars (\$1,200,000) in  
9 recurring funds appropriated in this act to the Department of Health and Human Services,  
10 Division of Central Management and Support, for each fiscal year of the 2017-2019 fiscal  
11 biennium for the CSRS, the Department shall allocate funds as follows:

- 12 (1) Four hundred sixty-four thousand dollars (\$464,000) shall be used to create  
13 four permanent, full-time equivalent positions within the Division of Central  
14 Management and Support for the continued support, operation, and  
15 maintenance of the CSRS.
- 16 (2) One hundred seventy-five thousand dollars (\$175,000) shall be used to  
17 create two permanent, full-time equivalent business analytics management  
18 level positions within the Division of Mental Health, Developmental  
19 Disabilities, and Substance Abuse Services.
- 20 (3) Five hundred sixty-one thousand dollars (\$561,000) shall be used to pay for  
21 contractual hours to develop and implement software via existing  
22 public-private partnerships with the Government Data and Analytics Center  
23 (GDAC) for the performance of advanced analytics within the CSRS. These  
24 hours shall be used to achieve the purposes specified in G.S. 90-113.71 and,  
25 more specifically, to accomplish at least all of the following:
  - 26 a. To enhance and automate reports authorized under G.S. 90-113.74.
  - 27 b. To enhance the Department's ability to provide data to persons or  
28 entities authorized to receive information under G.S. 90-113.74. In  
29 improving the CSRS as specified in this subdivision, the Department  
30 shall utilize subject matter expertise and technology available  
31 through existing GDAC public-private partnerships. Upon  
32 development and implementation of the advanced analytics software  
33 for the CSRS, the Division of Central Management and Support shall  
34 coordinate with the Division of Mental Health, Developmental  
35 Disabilities, and Substance Abuse Services, the Division of Public  
36 Health, and any other appropriate division within the Department of  
37 Health and Human Services to ensure that advanced analytics are  
38 developed and utilized in a manner that achieves the purposes  
39 specified in G.S. 90-113.71.
  - 40 c. To aggregate relevant data sources, including those available through  
41 the GDAC.
  - 42 d. To enhance the Department's ability to generate and deploy advanced  
43 analytics in order to improve opioid prescribing practices, identify  
44 unusual prescribing patterns, and detect behavior indicative of  
45 misuse, addiction, or criminal activity.

46 **SECTION 11A.6.(b)** By December 1, 2017, the Department of Health and Human  
47 Services shall execute any contractual agreements and interagency data sharing agreements  
48 necessary to complete the improvements to the CSRS described in subdivisions (1) through (4)  
49 of subsection (a) of this section.

50 **SECTION 11A.6.(c)** To the extent allowable under federal and State laws and  
51 regulations, the Department of Information Technology shall coordinate with the Division of

1 Central Management and Support and the Division of Mental Health, Developmental  
2 Disabilities, and Substance Abuse Services to develop an interface between the CSRS and the  
3 Health Information Exchange (HIE) Network and leverage the interfaces already developed  
4 between the HIE Network and health care entities as a method of providing CSRS data, reports,  
5 and analytic outputs to health care practitioners and dispensers.

6 **SECTION 11A.6.(d)** This section is effective when this act becomes law.  
7

## 8 **DATA ANALYTICS AND PERFORMANCE ENHANCEMENTS**

9 **SECTION 11A.7.** Any enhancement of the State's data analytics capabilities  
10 utilizing funds appropriated in this act to the Department of Health and Human Services,  
11 Division of Central Management and Support, for each year of the 2017-2019 fiscal biennium  
12 shall be subject to applicable State laws requiring that these analytics be developed and  
13 implemented in collaboration with the Government Data Analytics Center.  
14

## 15 **COMMUNITY HEALTH GRANT PROGRAM CHANGES**

16 **SECTION 11A.8.(a)** Of the funds appropriated in this act to the Department of  
17 Health and Human Services, Division of Central Management and Support, Office of Rural  
18 Health, for Community Health Grants, the sum of seven million five hundred thousand dollars  
19 (\$7,500,000) in recurring funds for the 2017-2018 fiscal year and the sum of seven million five  
20 hundred thousand dollars (\$7,500,000) in recurring funds for the 2018-2019 fiscal year shall be  
21 used as follows:

- 22 (1) Two hundred thousand dollars (\$200,000) in recurring funds for each fiscal  
23 year of the 2017-2019 fiscal biennium shall be used to establish four  
24 permanent, full-time equivalent positions within the Office of Rural Health  
25 to support administration of the Community Health Grant Program.
- 26 (2) Seven million one hundred fifty thousand dollars (\$7,150,000) in recurring  
27 funds for each fiscal year of the 2017-2019 fiscal biennium shall be used to  
28 award grants on a competitive basis to free and charitable clinics, federally  
29 qualified health centers, State-designated rural health centers, local health  
30 departments, school-based health centers, and other nonprofit organizations  
31 that (i) provide primary and preventative medical services to uninsured or  
32 medically indigent patients and (ii) serve as a medical home to these  
33 vulnerable populations, in order to accomplish any of the following  
34 purposes:
  - 35 a. Increase access to primary care and preventative health services for  
36 these vulnerable populations in existing primary care locations.
  - 37 b. Establish primary care and preventative health services in counties  
38 where no such services exist to serve these vulnerable populations.
  - 39 c. Create new services, sustain existing service levels, or augment  
40 existing services provided to these vulnerable populations, including  
41 primary care and preventative health services and including dental,  
42 pharmacy, and behavioral health services when integrated into the  
43 medical home.
  - 44 d. Increase primary care capacity to serve these vulnerable populations,  
45 including enhancing or replacing facilities, equipment, or  
46 technologies necessary to participate in the exchange of data and  
47 tools to monitor and improve the quality of care provided.

48 **SECTION 11A.8.(b)** The Office of Rural Health shall work with the North  
49 Carolina Community Health Center Association, the North Carolina Association of Local  
50 Health Directors, the North Carolina Association of Free and Charitable Clinics, the North  
51 Carolina School-Based Health Alliance, and other organizations representing eligible grant



1 recipients to establish a Primary Care Advisory Committee to develop an objective and  
2 equitable process for grading applications for grants funded by this section and making  
3 recommendations to the Office of Rural Health for the award of grants funded by this section.

4 The Office of Rural Health shall make the final decision about awarding grants  
5 funded by this section, but no single grant award shall exceed one hundred fifty thousand  
6 dollars (\$150,000) during the fiscal year. In awarding grants, the Office of Rural Health shall  
7 consider the availability of other funds for the applicant; the incidence of poverty in the area  
8 served by the applicant or the number of indigent clients served by the applicant; the  
9 availability of, or arrangements for, after-hours care; and collaboration between the applicant  
10 and a community hospital or other safety-net organizations.

11 **SECTION 11A.8.(c)** Grant recipients shall not use these funds to do any of the  
12 following:

- 13 (1) Enhance or increase compensation or other benefits of personnel,  
14 administrators, directors, consultants, or any other persons receiving funds  
15 for program administration; provided, however, funds may be used to hire or  
16 retain health care providers. The use of grant funds for this purpose does not  
17 obligate the Department of Health and Human Services to continue to fund  
18 compensation beyond the grant period.
- 19 (2) Supplant existing funds, including federal funds traditionally received by  
20 federally qualified community health centers. However, grant funds may be  
21 used to supplement existing programs that serve the purposes described in  
22 subsection (a) of this section.
- 23 (3) Finance or satisfy any existing debt.

24 **SECTION 11A.8.(d)** The Office of Rural Health shall develop a standardized  
25 method for grant recipients to report objective, measurable quality health outcomes and shall  
26 require grant recipients to report these quality health outcomes to the Department. Beginning  
27 recipients of grant funds shall annually provide to the Office of Rural Health a written report  
28 detailing the number of patients that are cared for, the types of services that were provided,  
29 quality measures and outcomes, and any other information requested by the Office of Rural  
30 Health as necessary for evaluating the success of the Community Health Grant Program.

31 **SECTION 11A.8.(e)** Of the funds appropriated in this act to the Department of  
32 Health and Human Services, Division of Central Management and Support, Office of Rural  
33 Health, for the Community Health Grant Program, the sum of up to one hundred fifty thousand  
34 dollars (\$150,000) in recurring funds for each fiscal year of the 2017-2019 fiscal biennium  
35 shall be used to match federal funds to provide to safety net providers eligible to participate in  
36 the Community Health Grant Program, through the Rural Health Technology Team, ongoing  
37 training and technical assistance with respect to health information technology, the adoption of  
38 electronic health records, and the establishment of connectivity to the State's health information  
39 exchange network known as NC HealthConnex.

#### 40 **RURAL HEALTH LOAN REPAYMENT PROGRAMS**

41 **SECTION 11A.9.** Article 3 of Chapter 143B of the General Statutes is amended by  
42 adding a new section to read:

43 **"§ 143B-139.4C. Office of Rural Health; administration of loan repayment programs.**

44 (a) The Department of Health and Human Services, Office of Rural Health, shall use  
45 funds appropriated to the Department for loan repayment to medical, dental, and psychiatric  
46 providers practicing in State hospitals or in rural or medically underserved communities in this  
47 State to combine the following loan repayment programs in order to achieve efficient and  
48 effective management of these programs:

- 49 (1) The Physician Loan Repayment Program.
- 50 (2) The Psychiatric Loan Repayment Program.
- 51

1           (3)    The Loan Repayment Initiative at State Facilities.

2        (b)    These funds may be used for the following additional purposes:

3           (1)    Continued funding of the State Loan Repayment Program for primary care  
4                providers and expansion of State incentives to general surgeons practicing in  
5                Critical Access Hospitals located across the State.

6           (2)    Expansion of the State Loan Repayment Program to include eligible  
7                providers residing in North Carolina who use telemedicine in rural and  
8                underserved areas."

## 10   **REDUCTION OF FUNDS FOR PURCHASED SERVICES**

11        **SECTION 11A.10.** The Department of Health and Human Services, Division of  
12 Central Management and Support, shall achieve the required reduction in purchased services by  
13 reducing fund code 1910 by the sum of three million two hundred thousand dollars  
14 (\$3,200,000) in nonrecurring funds for the 2017-2018 fiscal year and by the sum of three  
15 million two hundred thousand dollars (\$3,200,000) in nonrecurring funds for the 2018-2019  
16 fiscal year. In making the reductions required by this section, the Department may implement  
17 department-wide reductions in purchased services but shall not reduce any funds (i) that impact  
18 direct services provided through contracts or (ii) used to support the 2012 settlement agreement  
19 entered into between the United States Department of Justice and the State of North Carolina to  
20 ensure that the State will willingly meet the requirements of the Americans with Disabilities  
21 Act of 1990, section 504 of the Rehabilitation Act of 1973, and the United States Supreme  
22 Court decision in *Olmstead v. L.C.*, 527 U.S. 581 (1999).

## 24   **OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY**

25        **SECTION 11A.11.(a)** The Department of Health and Human Services shall not  
26 use any funds appropriated in this act for the Office of Program Evaluation Reporting and  
27 Accountability for any purpose other than to establish and administer that Office and to  
28 implement the provisions of Part 31A of Article 3 of Chapter 143B of the General Statutes.

29        **SECTION 11A.11.(b)** By December 15, 2017, the Department of Health and  
30 Human Services shall report to the Joint Legislative Oversight Committee on Health and  
31 Human Services and the Fiscal Research Division on the establishment and operation of the  
32 Office of Program Evaluation Reporting and Accountability. The report shall include at least all  
33 of the following:

34           (1)    A breakdown of all expenditures from the funds appropriated to the  
35                Department since the 2015-2016 fiscal year for the establishment and  
36                administration of the Office.

37           (2)    All steps taken by the Department to establish the Office pursuant to Part  
38                31A of Article 3 of Chapter 143B of the General Statutes.

39           (3)    An organizational chart of the Office that includes all employees.

40           (4)    A list of all assessments and evaluations conducted or in progress by the  
41                Office.

42           (5)    An explanation of any obstacles to establishment and operation of the Office  
43                or fulfillment by the Office of any of the duties prescribed in  
44                G.S. 143B-216.56.

## 46   **CONTRACTING SPECIALIST AND CERTIFICATION PROGRAM**

47        **SECTION 11A.12.(a)** By September 1, 2017, the Department of Health and  
48 Human Services shall submit to the Joint Legislative Oversight Committee on Health and  
49 Human Services and the Fiscal Research Division the proposal prepared pursuant to Section  
50 12A.4 of S.L. 2016-94 by the School of Government at the University of North Carolina at  
51 Chapel Hill, in collaboration with the Director of Procurement, Contracts and Grants for the

1 Department of Health and Human Services, for the implementation and administration of a  
2 contracting specialist training program for management level personnel within the Department.  
3 The proposal shall include a detailed description of the proposed program curriculum along  
4 with budget estimates for program implementation and administration based on the  
5 requirements of the program design.

6 **SECTION 11A.12.(b)** This section is effective when this act becomes law.  
7

## 8 **GRADUATE MEDICAL EDUCATION FUNDING/CAPE FEAR VALLEY MEDICAL** 9 **CENTER**

10 **SECTION 11A.13.(a)** Calculation of Nonrecurring Payment of Funds. – Of the  
11 funds appropriated in this act to the Department of Health and Human Services, Division of  
12 Central Management and Support, for the 2017-2018 fiscal year for Graduate Medical  
13 Education, the sum of up to one million dollars (\$1,000,000) in nonrecurring funds shall be  
14 allocated to Cape Fear Valley Medical Center (the Center) to support the establishment of  
15 residency programs affiliated with Campbell University School of Medicine. Subject to  
16 fulfillment of the conditions specified in subsection (b) of this section, the nonrecurring amount  
17 of funds allocated to the Center pursuant to this section shall be equal to the total amount of  
18 actual lost Medicare payments for admissions to the Center prior to October 1, 2017, attributed  
19 to the Center's reclassification by the federal Centers for Medicare and Medicaid Services  
20 (CMS) as a rural hospital or rural referral center or any other change approved by CMS, up to a  
21 maximum of one million dollars (\$1,000,000).

22 **SECTION 11A.13.(b)** Conditions for Payment of Funds. – No funds shall be paid  
23 to the Center pursuant to the calculation specified in subsection (a) of this section until the  
24 Office of State Budget and Management (OSBM) certifies, in writing, all of the following:

- 25 (1) The amount of actual lost Medicare payments for admissions to the Center  
26 prior to October 1, 2017, attributed to the Center's reclassification by the  
27 federal CMS as a rural hospital or rural referral center or any other change  
28 approved by CMS.
- 29 (2) That the Center has maintained approval from CMS for reclassification as a  
30 rural hospital or rural referral center.
- 31 (3) That the Center has maintained approval from the Accreditation Council for  
32 Graduate Medical Education or the American Osteopathic Association for  
33 residency programs with a minimum of 130 additional residency slots.

34 **SECTION 11A.13.(c)** Report on Use of Funds. – The Center shall report on or  
35 before April 1, 2018, to the House Appropriations Committee on Health and Human Services,  
36 the Senate Appropriations Committee on Health and Human Services, the Joint Legislative  
37 Oversight Committee on Health and Human Services, and the Fiscal Research Division  
38 regarding its progress in establishing any residency programs funded by State appropriations.

39 **SECTION 11A.13.(d)** Any funds not obligated or encumbered for the purposes  
40 specified in this section by June 30, 2018, shall revert to the General Fund.

41 **SECTION 11A.13.(e)** Section 12A.8 of S.L. 2016-94, as amended by Section 5.1  
42 of S.L. 2016-123, is repealed.  
43

## 44 **COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS**

45 **SECTION 11A.14.(a)** Of the funds appropriated in this act to the Department of  
46 Health and Human Services, Division of Central Management and Support, the sum of ten  
47 million six hundred fifty-three thousand nine hundred eleven dollars (\$10,653,911) for each  
48 year of the 2017-2019 fiscal biennium, the sum of four million two hundred two thousand five  
49 hundred dollars (\$4,202,500) for each year of the 2017-2019 fiscal biennium appropriated in  
50 Section 11L.1(p) of this act in Social Services Block Grant funds, and the sum of one million  
51 six hundred thousand dollars (\$1,600,000) for each year of 2017-2019 fiscal biennium in

1 Section 11L.1 of this act in Substance Abuse Prevention and Treatment Block Grant funds shall  
2 be used to allocate funds for nonprofit organizations.

3 **SECTION 11A.14.(b)** The Department shall continue administering a competitive  
4 grants process for nonprofit funding. The Department shall administer a plan that, at a  
5 minimum, includes each of the following:

- 6 (1) A request for application (RFA) process to allow nonprofits to apply for and  
7 receive State funds on a competitive basis. The Department shall require  
8 nonprofits to include in the application a plan to evaluate the effectiveness,  
9 including measurable impact or outcomes, of the activities, services, and  
10 programs for which the funds are being requested.
- 11 (2) A requirement that nonprofits match a minimum of fifteen percent (15%) of  
12 the total amount of the grant award.
- 13 (3) A requirement that the Secretary prioritize grant awards to those nonprofits  
14 that are able to leverage non-State funds in addition to the grant award.
- 15 (4) A process that awards grants to nonprofits that have the capacity to provide  
16 services on a statewide basis and that support any of the following State  
17 health and wellness initiatives:
  - 18 a. A program targeting advocacy, support, education, or residential  
19 services for persons diagnosed with autism.
  - 20 b. A system of residential supports for those afflicted with substance  
21 abuse addiction.
  - 22 c. A program of advocacy and supports for individuals with intellectual  
23 and developmental disabilities or severe and persistent mental illness,  
24 substance abusers, or the elderly.
  - 25 d. Supports and services to children and adults with developmental  
26 disabilities or mental health diagnoses.
  - 27 e. A food distribution system for needy individuals.
  - 28 f. The provision and coordination of services for the homeless.
  - 29 g. The provision of services for individuals aging out of foster care.
  - 30 h. Programs promoting wellness, physical activity, and health education  
31 programming for North Carolinians.
  - 32 i. The provision of services and screening for blindness.
  - 33 j. A provision for the delivery of after-school services for  
34 apprenticeships or mentoring at-risk youth.
  - 35 k. The provision of direct services for amyotrophic lateral sclerosis  
36 (ALS) and those diagnosed with the disease.
  - 37 l. A comprehensive smoking prevention and cessation program that  
38 screens and treats tobacco use in pregnant women and postpartum  
39 mothers.
  - 40 m. A program providing short-term or long-term residential substance  
41 abuse services. For purposes of this sub-subdivision, "long-term"  
42 means a minimum of 12 months.
  - 43 n. A program that provides year-round sports training and athletic  
44 competition for children and adults with disabilities.

45 It is the intent of the General Assembly that annually the Secretary evaluate  
46 and prioritize the categories of health and wellness initiatives described  
47 under this subdivision to determine the best use of these funds in making  
48 grant awards, exclusive of direct allocations made by the General Assembly.

- 49 (5) A process that ensures that funds received by the Department to implement  
50 the plan supplement and do not supplant existing funds for health and  
51 wellness programs and initiatives.

- 1 (6) A process that allows grants to be awarded to nonprofits for up to two years.  
2 (7) A requirement that initial disbursement of the grants be awarded no later  
3 than 30 days after certification of the State budget for the respective fiscal  
4 year.

5 **SECTION 11A.14.(c)** No later than July 1 of each year, as applicable, the  
6 Secretary shall announce the recipients of the competitive grant awards and allocate funds to  
7 the grant recipients for the respective grant period pursuant to the amounts designated under  
8 subsection (a) of this section. After awards have been granted, by September 1 of each year, the  
9 Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and  
10 Human Services on the grant awards that includes at least all of the following:

- 11 (1) The identity and a brief description of each grantee and each program or  
12 initiative offered by the grantee.  
13 (2) The amount of funding awarded to each grantee.  
14 (3) The number of persons served by each grantee, broken down by program or  
15 initiative.

16 **SECTION 11A.14.(d)** No later than December 1 of each fiscal year, each nonprofit  
17 organization receiving funding pursuant to this subsection in the respective fiscal year shall  
18 submit to the Division of Central Management and Support a written report of all activities  
19 funded by State appropriations. The report shall include the following information about the  
20 fiscal year preceding the year in which the report is due:

- 21 a. The entity's mission, purpose, and governance structure.  
22 b. A description of the types of programs, services, and activities  
23 funded by State appropriations.  
24 c. Statistical and demographical information on the number of persons  
25 served by these programs, services, and activities, including the  
26 counties in which services are provided.  
27 d. Outcome measures that demonstrate the impact and effectiveness of  
28 the programs, services, and activities.  
29 e. A detailed program budget and list of expenditures, including all  
30 positions funded, matching expenditures, and funding sources.

31 **SECTION 11A.14.(e)** For the 2017-2019 fiscal biennium only, from the funds  
32 identified in subsection (a) of this section, the Department shall make allocations as follows:

- 33 (1) The sum of three hundred fifty thousand dollars (\$350,000) in each year of  
34 the 2017-2019 fiscal biennium to provide grants to Big Brothers Big Sisters.  
35 Big Brothers Big Sisters shall be required to seek future funding through the  
36 competitive grants process in accordance with subsection (b) of this section.  
37 (2) The sum of one million six hundred twenty-five thousand dollars  
38 (\$1,625,000) for each year of the 2017-2019 fiscal biennium and the sum of  
39 one million six hundred thousand dollars (\$1,600,000) in Section 11L.1 of  
40 this act in Substance Abuse Prevention and Treatment Block Grant funds in  
41 each year of the 2017-2019 fiscal biennium to Triangle Residential Options  
42 for Substance Abusers, Inc., (TROSA) for the purpose of assisting  
43 individuals with substance abuse addiction. TROSA shall be required to seek  
44 future funding through the competitive grants process in accordance with  
45 subsection (b) of this section.  
46 (3) The sum of two million seven hundred fifty thousand dollars (\$2,750,000) in  
47 each year of the 2017-2019 fiscal biennium to provide grants to Boys and  
48 Girls Clubs across the State to implement (i) programs that improve the  
49 motivation, performance, and self-esteem of youth and (ii) other initiatives  
50 that would be expected to reduce gang participation, school dropout, and  
51 teen pregnancy rates. Boys and Girls Clubs shall be required to seek future

1 funding through the competitive grants process in accordance with  
2 subsection (b) of this section.

3 **SECTION 11A.14.(f)** Funds appropriated pursuant to this section that have been  
4 awarded but not yet disbursed or encumbered at the end of each fiscal year shall not revert but  
5 shall remain available for expenditure.

6 **SECTION 11A.14.(g)** G.S. 143B-139.2A is repealed.  
7

## 8 **SUBPART XI-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**

### 9 10 **NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED** 11 **FACILITIES**

12 **SECTION 11B.1.(a)** Eligibility. – The Department of Health and Human Services,  
13 Division of Child Development and Early Education, shall continue implementing the  
14 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four  
15 years of age on or before August 31 of the program year. In determining eligibility, the  
16 Division shall establish income eligibility requirements for the program not to exceed  
17 seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children  
18 enrolled may have family incomes in excess of seventy-five percent (75%) of median income if  
19 those children have other designated risk factors. Furthermore, any age-eligible child who is a  
20 child of either of the following shall be eligible for the program: (i) an active duty member of  
21 the Armed Forces of the United States, including the North Carolina National Guard, State  
22 military forces, or a reserve component of the Armed Forces who was ordered to active duty by  
23 the proper authority within the last 18 months or is expected to be ordered within the next 18  
24 months, or (ii) a member of the Armed Forces of the United States, including the North  
25 Carolina National Guard, State military forces, or a reserve component of the Armed Forces  
26 who was injured or killed while serving on active duty. Eligibility determinations for NC Pre-K  
27 participants may continue through local education agencies and local North Carolina  
28 Partnership for Children, Inc., partnerships.

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

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

35 **SECTION 11B.1.(b1)** Building Standards. – Notwithstanding G.S. 110-91(4),  
36 private child care facilities and public schools operating NC Pre-K classrooms shall meet the  
37 building standards for preschool students as provided in G.S. 115C-521.1.

38 **SECTION 11B.1.(c)** Programmatic Standards. – Except as provided in subsection  
39 (b1) of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies  
40 prescribed by the Division of Child Development and Early Education regarding programmatic  
41 standards and classroom requirements.

42 **SECTION 11B.1.(d)** NC Pre-K Committees. – Local NC Pre-K committees shall  
43 use the standard decision-making process developed by the Division of Child Development and  
44 Early Education in awarding NC Pre-K classroom slots and student selection.

45 **SECTION 11B.1.(e)** Reporting. – The Division of Child Development and Early  
46 Education shall submit an annual report no later than March 15 of each year to the Joint  
47 Legislative Oversight Committee on Health and Human Services, the Office of State Budget  
48 and Management, and the Fiscal Research Division. The report shall include the following:

- 49 (1) The number of children participating in the NC Pre-K program by county.
- 50 (2) The number of children participating in the NC Pre-K program who have  
51 never been served in other early education programs such as child care,

1 public or private preschool, Head Start, Early Head Start, or early  
2 intervention programs.  
3 (3) The expected NC Pre-K expenditures for the programs and the source of the  
4 local contributions.

5 (4) The results of an annual evaluation of the NC Pre-K program.

6 **SECTION 11B.1.(f)** Audits. – The administration of the NC Pre-K program by  
7 local partnerships shall be subject to the financial and compliance audits authorized under  
8 G.S. 143B-168.14(b).

9 **SECTION 11B.1.(g)** Oral Health Screen and Health Assessment Transmittal Form.  
10 – G.S. 130A-441(a)(5) reads as rewritten:

11 "(a) Health assessment results shall be submitted on the statewide standardized health  
12 assessment transmittal form developed by the Department and the Department of Public  
13 Instruction and submitted to the school principal by either (i) the parent, guardian, or person  
14 standing in loco parentis for the student or (ii) the health care provider specified in  
15 G.S. 130A-440(c), if authorized in writing by the parent, guardian, or person standing in loco  
16 parentis. The health assessment transmittal form shall include only the items listed below:

17 ...  
18 (5) A section that includes the following information, if applicable, supplied by  
19 a health care provider specified in G.S. 130A-440(c):

20 ...  
21 f1. Information on whether the student passed a dental screening and any  
22 concerns related to the student's oral health.  
23 ...."  
24

## 25 STATE AGENCY CONTINUED COLLABORATION ON EARLY CHILDHOOD 26 EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN

27 **SECTION 11B.2.(a)** The Department of Health and Human Services, in  
28 consultation with the Department of Public Instruction and any other agencies or organizations  
29 that administer, support, or study early education in this State, and within resources currently  
30 available, shall continue to collaborate on an ongoing basis in the development and  
31 implementation of a statewide vision for early childhood education. In collaborating in this  
32 effort, the agencies shall continue developing a comprehensive approach to early childhood  
33 education, birth through third grade, including creating cross agency accountability with a  
34 comprehensive set of data indicators, including consideration of the NC Pathways to  
35 Grade-Level Reading, to monitor and measure success of the early childhood education  
36 systems.

37 **SECTION 11B.2.(b)** The Department of Health and Human Services, the  
38 Department of Public Instruction, and any other agencies or organizations that administer,  
39 support, or study early education programs in this State shall submit a follow-up report of their  
40 findings and recommendations, including any legislative proposals, on the statewide vision for  
41 early childhood education pursuant to subsection (a) of this section to the Joint Legislative  
42 Oversight Committee on Health and Human Services and the Joint Legislative Education  
43 Oversight Committee on or before January 1, 2018, and may make any subsequent reports,  
44 annually, on or before January 1, as needed to those same committees.

45 **SECTION 11B.2.(c)** The Department of Health and Human Services, in  
46 consultation with the Department of Public Instruction, shall continue developing a  
47 standardized program to transition children from preschool to kindergarten. In developing this  
48 standardized transition program, the Department of Health and Human Services shall identify,  
49 at a minimum:

50 (1) Methods to standardize student transition information such that it is  
51 quantifiable.

- (2) Recommendations for sharing data contained in a student's transition plan between preschool teachers and either kindergarten teachers or the schools that receive the incoming kindergarten students.
- (3) Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.
- (4) Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.
- (5) Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.
- (6) Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.
- (7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

**SECTION 11B.2.(d)** The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (c) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2018.

**CHILD CARE SUBSIDY RATES**

**SECTION 11B.3.(a)** The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be determined based on a percentage of the federal poverty level as follows:

AGE	INCOME PERCENTAGE LEVEL
0 – 5	200%
6 – 12	133%

The eligibility for any child with special needs, including a child who is 13 years of age or older, shall be two hundred percent (200%) of the federal poverty level.

**SECTION 11B.3.(b)** Fees for families who are required to share in the cost of care are established based on ten percent (10%) of gross family income. When care is received at the blended rate, the co-payment shall be eighty-three percent (83%) of the full-time co-payment. Co-payments for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

**SECTION 11B.3.(c)** Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (f) of this section.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower, unless prohibited by subsection (g) of this section.
- (3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.
- (4) No payments shall be made for transportation services or registration fees charged by child care facilities.



- 1 (5) Payments for subsidized child care services for postsecondary education  
2 shall be limited to a maximum of 20 months of enrollment.
- 3 (6) The Department of Health and Human Services shall implement necessary  
4 rule changes to restructure services, including, but not limited to, targeting  
5 benefits to employment.

6 **SECTION 11B.3.(d)** Provisions of payment rates for child care providers in  
7 counties that do not have at least 50 children in each age group for center-based and  
8 home-based care are as follows:

- 9 (1) Except as applicable in subdivision (2) of this subsection, payment rates  
10 shall be set at the statewide or regional market rate for licensed child care  
11 centers and homes.
- 12 (2) If it can be demonstrated that the application of the statewide or regional  
13 market rate to a county with fewer than 50 children in each age group is  
14 lower than the county market rate and would inhibit the ability of the county  
15 to purchase child care for low-income children, then the county market rate  
16 may be applied.

17 **SECTION 11B.3.(e)** A market rate shall be calculated for child care centers and  
18 homes at each rated license level for each county and for each age group or age category of  
19 enrollees and shall be representative of fees charged to parents for each age group of enrollees  
20 within the county. The Division of Child Development and Early Education shall also calculate  
21 a statewide rate and regional market rate for each rated license level for each age category.

22 **SECTION 11B.3.(f)** The Division of Child Development and Early Education  
23 shall continue implementing policies that improve the quality of child care for subsidized  
24 children, including a policy in which child care subsidies are paid, to the extent possible, for  
25 child care in the higher quality centers and homes only. The Division shall define higher  
26 quality, and subsidy funds shall not be paid for one- or two-star rated facilities. For those  
27 counties with an inadequate number of four- and five-star rated facilities, the Division shall  
28 continue a transition period that allows the facilities to continue to receive subsidy funds while  
29 the facilities work on the increased star ratings. The Division may allow exemptions in counties  
30 where there is an inadequate number of four- and five-star rated facilities for non-star rated  
31 programs, such as religious programs.

32 **SECTION 11B.3.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the  
33 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the  
34 program that provides for the purchase of care in child care facilities for minor children of  
35 needy families. Except as authorized by subsection (f) of this section, no separate licensing  
36 requirements shall be used to select facilities to participate. In addition, child care facilities  
37 shall be required to meet any additional applicable requirements of federal law or regulations.  
38 Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of  
39 the General Statutes shall meet the requirements established by other State law and by the  
40 Social Services Commission.

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

44 **SECTION 11B.3.(h)** Payment for subsidized child care services provided with  
45 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations  
46 and policies issued by the Division of Child Development and Early Education for the  
47 subsidized child care program.

48 **SECTION 11B.3.(i)** Noncitizen families who reside in this State legally shall be  
49 eligible for child care subsidies if all other conditions of eligibility are met. If all other  
50 conditions of eligibility are met, noncitizen families who reside in this State illegally shall be  
51 eligible for child care subsidies only if at least one of the following conditions is met:

- 1 (1) The child for whom a child care subsidy is sought is receiving child  
2 protective services or foster care services.
- 3 (2) The child for whom a child care subsidy is sought is developmentally  
4 delayed or at risk of being developmentally delayed.
- 5 (3) The child for whom a child care subsidy is sought is a citizen of the United  
6 States.

7 **SECTION 11B.3.(j)** The Department of Health and Human Services, Division of  
8 Child Development and Early Education, shall require all county departments of social services  
9 to include on any forms used to determine eligibility for child care subsidy whether the family  
10 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

11 **SECTION 11B.3.(k)** Department of Defense-certified child care facilities licensed  
12 pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that  
13 provides for the purchase of care in child care facilities for minor children in needy families,  
14 provided that funds allocated from the State-subsidized child care program to Department of  
15 Defense-certified child care facilities shall supplement and not supplant funds allocated in  
16 accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose  
17 Department of Defense-certified child care facilities and who are eligible to receive subsidized  
18 child care shall be as set forth in this section.

#### 19 20 **CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS** 21 **AND COUNTIES**

22 **SECTION 11B.4.(a)** Beginning October 1, 2017, the Division shall increase the  
23 child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate  
24 Study for children birth through two years of age in three-, four-, and five-star-rated child care  
25 centers and homes in tier three counties.

26 **SECTION 11B.4.(b)** Beginning October 1, 2017, the Division shall increase the  
27 child care subsidy market rates by thirty percent (30%) of the difference between the current  
28 market rates and the rates recommended by the 2015 Child Care Market Rate Study for  
29 children three through five years of age in three-, four-, and five-star-rated child care centers  
30 and homes in tier three counties.

31 **SECTION 11B.4.(c)** For purposes of this section, tier three counties shall have the  
32 same designations as those established by the N.C. Department of Commerce's 2015 County  
33 Tier Designations.

#### 34 35 **CHILD CARE ALLOCATION FORMULA**

36 **SECTION 11B.5.(a)** The Department of Health and Human Services, Division of  
37 Child Development and Early Education (Division), shall allocate child care subsidy voucher  
38 funds to pay the costs of necessary child care for minor children of needy families. The  
39 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy  
40 allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child  
41 care subsidy allocation. The Department of Health and Human Services shall use the following  
42 method when allocating federal and State child care funds, not including the aggregate  
43 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy  
44 allocation:

- 45 (1) Funds shall be allocated to a county based upon the projected cost of serving  
46 children under age 11 in families with all parents working who earn less than  
47 the applicable federal poverty level percentage set forth in Section 11B.3(a)  
48 of this act.
- 49 (2) The Division may withhold up to two percent (2%) of available funds from  
50 the allocation formula for (i) preventing termination of services throughout  
51 the fiscal year and (ii) repayment of any federal funds identified by counties

1 as overpayments, including overpayments due to fraud. The Division shall  
2 allocate to counties any funds withheld before the end of the fiscal year  
3 when the Division determines the funds are not needed for the purposes  
4 described in this subdivision. The Division shall submit a report to the Joint  
5 Legislative Oversight Committee on Health and Human Services and the  
6 Fiscal Research Division, which report shall include each of the following:

- 7 a. The amount of funds used for preventing termination of services and  
8 the repayment of any federal funds.
- 9 b. The date the remaining funds were distributed to counties.
- 10 c. As a result of funds withheld under this subdivision and after funds  
11 have been distributed, any counties that did not receive at least the  
12 amount the counties received the previous year and the amount by  
13 which funds were decreased.

14 The Division shall submit a report in each year of the 2017-2019 fiscal  
15 biennium 30 days after the funds withheld pursuant to this subdivision are  
16 distributed, but no later than April 1 of each respective year.

- 17 (3) The Division shall set aside four percent (4%) of child care subsidy  
18 allocations for vulnerable populations, which include a child identified as  
19 having special needs and a child whose application for assistance indicates  
20 that the child and the child's family is experiencing homelessness or is in a  
21 temporary living situation. A child identified by this subdivision shall be  
22 given priority for receiving services until such time as set-aside allocations  
23 for vulnerable populations are exhausted.

24 **SECTION 11B.5.(b)** The Division may reallocate unused child care subsidy  
25 voucher funds in order to meet the child care needs of low-income families. Any reallocation of  
26 funds shall be based upon the expenditures of all child care subsidy voucher funding, including  
27 North Carolina Partnership for Children, Inc., funds within a county. Counties shall manage  
28 service levels within the funds allocated to the counties. A county with a spending coefficient  
29 over one hundred percent (100%) shall submit a plan to the Division for managing the county's  
30 allocation before receiving any reallocated funds.

31 **SECTION 11B.5.(c)** When implementing the formula under subsection (a) of this  
32 section, the Division shall include the market rate increase in the formula process, rather than  
33 calculating the increases outside of the formula process. Additionally, the Department shall do  
34 the following:

- 35 (1) Implement the final one-third change in a county's allocation beginning  
36 fiscal year 2018-2019. A county's initial allocation shall be at least the  
37 county's expenditure in the previous fiscal year or a prorated share of the  
38 county's previous fiscal year expenditures if sufficient funds are not  
39 available. With the exception of market rate increases consistent with any  
40 increases approved by the General Assembly, a county whose spending  
41 coefficient is less than ninety-five percent (95%) in the previous fiscal year  
42 shall receive its prior year's expenditure as its allocation and shall not receive  
43 an increase in its allocation in the following year. A county whose spending  
44 coefficient is at least ninety-five percent (95%) in the previous fiscal year  
45 shall receive, at a minimum, the amount it expended in the previous fiscal  
46 year and may receive additional funding, if available. The Division may  
47 waive this requirement and allow an increase if the spending coefficient is  
48 below ninety-five percent (95%) due to extraordinary circumstances, such as  
49 a State or federal disaster declaration in the affected county. By October 1 of  
50 each year, the Division shall report to the Joint Legislative Oversight  
51 Committee on Health and Human Services and the Fiscal Research Division

1 the counties that received a waiver pursuant to this subdivision and the  
2 reasons for the waiver.

- 3 (2) Effective immediately following the next new decennial census data release,  
4 implement (i) one-third of the change in a county's allocation in the year  
5 following the data release, (ii) an additional one-third of the change in a  
6 county's allocation beginning two years after the initial change under this  
7 subdivision, and (iii) the final one-third change in a county's allocation  
8 beginning the following two years thereafter.  
9

## 10 CODIFY CERTAIN CHILD CARE SUBSIDY PROVISIONS

11 SECTION 11B.6. Article 3 of Chapter 143B of the General Statutes is amended by  
12 adding a new Part to read:

13 "Part 10C. Child Care Subsidy.

### 14 "§ 143B-168.25. Child care funds matching requirements.

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

### 22 "§ 143B-168.26. Child care revolving loan.

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

### 28 "§ 143B-168.27. Administrative allowance for county departments of social services; use 29 of subsidy funds for fraud detection.

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

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

37 (c) The Division may adjust the allocations in the Child Care and Development Fund  
38 Block Grant according to (i) the final allocations for local departments of social services under  
39 subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation  
40 initiatives under subsection (b) of this section. The Division shall submit a report on the final  
41 adjustments to the allocations of the four percent (4%) administrative costs to the Joint  
42 Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
43 Division no later than September 30 of each year."  
44

## 45 SMART START INITIATIVES

46 SECTION 11B.8.(a) Policies. – The North Carolina Partnership for Children, Inc.,  
47 and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s  
48 mission of improving child care quality in North Carolina for children from birth to five years  
49 of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting  
50 child care facilities with (i) improving quality, including helping one-, two-, and  
51 three-star-rated facilities increase their star ratings, and (ii) implementing prekindergarten

1 programs. State funding for local partnerships shall also be used for evidence-based or  
2 evidence-informed programs for children from birth to five years of age that do the following:

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

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

20 **SECTION 11B.8.(c)** Salaries. – The salary schedule developed and implemented  
21 by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State  
22 funds that may be used for the salary of the Executive Director of the North Carolina  
23 Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina  
24 Partnership for Children, Inc., shall base the schedule on the following criteria:

- 25 (1) The population of the area serviced by a local partnership.
- 26 (2) The amount of State funds administered.
- 27 (3) The amount of total funds administered.
- 28 (4) The professional experience of the individual to be compensated.
- 29 (5) Any other relevant factors pertaining to salary, as determined by the North  
30 Carolina Partnership for Children, Inc.

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

35 **SECTION 11B.8.(d)** Match Requirements. – The North Carolina Partnership for  
36 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one  
37 hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the  
38 2017-2019 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the  
39 local partnerships are required to match, contributions of cash shall be equal to at least thirteen  
40 percent (13%) and in-kind donated resources shall be equal to no more than six percent (6%)  
41 for a total match requirement of nineteen percent (19%) for each year of the 2017-2019 fiscal  
42 biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in  
43 excess of the required match for a fiscal year in order to meet the match requirement of the  
44 succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the  
45 in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the  
46 purpose of the match requirement of this subsection. Volunteer services that qualify as  
47 professional services shall be valued at the fair market value of those services. All other  
48 volunteer service hours shall be valued at the statewide average wage rate as calculated from  
49 data compiled by the Division of Employment Security of the Department of Commerce in the  
50 Employment and Wages in North Carolina Annual Report for the most recent period for which  
51 data are available. Expenses, including both those paid by cash and in-kind contributions,

1 incurred by other participating non-State entities contracting with the North Carolina  
2 Partnership for Children, Inc., or the local partnerships also may be considered resources  
3 available to meet the required private match. In order to qualify to meet the required private  
4 match, the expenses shall:

- 5 (1) Be verifiable from the contractor's records.
- 6 (2) If in-kind, other than volunteer services, be quantifiable in accordance with  
7 generally accepted accounting principles for nonprofit organizations.
- 8 (3) Not include expenses funded by State funds.
- 9 (4) Be supplemental to and not supplant preexisting resources for related  
10 program activities.
- 11 (5) Be incurred as a direct result of the Early Childhood Initiatives Program and  
12 be necessary and reasonable for the proper and efficient accomplishment of  
13 the Program's objectives.
- 14 (6) Be otherwise allowable under federal or State law.
- 15 (7) Be required and described in the contractual agreements approved by the  
16 North Carolina Partnership for Children, Inc., or the local partnership.
- 17 (8) Be reported to the North Carolina Partnership for Children, Inc., or the local  
18 partnership by the contractor in the same manner as reimbursable expenses.

19 Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the  
20 2017-2019 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for  
21 the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc.,  
22 shall be responsible for compiling information on the private cash and in-kind contributions  
23 into a report that is submitted to the Joint Legislative Oversight Committee on Health and  
24 Human Services in a format that allows verification by the Department of Revenue. The same  
25 match requirements shall apply to any expansion funds appropriated by the General Assembly.

26 **SECTION 11B.8.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,  
27 and all local partnerships shall use competitive bidding practices in contracting for goods and  
28 services on contract amounts as follows:

- 29 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures  
30 specified by a written policy as developed by the Board of Directors of the  
31 North Carolina Partnership for Children, Inc.
- 32 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen  
33 thousand dollars (\$15,000), three written quotes.
- 34 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than  
35 forty thousand dollars (\$40,000), a request for proposal process.
- 36 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for  
37 proposal process and advertising in a major newspaper.

38 **SECTION 11B.8.(f) Allocations.** – The North Carolina Partnership for Children,  
39 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the  
40 2012-2013 funding level.

41 **SECTION 11B.8.(g) Performance-Based Evaluation.** – The Department of Health  
42 and Human Services shall continue to implement the performance-based evaluation system.

43 **SECTION 11B.8.(h) Expenditure Restrictions.** – The Department of Health and  
44 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the  
45 allocation of funds for Early Childhood Education and Development Initiatives for the  
46 2017-2019 fiscal biennium shall be administered and distributed in the following manner:

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

1 For the 2017-2019 fiscal biennium, local partnerships shall not spend any State funds on  
2 marketing campaigns, advertising, or any associated materials. Local partnerships may spend  
3 any private funds the local partnerships receive on those activities.  
4

5 **SMART START EARLY LITERACY INITIATIVE/DOLLY PARTON'S**  
6 **IMAGINATION LIBRARY**

7 **SECTION 11B.9.(a)** Funds allocated to the North Carolina Partnership for  
8 Children, Inc., from the Department of Health and Human Services, shall be used to increase  
9 access to Dolly Parton's Imagination Library, an early literacy program that mails  
10 age-appropriate books on a monthly basis to children registered for the program, with the intent  
11 that, upon full implementation, access to the program shall be statewide.

12 **SECTION 11B.9.(b)** The North Carolina Partnership for Children, Inc., may use  
13 up to two percent (2%) of the funds for program evaluation. Funds appropriated under this  
14 section shall not be subject to administrative costs requirements under Section 11B.8(b) of this  
15 act, nor shall these funds be subject to the child care services funding requirements under  
16 G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g),  
17 or the match requirements under Section 11B.8(d) of this act.

18 **SECTION 11B.9.(c)** The North Carolina Partnership for Children, Inc., shall report  
19 on the success of the early literacy initiative, including any recommendations, to the Joint  
20 Legislative Oversight Committee on Health and Human Services by March 1, 2018. The report  
21 shall include participation rates for Dolly Parton's Imagination Library.  
22

23 **SMART START/REACH OUT AND READ EARLY LITERACY INITIATIVE**

24 **SECTION 11B.9A.(a)** Funds allocated in this act to the North Carolina Partnership  
25 for Children, Inc., from the Department of Health and Human Services, in each year of the  
26 2017-2019 fiscal biennium shall be used to increase access to Reach Out and Read, a program  
27 that supports physicians, nurse practitioners, and physician assistants in their efforts to  
28 "prescribe" reading to young children and families during well-child visits through early  
29 literacy guidance and book sharing, the provision of free books for children to keep, and  
30 literacy-rich waiting rooms.

31 **SECTION 11B.9A.(b)** The North Carolina Partnership for Children, Inc., may use  
32 up to two percent (2%) of the funds for program evaluation. Funds allocated under this section  
33 shall not be subject to administrative costs requirements under Section 11B.8(b) of this act, nor  
34 shall these funds be subject to the child care services funding requirements under  
35 G.S. 143B-168.15(b), child care subsidy expansion requirements under G.S. 143B-168.15(g),  
36 or the match requirements under Section 11B.8(d) of this act.

37 **SECTION 11B.9A.(c)** The North Carolina Partnership for Children, Inc., shall  
38 report on the success of the Reach Out and Read literacy initiative, including any  
39 recommendations, to the Joint Legislative Oversight Committee on Health and Human Services  
40 by March 1, 2018. The report shall include participation rates for Reach Out and Read.  
41

42 **TASK FORCE/EARLY CHILDHOOD EDUCATION WORKFORCE**

43 **SECTION 11B.10.(a)** The Department of Health and Human Services, Division of  
44 Child Development and Early Education (Division), shall create and appoint a Task Force to (i)  
45 study issues related to the education and compensation of the early childhood workforce and  
46 (ii) make recommendations to strengthen the early education teacher workforce and best attract  
47 and retain qualified teachers for North Carolina's early education programs, including the NC  
48 prekindergarten program (NC Pre-K) and private child care centers.

49 **SECTION 11B.10.(b)** The Task Force shall consist of at least the following  
50 members:

- 1 (1) The Director of the Division of Child Development and Early Education or  
2 the Secretary of Health and Human Services' designee for the Division. This  
3 representative shall serve as the chair of the Task Force. The Division shall  
4 use the resources of its office to staff and support the Task Force.
- 5 (2) Six members representing State-level early education organizations working  
6 on education and compensation issues facing the early childhood workforce.
- 7 (3) Four members representing child care programs, including one for-profit  
8 center, one nonprofit center, one NC Pre-K provider, and one family child  
9 care home provider.
- 10 (4) Two members representing local North Carolina Partnership for Children,  
11 Inc., partnerships, including one urban and one rural representative.
- 12 (5) Two staff with expertise about the workforce from local Child Care  
13 Resource and Referral agencies.
- 14 (6) Two members representing higher education, including one member from  
15 the Community College Early Education System and one member from The  
16 University of North Carolina system.

17 **SECTION 11B.10.(c)** The Task Force shall study the following:

- 18 (1) National reports, programs, and recommendations related to advancing the  
19 education or compensation of the early childhood workforce.
- 20 (2) North Carolina data on early education workforce education and  
21 compensation from workforce studies and other sources.
- 22 (3) Current State education standards and compensation policy in law, policy,  
23 and rules for early education teachers.
- 24 (4) Professional development and training resources available through the  
25 community college early education programs, Child Care Resource and  
26 Referral agencies, and other technical assistance providers.
- 27 (5) Opportunities to improve teacher compensation through various funding  
28 streams including parent rates, provider incentives, the child care subsidy  
29 system, and NC Pre-K.
- 30 (6) Opportunities to include compensation and education strategies in the State's  
31 Quality Rating and Improvement System.
- 32 (7) The coordination and support of public and private partnerships and  
33 resources necessary to attract and retain a qualified early childhood  
34 workforce.
- 35 (8) Any other issues related to the early childhood workforce that the Task  
36 Force deems relevant.

37 **SECTION 11B.10.(d)** The Task Force shall submit a final report, including any  
38 recommendations on the results of its study, to the Joint Legislative Oversight Committee on  
39 Health and Human Services on or before March 1, 2018. The Task Force shall terminate on  
40 March 1, 2018, or upon the filing of its final report, whichever occurs first.

41  
42 **SUBPART XI-C. DIVISION OF SOCIAL SERVICES**

43  
44 **TANF BENEFIT IMPLEMENTATION**

45 **SECTION 11C.1.(a)** The General Assembly approves the plan titled "North  
46 Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019," prepared by the  
47 Department of Health and Human Services and presented to the General Assembly. The North  
48 Carolina Temporary Assistance for Needy Families State Plan covers the period October 1,  
49 2016, through September 30, 2019. The Department shall submit the State Plan, as revised in  
50 accordance with subsection (b) of this section, to the United States Department of Health and  
51 Human Services.



1           **SECTION 11C.1.(b)** The counties approved as Electing Counties in the North  
2 Carolina Temporary Assistance for Needy Families State Plan FY 2016-2019, as approved by  
3 this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

4           **SECTION 11C.1.(c)** Counties that submitted the letter of intent to remain as an  
5 Electing County or to be redesignated as an Electing County and the accompanying county plan  
6 for years 2016 through 2019, pursuant to G.S. 108A-27(e), shall operate under the Electing  
7 County budget requirements effective July 1, 2017. For programmatic purposes, all counties  
8 referred to in this subsection shall remain under their current county designation through  
9 September 30, 2019.

10           **SECTION 11C.1.(d)** For each year of the 2017-2019 fiscal biennium, Electing  
11 Counties shall be held harmless to their Work First Family Assistance allocations for the  
12 2016-2017 fiscal year, provided that remaining funds allocated for Work First Family  
13 Assistance and Work First Diversion Assistance are sufficient for payments made by the  
14 Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

15           **SECTION 11C.1.(e)** In the event that departmental projections of Work First  
16 Family Assistance and Work First Diversion Assistance for the 2017-2018 fiscal year or the  
17 2018-2019 fiscal year indicate that remaining funds are insufficient for Work First Family  
18 Assistance and Work First Diversion Assistance payments to be made on behalf of Standard  
19 Counties, the Department is authorized to deallocate funds, of those allocated to Electing  
20 Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11,  
21 up to the requisite amount for payments in Standard Counties. Prior to deallocation, the  
22 Department shall obtain approval by the Office of State Budget and Management. If the  
23 Department adjusts the allocation set forth in subsection (d) of this section, then a report shall  
24 be made to the Joint Legislative Oversight Committee on Health and Human Services and the  
25 Fiscal Research Division.

## 26 27 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND** 28 **PERFORMANCE ENHANCEMENTS**

29           **SECTION 11C.2.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the  
30 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to  
31 children and families in cases of abuse, neglect, and dependency where a child is at imminent  
32 risk of removal from the home and to children and families in cases of abuse where a child is  
33 not at imminent risk of removal. The Program shall be developed and implemented statewide  
34 on a regional basis. The IFPS shall ensure the application of standardized assessment criteria  
35 for determining imminent risk and clear criteria for determining out-of-home placement.

36           **SECTION 11C.2.(b)** The Department of Health and Human Services shall require  
37 that any program or entity that receives State, federal, or other funding for the purpose of IFPS  
38 shall provide information and data that allows for the following:

- 39           (1) An established follow-up system with a minimum of six months of  
40 follow-up services.
- 41           (2) Detailed information on the specific interventions applied, including  
42 utilization indicators and performance measurement.
- 43           (3) Cost-benefit data.
- 44           (4) Data on long-term benefits associated with IFPS. This data shall be obtained  
45 by tracking families through the intervention process.
- 46           (5) The number of families remaining intact and the associated interventions  
47 while in IFPS and 12 months thereafter.
- 48           (6) The number and percentage, by race, of children who received IFPS  
49 compared to the ratio of their distribution in the general population involved  
50 with Child Protective Services.

1           **SECTION 11C.2.(c)** The Department shall establish a performance-based funding  
2 protocol and shall only provide funding to those programs and entities providing the required  
3 information specified in subsection (b) of this section. The amount of funding shall be based on  
4 the individual performance of each program.

5  
6           **CHILD CARING INSTITUTIONS**

7           **SECTION 11C.3.** Until the Social Services Commission adopts rules setting  
8 standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the  
9 maximum reimbursement for child caring institutions shall not exceed the rate established for  
10 the specific child caring institution by the Department of Health and Human Services, Office of  
11 the Controller. In determining the maximum reimbursement, the State shall include county and  
12 IV-E reimbursements.

13  
14           **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

15           **SECTION 11C.4.** Of the funds available for the provision of foster care services,  
16 the Department of Health and Human Services, Division of Social Services, may continue to  
17 provide for the financial support of children who are deemed to be (i) in a permanent family  
18 placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive  
19 permanency. No additional expenses shall be incurred beyond the funds budgeted for foster  
20 care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program  
21 (GAP) shall include provisions for extending guardianship services for individuals who have  
22 attained the age of 18 years and opt to continue to receive guardianship services until reaching  
23 21 years of age if the individual is (i) completing secondary education or a program leading to  
24 an equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational  
25 education, (iii) participating in a program or activity designed to promote, or remove barriers  
26 to, employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing  
27 the educational or employment requirements of this section due to a medical condition or  
28 disability. The Guardianship Assistance Program rates shall reimburse the legal guardian for  
29 room and board and be set at the same rate as the foster care room and board rates in  
30 accordance with rates established under G.S. 108A-49.1.

31  
32           **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

33           **SECTION 11C.5.(a)** Funds appropriated from the General Fund to the Department  
34 of Health and Human Services for the child welfare postsecondary support program shall be  
35 used to continue providing assistance with the "cost of attendance" as that term is defined in 20  
36 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system  
37 and special needs children adopted from foster care after age 12. These funds shall be allocated  
38 by the State Education Assistance Authority.

39           **SECTION 11C.5.(b)** Of the funds appropriated from the General Fund to the  
40 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the  
41 2017-2018 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2018-2019 fiscal  
42 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA).  
43 The SEAA shall use these funds only to perform administrative functions necessary to manage  
44 and distribute scholarship funds under the child welfare postsecondary support program.

45           **SECTION 11C.5.(c)** Of the funds appropriated from the General Fund to the  
46 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four  
47 hundred ninety-three dollars (\$339,493) for the 2017-2018 fiscal year and the sum of three  
48 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2018-2019  
49 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary  
50 support program described under subsection (a) of this section, which administration shall  
51 include the performance of case management services.

1           **SECTION 11C.5.(d)** Funds appropriated to the Department of Health and Human  
2 Services for the child welfare postsecondary support program shall be used only for students  
3 attending public institutions of higher education in this State.  
4

5 **FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

6           **SECTION 11C.6.(a)** Centralized Services. – The North Carolina Child Support  
7 Services Section (NCCSS) of the Department of Health and Human Services, Division of  
8 Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive  
9 payments it receives from the federal government to enhance centralized child support services.  
10 To accomplish this requirement, NCCSS shall do the following:

- 11           (1) In consultation with representatives from county child support services  
12 programs, identify how federal incentive funding could improve centralized  
13 services.
- 14           (2) Use federal incentive funds to improve the effectiveness of the State's  
15 centralized child support services by supplementing and not supplanting  
16 State expenditures for those services.
- 17           (3) Develop and implement rules that explain the State process for calculating  
18 and distributing federal incentive funding to county child support services  
19 programs.

20           **SECTION 11C.6.(b)** County Child Support Services Programs. – NCCSS shall  
21 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it  
22 receives from the federal government to county child support services programs to improve  
23 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall  
24 do the following:

- 25           (1) In consultation with representatives from county child support services  
26 programs, examine the current methodology for distributing federal  
27 incentive funding to the county programs and determine whether an  
28 alternative formula would be appropriate. NCCSS shall use its current  
29 formula for distributing federal incentive funding until an alternative  
30 formula is adopted.
- 31           (2) Upon adopting an alternative formula, develop a process to phase in the  
32 alternative formula for distributing federal incentive funding over a  
33 four-year period.

34           **SECTION 11C.6.(c)** Reporting by County Child Support Services Programs. –  
35 NCCSS shall continue implementing guidelines that identify appropriate uses for federal  
36 incentive funding. To ensure those guidelines are properly followed, NCCSS shall require  
37 county child support services programs to comply with each of the following:

- 38           (1) Submit an annual plan describing how federal incentive funding would  
39 improve program effectiveness and efficiency as a condition of receiving  
40 federal incentive funding.
- 41           (2) Report annually on the following: (i) how federal incentive funding has  
42 improved program effectiveness and efficiency and been reinvested into  
43 their programs, (ii) provide documentation that the funds were spent  
44 according to their annual plans, and (iii) explain any deviations from their  
45 plans.

46           **SECTION 11C.6.(d)** Reporting by NCCSS. – NCCSS shall submit a report on  
47 federal child support incentive funding to the Joint Legislative Oversight Committee on Health  
48 and Human Services and the Fiscal Research Division by November 1 of each year. The report  
49 shall describe how federal incentive funds enhanced centralized child support services to  
50 benefit county child support services programs and improved the effectiveness and efficiency  
51 of county child support services programs. The report shall further include any changes to the

1 State process the NCCSS used in calculating and distributing federal incentive funding to  
2 county child support services programs and any recommendations for further changes.

#### 3 4 **CHILD WELFARE SYSTEM CHANGES**

5 **SECTION 11C.7.(a)** Federal Improvement Plan Implementation. – The  
6 Department of Health and Human Services, Division of Social Services, shall continue  
7 implementing the requirements of the federal Program Improvement Plan to bring our State  
8 into compliance with national standards for child welfare policy and practices. The Division  
9 shall collaborate with county departments of social services to develop a model of oversight  
10 that supports program outcomes and a county's ability to meet performance standards as  
11 outlined in the Program Improvement Plan. Oversight may include support for continuous  
12 quality improvement, staff training, and data analysis.

13 The Division shall report on the implementation and outcomes of the Program  
14 Improvement Plan to the Joint Legislative Oversight Committee on Health and Human  
15 Services. The report shall be submitted semiannually on February 1 and August 1 of each year,  
16 with a final report on February 1, 2019.

17 **SECTION 11C.7.(b)** Child Welfare/NC FAST. – The Department of Health and  
18 Human Services, Division of Social Services, shall continue toward completion of the child  
19 welfare component of the North Carolina Families Accessing Services Through Technology  
20 (NC FAST) system to (i) bring the State into compliance with the Statewide Information  
21 System systematic factor of the Child and Family Services Review (CFSR) and (ii) ensure that  
22 data quality meets federal standards and adequate information is collected and available to  
23 counties to assist in tracking children and outcomes across counties.

24 It is the intent of the General Assembly that the child welfare component of the NC  
25 FAST system be operational by December 31, 2017. To that end, the Department of Health and  
26 Human Services, Division of Social Services, shall report on the development, implementation,  
27 and outcomes of the child welfare component of the NC FAST system to the Joint Legislative  
28 Oversight Committee on Health and Human Services quarterly through April 1, 2019. The  
29 report shall include, at a minimum, each of the following:

- 30 (1) The current time line for development and implementation of the child  
31 welfare component to NC FAST.
- 32 (2) Any adjustments and justifications for adjustments to the time line.
- 33 (3) Progress on the development and implementation of the system.
- 34 (4) Address any identified issues in developing or implementing the child  
35 welfare component to NC FAST and solutions to address those issues.
- 36 (5) The level of county participation and involvement in each phase of the  
37 project.
- 38 (6) Any budget and expenditure reports, including overall project budget and  
39 expenditures, and current fiscal year budget and expenditures.

#### 40 41 **INCREASE ACCESS TO PUBLIC BENEFITS FOR OLDER DUAL ELIGIBLE** 42 **SENIORS**

43 **SECTION 11C.8.(a)** The Department of Health and Human Services, Division of  
44 Social Services (Division), shall continue implementing an evidence-based pilot program to  
45 increase access to public benefits for seniors aged 65 and older who are dually enrolled in  
46 Medicare and Medicaid to (i) improve the health and independence of seniors and (ii) reduce  
47 health care costs. The Division shall continue to partner with a not-for-profit firm for the  
48 purposes of engaging in a data-driven campaign to help seniors aged 65 and older who are  
49 dually enrolled in Medicare and Medicaid meet their basic social needs. The not-for-profit firm  
50 shall have demonstrated experience in assisting with these types of services and the partnership  
51 shall accomplish each of the following:

- 1 (1) Identify, through data sharing, dual eligible seniors aged 65 and older who  
2 qualify for the Supplemental Nutrition and Assistance Program (SNAP) but  
3 are not currently enrolled.
- 4 (2) Conduct an outreach program toward those seniors for the purpose of  
5 enrolling them into SNAP.
- 6 (3) Provide comprehensive application assistance through outreach specialists to  
7 complete public benefits application processes.
- 8 (4) Evaluate project effectiveness and explore how data can be utilized to  
9 achieve optimal outcomes.
- 10 (5) Make recommendations regarding policy options available to the State to  
11 streamline access to benefits.

12 **SECTION 11C.8.(b)** The Division shall report to the Office of the Governor and  
13 the Joint Legislative Oversight Committee on Health and Human Services on its progress in the  
14 pilot program by February 1 following each year the pilot program is in place. The report shall,  
15 at a minimum, include the following:

- 16 (1) The number of seniors age 65 and older who are dual eligibles but are not  
17 enrolled in SNAP.
- 18 (2) The number of those identified that would be included in the sample  
19 population.
- 20 (3) Methods of outreach toward those seniors in the sample population.
- 21 (4) Number of to date enrollments in SNAP as a direct result of outreach during  
22 the pilot program.
- 23 (5) Participation rate to date in SNAP of those seniors in the sample population.
- 24 (6) Any other findings the Division deems relevant.

25 **SECTION 11C.8.(c)** Any nonrecurring funds remaining in the 2016-2017 fiscal  
26 year from implementation of the pilot program under this section shall not revert, but shall  
27 remain available for continued implementation of the pilot program, along with any private or  
28 nonprofit funding provided to the Division for use in the pilot program. If funding and capacity  
29 exist, the Division of Social Services may expand the pilot program to include other public  
30 benefits programs.

## 31 32 **SUCCESSFUL TRANSITION/FOSTER CARE YOUTH/PERMANENCY** 33 **INNOVATION INITIATIVE TECHNICAL CHANGE**

34 **SECTION 11C.9.(a)** There is created the Foster Care Transitional Living Initiative  
35 Fund to fund and support transitional living services that demonstrate positive outcomes for  
36 youth, attract significant private sector funding, and lead to the development of evidence-based  
37 programs to serve the at-risk population described in this section. The Fund shall support a  
38 demonstration project with services provided by Youth Villages to (i) improve outcomes for  
39 youth ages 17-21 years who transition from foster care through implementation of  
40 outcome-based Transitional Living Services, (ii) identify cost-savings in social services and  
41 juvenile and adult correction services associated with the provision of Transitional Living  
42 Services to youth aging out of foster care, and (iii) take necessary steps to establish an  
43 evidence-based transitional living program available to all youth aging out of foster care. In  
44 implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the  
45 following strategies:

- 46 (1) Transitional Living Services, which is an outcome-based program that  
47 follows the Youth Villages Transitional Living Model. Outcomes on more  
48 than 7,000 participants have been tracked since the program's inception. The  
49 program has been evaluated through an independent Randomized Controlled  
50 Trial. Results indicate that Youth Villages Transitional Living Model had  
51 positive impacts in a variety of areas, including housing stability, earnings,

1 economic hardship, mental health, and intimate partner violence in  
2 comparison to the control population.

3 (2) Public-Private Partnership, which is a commitment by private-sector funding  
4 partners to match funds appropriated to the Foster Care Transitional Living  
5 Initiative Fund for the 2017-2019 fiscal biennium for the purposes of  
6 providing Transitional Living Services through the Youth Villages  
7 Transitional Living Model to youth aging out of foster care.

8 (3) Impact Measurement and Evaluation, which are services funded through  
9 private partners to provide independent measurement and evaluation of the  
10 impact the Youth Villages Transitional Living Model has on the youth  
11 served, the foster care system, and on other programs and services provided  
12 by the State which are utilized by former foster care youth.

13 (4) Advancement of Evidence-Based Process, which is the implementation and  
14 ongoing evaluation of the Youth Villages Transitional Living Model for the  
15 purposes of establishing the first evidence-based transitional living program  
16 in the nation. To establish the evidence-based program, additional  
17 randomized controlled trials may be conducted to advance the model.

18 **SECTION 11C.9.(b)** G.S. 131D-10.9A(c) reads as rewritten:

19 "(c) Purpose and Powers. – The Committee shall:

20 (1) Design and implement a data tracking methodology to collect and analyze  
21 information to gauge the success of the initiative established under this  
22 section as well as ~~an initiative~~any initiatives for foster care youth  
23 transitioning to ~~adulthood in accordance with Part 3 of this~~  
24 ~~Article~~adulthood.

25 (2) Develop a methodology to identify short- and long-term cost-savings in the  
26 provision of foster care and foster care transitional living services and any  
27 potential reinvestment strategies.

28 (3) Oversee program implementation to ensure fidelity to the program models  
29 identified under subdivisions (1) and (2) of ~~G.S. 131D-10.9B(a) and under~~  
30 ~~subdivisions (1) through (4) of G.S. 131D-10.9G(a).~~G.S. 131D-10.9B(a).

31 (4) Study, review, and recommend other policies and services that may  
32 positively impact permanency, well-being outcomes, and youth aging out of  
33 the foster care system."  
34

### 35 **FINAL REPORT/EASTERN BAND OF CHEROKEE INDIANS ASSUMPTION OF** 36 **SERVICES**

37 **SECTION 11C.10.(a)** The Department of Health and Human Services, Division of  
38 Social Services, shall submit a final report to the Joint Legislative Oversight Committee on  
39 Health and Human Services on the assumption of certain services by the Eastern Band of  
40 Cherokee Indians as implemented pursuant to Section 12C.10 of S.L. 2015-241, as amended by  
41 Section 12C.2 of S.L. 2016-94, when implementation is complete.

42 **SECTION 11C.10.(b)** Section 12C.10(h) of S.L. 2015-241 is repealed.  
43

### 44 **ECKERD KIDS AND CARING FOR CHILDREN'S ANGEL WATCH** 45 **PROGRAM/REPORT ON USE OF ADDITIONAL FUNDS**

46 **SECTION 11C.14.(a)** The Department of Health and Human Services, Division of  
47 Social Services, shall report on the use of additional funds provided in this act for each year of  
48 the 2017-2019 fiscal biennium to provide continued support of the Eckerd Kids and Caring for  
49 Children's Angel Watch program, a foster care program for children who are ages zero to 10  
50 who are not in the custody of a county department of social services and whose families are

1 temporarily unable to care for them due to a crisis. The report shall, at a minimum, include each  
2 of the following:

- 3 (1) The number of families and children served by the program, including the  
4 counties in which services are provided.
- 5 (2) The number of children who enter foster care within six months after their  
6 family participates in the program.
- 7 (3) A comparison of children with similar needs that do not participate in the  
8 program and the number of those children who enter into foster care.
- 9 (4) Any other matters the Division deems relevant.

10 **SECTION 11C.14.(b)** The Division shall submit the report required by subsection  
11 (a) of this section to the Joint Legislative Oversight Committee on Health and Human Services  
12 and the Fiscal Research Division by December 1, 2018.

#### 13 14 **CHILD ADVOCACY CENTER FUNDING**

15 **SECTION 11C.15.** Of the funds appropriated in this act to the Department of  
16 Health and Human Services, Division of Social Services, for each year of the 2017-2019 fiscal  
17 biennium for child advocacy centers, allocations shall be made as follows:

- 18 (1) Up to one hundred thousand dollars (\$100,000) for each child advocacy  
19 center in good standing with Children's Advocacy Centers of North  
20 Carolina, Inc.
- 21 (2) One hundred thousand dollars (\$100,000) to Children's Advocacy Centers of  
22 North Carolina, Inc., for its operations.

#### 23 24 **NC STATE-RECOGNIZED TRIBES FUNDING**

25 **SECTION 11C.16.** Notwithstanding any other provision of this act to the contrary,  
26 recurring funds appropriated to the Department of Health and Human Services, Division of  
27 Social Services (Division), in each year of the 2017-2019 fiscal biennium for North Carolina  
28 State-recognized tribes shall be used by the Division, in collaboration with the North Carolina  
29 State Commission on Indian Affairs within the Department of Administration, to assist in (i)  
30 recruiting foster parents, (ii) increasing the number of foster homes for children who are  
31 members of a North Carolina State-recognized tribe, and (iii) providing training for staff of  
32 county departments of social services to ensure culturally appropriate services for children who  
33 are members of a North Carolina State-recognized tribe.

#### 34 35 **SUBPART XI-D. DIVISION OF AGING AND ADULT SERVICES**

#### 36 37 **STATE-COUNTY SPECIAL ASSISTANCE RATE INCREASE**

38 **SECTION 11D.1.(a)** From July 1, 2017, through September 30, 2017, the  
39 maximum monthly rate for residents in adult care home facilities shall be one thousand one  
40 hundred eighty-two dollars (\$1,182) per month per resident. Beginning October 1, 2017,  
41 through the remainder of the 2017-2019 fiscal biennium, the maximum monthly rate for  
42 residents in adult care home facilities shall be one thousand two hundred sixteen dollars  
43 (\$1,216) per month per resident.

44 **SECTION 11D.1.(b)** From July 1, 2017, through September 30, 2017, the  
45 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one  
46 thousand five hundred fifteen dollars (\$1,515) per month per resident. Beginning October 1,  
47 2017, through the remainder of the 2017-2019 fiscal biennium, the maximum monthly rate for  
48 residents in Alzheimer's/Dementia special care units shall be one thousand five hundred  
49 forty-nine dollars (\$1,549) per month per resident.

#### 50 51 **ALIGNMENT OF STATE AND FEDERAL AGING PLAN REPORTING DEADLINES**

1           **SECTION 11D.2.** G.S. 143B-181.1A reads as rewritten:  
2   "**§ 143B-181.1A. Plan for serving older adults; inventory of existing data; cooperation by**  
3   **State agencies.**

4       (a) The Division of ~~Aging, Aging and Adult Services~~ of the Department of Health and  
5 Human Services shall submit a regularly updated plan to the General Assembly by ~~March 1~~July  
6 1 of every other odd-numbered year, beginning March 1, 1995. This plan shall include:

- 7           (1) A detailed analysis of the needs of older adults in North Carolina, based on  
8 existing available data, including demographic, geographic, health, social,  
9 ~~economical, economic,~~ and other pertinent ~~indicators;~~indicators.
- 10          (2) A clear statement of the goals of the State's long-term public policy on  
11 ~~aging;~~aging.
- 12          (3) An analysis of services currently provided and an analysis of additional  
13 services ~~needed;~~ and needed.
- 14          (4) Specific implementation recommendations on expansion and funding of  
15 current and additional services and ~~services~~service levels.

16       (b) The Division of ~~Aging, Aging and Adult Services~~ of the Department of Health and  
17 Human ~~Services;~~Services shall maintain an inventory of existing data sets regarding the elderly  
18 in North Carolina, in order to ensure that adequate demographic, geographic, health, social,  
19 economic, and other pertinent indicators are available to generate its regularly updated Plan for  
20 Serving Older Adults.

21       Upon request, the Division of Aging and Adult Services shall make information on these  
22 data sets available within a reasonable time.

23       All State agencies and entities that possess data relating to the elderly, including the  
24 Department of ~~Health and Human Services' Division of Health Services,~~ ~~the Division of~~  
25 Administration and the Divisions of Public Health, Health Service Regulation, and the Division  
26 of Social Services, and ~~the Department of Administration,~~ Social Services of the Department of  
27 Health and Human Services, shall cooperate, upon request, with the Division of Aging and  
28 Adult Services in implementing this subsection."  
29

### 30 **RECOMMENDATION TO APPOINT A SUBCOMMITTEE ON AGING**

31       **SECTION 11D.3.(a)** Pursuant to the authority in G.S. 120-208.2(d), the cochairs  
32 for the Joint Legislative Oversight Committee on Health and Human Services may consider  
33 appointing a subcommittee on aging to examine the State's delivery of services for older adults  
34 in order to (i) determine their service needs and to (ii) make recommendations to the Oversight  
35 Committee on how to address those needs. North Carolina currently ranks ninth in the nation  
36 for the size of the age 60 and older population and tenth in the nation for the age 85 and older  
37 population. From 2015 to 2035, the age 65 and older population is projected to increase  
38 sixty-seven percent (67%) and the age 85 and older population is projected to increase one  
39 hundred two percent (102%). By 2019, North Carolina will have more people that are 60 years  
40 of age and older than children age zero to 17. It is recommended that the subcommittee  
41 examine the range of programs and services for older adults throughout the continuum of care.  
42 The subcommittee is encouraged to seek input from a variety of stakeholders and interest  
43 groups, including the Division of Aging and Adult Services and the Division of Social  
44 Services, Department of Health and Human Services; the North Carolina Coalition on Aging;  
45 the North Carolina Senior Tarheel Legislature, and the Governor's Advisory Council on Aging.

46       **SECTION 11D.3.(b)** If a subcommittee on aging is appointed, the subcommittee  
47 shall submit an interim report of its findings and recommendations, including any proposed  
48 legislation, to the Joint Legislative Oversight Committee on Health and Human Services on or  
49 before March 1, 2018, and shall submit a final report of its findings and recommendations,  
50 including any proposed legislation, on or before November 1, 2018, at which time it shall



1 terminate unless reappointed by the cochairs of the Oversight Committee under the authority  
2 granted in G.S. 120-208.2(d).

#### 3 4 **SUBPART XI-E. DIVISION OF PUBLIC HEALTH**

#### 5 6 **FUNDS FOR SCHOOL NURSES**

7 **SECTION 11E.1.** Part 1 of Article 1 of Chapter 130A of the General Statutes is  
8 amended by adding a new section to read:

9 **"§ 130A-4.3. State funds for school nurses.**

10 (a) The Department shall use State funds appropriated for the School Nurse Funding  
11 Initiative to supplement and not supplant other State, local, or federal funds appropriated or  
12 allocated for this purpose. The Department shall ensure that communities maintain their current  
13 level of effort and funding for school nurses. These funds shall not be used to fund nurses for  
14 State agencies. These funds shall be distributed to local health departments according to a  
15 formula that includes all of the following:

- 16 (1) School nurse-to-student ratio.
- 17 (2) Percentage of students eligible for free or reduced-price meals.
- 18 (3) Percentage of children in poverty.
- 19 (4) Per capita income.
- 20 (5) Eligibility as a low-wealth county.
- 21 (6) Mortality rates for children between one and 19 years of age.
- 22 (7) Percentage of students with chronic illnesses.
- 23 (8) Percentage of county population consisting of minority persons.

24 (b) The Division of Public Health shall ensure that school nurses funded with State  
25 funds (i) do not assist in any instructional or administrative duties associated with a school's  
26 curriculum and (ii) perform all of the following with respect to school health programs:

- 27 (1) Serve as the coordinator of the health services program and provide nursing  
28 care.
- 29 (2) Provide health education to students, staff, and parents.
- 30 (3) Identify health and safety concerns in the school environment and promote a  
31 nurturing school environment.
- 32 (4) Support healthy food services programs.
- 33 (5) Promote healthy physical education, sports policies, and practices.
- 34 (6) Provide health counseling, assess mental health needs, provide interventions,  
35 and refer students to appropriate school staff or community agencies.
- 36 (7) Promote community involvement in assuring a healthy school and serve as  
37 school liaison to a health advisory committee.
- 38 (8) Provide health education and counseling and promote healthy activities and  
39 a healthy environment for school staff.
- 40 (9) Be available to assist the county health department during a public health  
41 emergency."

#### 42 43 **STRATEGIES FOR ADDRESSING STRUCTURAL BUDGET DEFICIT IN STATE** 44 **LABORATORY OF PUBLIC HEALTH**

45 **SECTION 11E.2.(a)** By March 1, 2018, the Department of Health and Human  
46 Services, Division of Public Health, shall review the current fee schedule for medical and  
47 environmental services provided by the State Laboratory of Public Health (SLPH) and report  
48 any recommended strategies for addressing its structural budget deficit. The report must  
49 include at least all of the following:

- 50 (1) Recommendations on all of the following:

- 1 a. Any service the SLPH currently provides at no cost for which it  
2 should begin charging a fee, along with recommendations for the  
3 amount of each new fee sufficient to cover both the direct and  
4 indirect costs of the service.
- 5 b. Implementation of a billing system for services provided by the  
6 SLPH.
- 7 c. Strategies to improve billing accuracy in order to increase the SLPH's  
8 Medicaid reimbursement rate.
- 9 d. The feasibility of modifying the Medicaid State Plan to allow the  
10 SLPH to engage in cost settlement, similar to the approaches used by  
11 local health departments.
- 12 (2) Identification of measures to ensure that local health departments collect and  
13 report all data needed to ensure accurate and timely billing of SLPH  
14 services.
- 15 (3) Proposals on alternative funding options to support the operating costs of the  
16 SLPH.

17 **SECTION 11E.2.(b)** This section is effective when this act becomes law.

18  
19 **LOCAL HEALTH DEPARTMENTS/COMPETITIVE GRANT PROCESS TO**  
20 **IMPROVE MATERNAL AND CHILD HEALTH**

21 **SECTION 11E.3.(a)** Funds appropriated in this act to the Department of Health  
22 and Human Services, Division of Public Health, for each year of the 2017-2019 fiscal biennium  
23 to award competitive grants to local health departments for the improvement of maternal and  
24 child health shall be used to continue administering a competitive grant process for local health  
25 departments based on maternal and infant health indicators and the county's detailed proposal  
26 to invest in evidence-based programs to achieve the following goals:

- 27 (1) Improve North Carolina's birth outcomes.
- 28 (2) Improve the overall health status of children in this State from birth to age  
29 five.
- 30 (3) Lower the State's infant mortality rate.

31 **SECTION 11E.3.(b)** The plan for administering the competitive grant process  
32 shall include at least all of the following components:

- 33 (1) A request for application (RFA) process to allow local health departments to  
34 apply for and receive State funds on a competitive basis. The Department  
35 shall require local health departments to include in the application a plan to  
36 evaluate the effectiveness, including measurable impact or outcomes, of the  
37 activities, services, and programs for which the funds are being requested.
- 38 (2) A requirement that the Secretary prioritize grant awards to those local health  
39 departments that are able to leverage non-State funds in addition to the grant  
40 award.
- 41 (3) Ensures that funds received by the Department to implement the plan  
42 supplement and do not supplant existing funds for maternal and child health  
43 initiatives.
- 44 (4) Allows grants to be awarded to local health departments for up to two years.

45 **SECTION 11E.3.(c)** No later than July 1 of each year, as applicable, the Secretary  
46 shall announce the recipients of the competitive grant awards and allocate funds to the grant  
47 recipients for the respective grant period pursuant to the amounts designated under subsection  
48 (a) of this section. After awards have been granted, the Secretary shall submit a report to the  
49 Joint Legislative Oversight Committee on Health and Human Services on the grant awards that  
50 includes at least all of the following:

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

6 **SECTION 11E.3.(d)** No later than December 1 of each fiscal year, each local  
7 health department receiving funding pursuant to this section in the respective fiscal year shall  
8 submit to the Division of Central Management and Support a written report of all activities  
9 funded by State appropriations. The report shall include the following information about the  
10 fiscal year preceding the year in which the report is due:

- 11 (1) A description of the types of programs, services, and activities funded by
- 12 State appropriations.
- 13 (2) Statistical and demographical information on the number of persons served
- 14 by these programs, services, and activities, including the counties in which
- 15 services are provided.
- 16 (3) Outcome measures that demonstrate the impact and effectiveness of the
- 17 programs, services, and activities based on the evaluation protocols
- 18 developed by the Division, in collaboration with the University of North
- 19 Carolina Gillings School of Global Public Health, pursuant to Section
- 20 12E.11(e) of S.L. 2015-241, and reported to the Joint Legislative Oversight
- 21 Committee on Health and Human Services on April 1, 2016.
- 22 (4) A detailed program budget and list of expenditures, including all positions
- 23 funded, matching expenditures, and funding sources.
- 24

#### 25 **EVIDENCE-BASED DIABETES PREVENTION PROGRAM TO ELIMINATE**

#### 26 **HEALTH DISPARITIES**

27 **SECTION 11E.5.(a)** The Department of Health and Human Services, Division of  
28 Public Health, Office of Minority Health, shall continue to administer, in consultation with the  
29 Chronic Disease and Injury Prevention Section, an evidence-based Diabetes Prevention  
30 Program modeled after the program recommended by the National Institute of Diabetes and  
31 Digestive and Kidney Diseases, targeting minority populations.

32 **SECTION 11E.5.(b)** By December 1, 2017, and annually thereafter, the  
33 Department of Health and Human Services shall report to the Joint Legislative Oversight  
34 Committee on Health and Human Services on the status, participant demographics, cost, and  
35 outcomes of the Diabetes Prevention Program authorized by subsection (a) of this section.

#### 36

#### 37 **IMPLEMENTATION OF THE FEDERAL ELEVATED BLOOD LEVEL STANDARD**

#### 38 **IN NORTH CAROLINA**

39 **SECTION 11E.6.(a)** It is the intent of the State to protect young children and  
40 pregnant women from being exposed to high levels of lead that can cause substantial harm to  
41 their normal neurological development and to ensure important intervention services, including  
42 required remediation of lead hazards, will be provided to children and pregnant women whose  
43 health is threatened by lead exposure.

44 **SECTION 11E.6.(b)** G.S. 130A-131.7 reads as rewritten:

#### 45 **"§ 130A-131.7. Definitions.**

46 The following definitions apply in this Part:

- 47 ...
- 48 (3) "Confirmed lead poisoning" means a blood lead concentration of ~~20~~10
- 49 micrograms per deciliter or greater determined by the lower of two
- 50 consecutive blood tests within a ~~six-month~~12-month period.
- 51 ...

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

4 ...  
5 (13) "Readily accessible substance" means any substance that can be ingested or  
6 inhaled by a child less than six years of ~~age-age~~ or by a pregnant woman.  
7 Readily accessible substances include deteriorated paint that is peeling,  
8 chipping, cracking, flaking, or blistering to the extent that the paint has  
9 separated from the substrate. Readily accessible substances also include soil,  
10 water, toys, vinyl miniblinds, bathtubs, lavatories, doors, door jambs, stairs,  
11 stair rails, windows, interior windowsills, baseboards, and paint that is  
12 chalking.

13 ...."

14 **SECTION 11E.6.(c)** G.S. 130A-131.9A reads as rewritten:

15 "**§ 130A-131.9A. Investigation to identify lead poisoning hazards.**

16 (a) When the Department learns of confirmed lead poisoning, the Department shall  
17 conduct an investigation to identify the lead poisoning hazards to ~~children-children and~~  
18 pregnant women. The Department shall investigate the residential housing unit where the child  
19 or pregnant woman with confirmed lead poisoning resides. The Department shall also  
20 investigate the supplemental addresses of the child or pregnant woman who has confirmed lead  
21 poisoning.

22 (a1) When the Department learns of an elevated blood lead level, the Department shall,  
23 upon informed consent, investigate the residential housing unit where the child or pregnant  
24 woman with the elevated blood level resides. When consent to investigate is denied, the child  
25 or pregnant woman with the elevated blood lead level cannot be located, or the child's parent or  
26 guardian fails to respond, the Department shall document the denial of consent, inability to  
27 locate, or failure to respond.

28 (b) The Department shall also conduct an investigation when it reasonably suspects that  
29 a lead poisoning hazard to children or pregnant women exists in a residential housing unit or  
30 child-occupied facility occupied, regularly visited, or attended by a child less than six years of  
31 ~~age-age~~ or a pregnant woman.

32 (c) In conducting an investigation, the Department may take samples of surface  
33 materials, or other materials suspected of containing lead, for analysis and testing. If samples  
34 are taken, chemical determination of the lead content of the samples shall be by atomic  
35 absorption spectroscopy or equivalent methods approved by the Department."

36 **SECTION 11E.6.(d)** G.S. 130A-131.9C reads as rewritten:

37 "**§ 130A-131.9C. Abatement and Remediation.**

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

45 ...

46 (h) All lead-containing waste and residue shall be removed and disposed of in  
47 accordance with applicable federal, State, and local laws and rules. Other substances containing  
48 lead that are intended for use by children less than six years of age or pregnant women and  
49 vinyl miniblinds that constitute a lead poisoning hazard shall be removed and disposed of in  
50 accordance with applicable federal, State, and local laws and rules.

51 ...

1 (j1) Compliance with the maintenance standard satisfies the remediation requirements  
2 for confirmed lead poisoning cases identified on or after 1 October 1990 as long as all lead  
3 poisoning hazards identified on interior and exterior surfaces are addressed by remediation.  
4 Except for owner-occupied residential housing units, continued compliance shall be verified by  
5 means of an annual monitoring inspection conducted by the Department. For owner-occupied  
6 residential housing units, continued compliance shall be verified (i) by means of an annual  
7 monitoring inspection, (ii) by documentation that no child less than six years of age and no  
8 pregnant woman has resided in or regularly visited the residential housing unit within the past  
9 year, or (iii) by documentation that no child less than six years of age and no pregnant woman  
10 residing in or regularly visiting the unit has an elevated blood lead level.

11 (k) Removal of children or pregnant women from the residential housing unit or  
12 removal of children from the child-occupied facility shall not constitute remediation if the  
13 property continues to be used for a residential housing unit or child-occupied facility. The  
14 remediation requirements imposed in subsection (a) of this section apply so long as the  
15 property continues to be used as a residential housing unit or child-occupied facility."

16 **SECTION 11E.6.(e)** G.S. 130A-131.9G reads as rewritten:

17 **"§ 130A-131.9G. Resident responsibilities.**

18 In any residential housing unit occupied by a child less than six years of age or a pregnant  
19 woman who has an elevated blood lead level of ~~40~~five micrograms per deciliter or greater, the  
20 Department shall advise, in writing, the owner or managing agent and the pregnant woman or  
21 the child's parents or legal guardian of the importance of carrying out routine cleaning activities  
22 in the units they occupy, own, or manage. The cleaning activities shall include all of the  
23 following:

- 24 (1) Wiping clean all windowsills with a damp cloth or sponge at least weekly.
- 25 (2) Regularly washing all surfaces accessible to children.
- 26 (3) In the case of a leased residential housing unit, identifying any deteriorated  
27 paint in the unit and notifying the owner or managing agent of the conditions  
28 within 72 hours of discovery.
- 29 (4) Identifying and understanding potential lead poisoning hazards in the  
30 environment of each child less than six years of age and each pregnant  
31 woman in the unit (including toys, vinyl miniblinds, playground equipment,  
32 drinking water, soil, and painted surfaces), and taking steps to prevent  
33 children and pregnant women from ingesting lead such as encouraging  
34 children and pregnant women to wash their faces and hands frequently and  
35 especially after playing outdoors."  
36

37 **AIDS DRUG ASSISTANCE PROGRAM**

38 **SECTION 11E.7.** Part 1 of Article 1 of Chapter 130A of the General Statutes is  
39 amended by adding a new section to read:

40 **"§ 130A-4.4. Funds for AIDS Drug Assistance Program.**

41 The Department shall work with the Department of Public Safety to use Department of  
42 Public Safety funds to purchase pharmaceuticals for the treatment of individuals in the custody  
43 of the Department of Public Safety who have been diagnosed with Human Immunodeficiency  
44 Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these  
45 funds to be accounted for as State matching funds in the Department of Health and Human  
46 Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance  
47 Program also known as ADAP."  
48

49 **IMPLEMENTATION OF COST-NEUTRAL PREMIUM ASSISTANCE PROGRAM**  
50 **WITHIN AIDS DRUG ASSISTANCE PROGRAM (ADAP)**

1           **SECTION 11E.8.(a)** The Department of Health and Human Services, Division of  
2 Public Health, shall continue to implement within the North Carolina AIDS Drug Assistance  
3 Program (ADAP) a health insurance premium assistance program that (i) is cost neutral or  
4 achieves savings; (ii) utilizes federal funds from Part B of the Ryan White HIV/AIDS Program  
5 and ADAP funds to provide individual ADAP participants or subsets of ADAP participants  
6 with premium and cost-sharing assistance for the purchase or maintenance of private health  
7 insurance coverage, including premiums, co-payments, and deductibles; and (iii) meets the  
8 requirements of Section 12E.1 of S.L. 2016-94.

9           **SECTION 11E.8.(b)** By March 1, 2018, the Department shall submit a report to  
10 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal  
11 Research Division on implementation of the health insurance premium assistance program  
12 authorized by subsection (a) of this section. The report must include at least all of the following  
13 components:

- 14           (1) A detailed explanation of the program design.
- 15           (2) A demonstration of cost neutrality, which shall include a comparison of the  
16 cost of providing prescription drugs to eligible beneficiaries through the  
17 health insurance premium program created pursuant to subsection (a) of this  
18 section and the cost of providing prescription drugs to eligible beneficiaries  
19 through the existing ADAP program.
- 20           (3) Information on health outcomes of program participants.
- 21           (4) Any obstacles to program implementation.

#### 22 23 **USE OF MODIFIED ADJUSTED GROSS INCOME (MAGI) FOR AIDS DRUG** 24 **ASSISTANCE PROGRAM (ADAP) ELIGIBILITY DETERMINATIONS**

25           **SECTION 11E.9.** Beginning January 1, 2018, the Department of Health and  
26 Human Services shall implement the use of the Modified Adjusted Gross Income formula in  
27 the calculation of income for the purpose of determining eligibility for the AIDS Drug  
28 Assistance Program in order to ensure consistency in the Department's methods of determining  
29 eligibility for other benefit programs.  
30

#### 31 **DIVISION OF PUBLIC HEALTH EATING DISORDER STUDY**

32           **SECTION 11E.11.(a)** The Department of Health and Human Services, Division of  
33 Public Health, is directed to study eating disorders in the State of North Carolina. At a  
34 minimum, the Division shall:

- 35           (1) Identify the number of diagnosed incidences of eating disorders in North  
36 Carolina.
- 37           (2) Provide an estimate of the number of individuals in North Carolina who are  
38 suffering from an eating disorder but who have not been formally diagnosed.
- 39           (3) Identify the number of individuals who are being treated for an eating  
40 disorder.
- 41           (4) Identify strategies by which the State can increase awareness of, and  
42 disseminate information about, eating disorders, including their symptoms,  
43 effects, and preventative interventions.
- 44           (5) Examine the adequacy of training provided to public school officials in  
45 identifying the symptoms of eating disorders and in providing support to the  
46 individuals and families affected by eating disorders.
- 47           (6) Make recommendations for improving education, prevention, early  
48 detection, and treatment of eating disorders.
- 49           (7) Identify the availability of treatment consistent with the best practices  
50 described by the American Psychiatric Association and other published  
51 materials to individuals and families affected by eating disorders.

1 (8) Consider any other issues the Division identifies that are related to the  
2 objectives of this study.

3 The Division shall solicit input from relevant organizations and entities, including  
4 the UNC Center for Excellence for Eating Disorders at the University of North Carolina at  
5 Chapel Hill, the North Carolina Chapter of the American Academy of Pediatrics, the North  
6 Carolina Academy of Family Physicians, and national organizations specializing in eating  
7 disorders.

8 **SECTION 11E.11.(b)** On or before November 1, 2017, the Division shall submit a  
9 report containing findings and recommendations to the Joint Legislative Oversight Committee  
10 on Health and Human Services. Based on the Division's report, the Committee shall consider  
11 making a recommendation to the 2018 General Assembly.

12 **SECTION 11E.11.(c)** This section is effective when this act becomes law.  
13

#### 14 **EVERY WEEK COUNTS DEMONSTRATION PROJECT**

15 **SECTION 11E.12.(a)** The General Assembly finds that preterm birth is the major  
16 driver of infant mortality in the United States and the leading cause of long-term neurological  
17 disabilities in children. It further finds that the counties in North Carolina with the highest  
18 infant mortality rates are multiply burdened by high rates of preterm birth and high rates of  
19 poverty and also tend to be counties that are also disproportionately composed of racial  
20 minorities. It is the intent of the General Assembly to reduce the incidence of preterm birth and  
21 infant mortality by funding and supporting for a period of at least three years a demonstration  
22 project in two counties of Perinatal Care Region V of North Carolina to study (i) the extent to  
23 which a home-based prenatal care model can reduce the rate of preterm birth among  
24 multiparous women and (ii) whether multiparous women without a prior preterm birth, but with  
25 multiple risk factors for preterm birth in the current pregnancy, may benefit from  
26 Alpha-Hydroxyprogesterone Caproate (17P) therapy.

27 **SECTION 11E.12.(b)** To that end, of the funds appropriated to the Department of  
28 Health and Human Services, Division of Public Health, the sum of two million two hundred  
29 thousand dollars (\$2,200,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum  
30 of two million two hundred thousand dollars (\$2,200,000) in nonrecurring funds for the  
31 2018-2019 fiscal year shall be used to conduct a demonstration project in Robeson and  
32 Columbus counties to do the following:

- 33 (1) Investigate the effectiveness of in-home prenatal care for the prevention of  
34 preterm birth among multiparous women of low income.
- 35 (2) Conduct a nested randomized controlled trial of 17P for preterm birth  
36 prevention among women without a prior preterm birth, but with a  
37 significant constellation of risk factors that increases their likelihood of  
38 having a preterm birth in the current pregnancy.

39 Multiparous women at or below one hundred eighty-five percent (185%) of the  
40 federal poverty level and primiparous women at or below two hundred percent (200%) of the  
41 federal poverty level, who are in the early stages of pregnancy, ideally prior to 17 weeks  
42 gestation, are eligible to participate in the demonstration project regardless of age or medical  
43 history. Faculty at the University of North Carolina at Chapel Hill shall supervise the  
44 demonstration project.

45 **SECTION 11E.12.(c)** The demonstration project shall consist of at least all of the  
46 following components:

- 47 (1) An Every Week Counts enrollment visit that includes an early ultrasound  
48 assessment and a complete medical examination to ascertain baseline health  
49 characteristics, presence of reproductive tract infections, and other risk  
50 factors for preterm birth including reproductive history and other relevant

1 factors. The enrollment visit shall also include a detailed interview to  
2 ascertain the social and psychological state of the program participant.

3 (2) Women enrolled in Every Week Counts shall receive home visits during  
4 pregnancy that combine a home-based prenatal care model with social  
5 interventions focused on addressing barriers to completing educational  
6 goals, obtaining employment, identifying reliable and high-quality child  
7 care, and addressing the health and safety needs of the growing family.

8 (3) Women enrolled in Every Week Counts shall receive home visits during the  
9 first two years of their child's life. Program participants and their infants will  
10 be followed until the child's second birthday. In these monthly visits, the  
11 child's health, growth, and development will be tracked; the mother will be  
12 provided with information on nutritional, health, and developmental needs;  
13 and children in need of Early Intervention Services will be identified to  
14 ensure school readiness. Primary health care in addition to targeted  
15 education in early childhood development and health needs will be provided  
16 to participants in a home setting. In order to track the development of these  
17 children, standardized tests will be administered periodically to assess  
18 cognitive, psychomotor, and behavioral development.

19 (4) There shall be a randomized clinical trial of 17P within Every Week Counts  
20 in a population of women enriched for preterm birth susceptibility. Eligible  
21 women that choose to enroll in this intervention trial will be randomized to a  
22 weekly 17P injection after 16-20 weeks' gestation or a sham injection.  
23 Women who choose to participate in the 17P intervention trial will be  
24 co-enrolled in Every Week Counts and will receive all the same home-based  
25 prenatal care and child development services, but will receive weekly visits  
26 from the Nurse Practitioner after 16-20 weeks' gestation in order to deliver  
27 the 17P intramuscular injection.

28 **SECTION 11E.12.(d)** Not later than six months after the conclusion of the  
29 demonstration project, the University of North Carolina at Chapel Hill shall submit a final  
30 report on the demonstration project to the Department that addresses at least all of the  
31 following:

- 32 (1) For the Every Week Counts part of the demonstration project:
- 33 a. Percent preterm and low birth weight relative to overall county  
34 statistics in current and prior years using vital statistics data, within  
35 categories of race/ethnicity and parity.
  - 36 b. Percent initiating breastfeeding at delivery and the average duration  
37 of breastfeeding.
  - 38 c. Percent reporting active smoking at the time of delivery.
  - 39 d. Uptake of contraception postpartum.
  - 40 e. Average length of interpregnancy interval.
  - 41 f. Percent of children meeting developmental milestones in the first  
42 year.
  - 43 g. Number of emergency room visits related to child health in the first  
44 two years.
- 45 (2) For the 17P Intervention Trial, relative risk of preterm birth in treated versus  
46 untreated program participants.

47 **SECTION 11E.12.(e)** Not later than three months after the Department receives  
48 the report due under subsection (d) of this section, the Department shall submit a final report to  
49 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal  
50 Research Division evaluating the demonstration project. At a minimum, the report shall include  
51 all of the following:



- 1 (1) An estimate of the cost to expand the program incrementally and statewide.
- 2 (2) An estimate of any potential savings of State funds associated with
- 3 expansion of the program.
- 4 (3) If expansion of the program is recommended, a time line for expanding the
- 5 program.

6 **SECTION 11E.12.(f)** The demonstration project authorized under this section shall  
7 terminate upon the submission of the report due under subsection (d) of this section by the  
8 University of North Carolina at Chapel Hill.

## 9 10 **FUNDS FOR MEDICAL EQUIPMENT AND TRAINING**

11 **SECTION 11E.13.** Of the funds appropriated in this act to the Department of  
12 Health and Human Services, Division of Public Health, the sum of one million three hundred  
13 thousand dollars (\$1,300,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum  
14 of one million three hundred thousand dollars (\$1,300,000) in nonrecurring funds for the  
15 2018-2019 fiscal year shall be allocated to the Carolina Pregnancy Care Fellowship for grants  
16 to purchase durable medical equipment for clinics that apply to the Carolina Pregnancy Care  
17 Fellowship for such equipment. The Carolina Pregnancy Care Fellowship may use (i) up to  
18 thirty thousand dollars (\$30,000) of these nonrecurring funds for each year of the 2017-2019  
19 fiscal biennium for administrative purposes and (ii) up to one hundred seventy thousand dollars  
20 (\$170,000) of these nonrecurring funds for each year of the 2017-2019 fiscal biennium to  
21 provide grants for training on the use of durable medical equipment to clinics that apply to the  
22 Carolina Pregnancy Care Fellowship for such training.

## 23 24 **COMMUNICABLE DISEASE TESTING**

25 **SECTION 11E.14.** Of the funds appropriated in this act to the Department of  
26 Health and Human Services, Division of Public Health, State Laboratory of Public Health, the  
27 sum of one million two hundred thousand dollars (\$1,200,000) in nonrecurring funds for the  
28 2017-2018 fiscal year and the sum of one million two hundred thousand dollars (\$1,200,000) in  
29 nonrecurring funds for the 2018-2019 fiscal year shall be used for the following purposes:

- 30 (1) To provide testing for Hepatitis C and other priority communicable diseases
- 31 identified by the Division of Public Health.
- 32 (2) To provide individuals who test positive for Hepatitis C and other priority
- 33 communicable diseases with access to appropriate treatment options.

## 34 35 **SUBPART XI-F. DIVISION OF MH/DD/SAS AND STATE OPERATED** 36 **HEALTHCARE FACILITIES**

### 37 38 **FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM**

39 **SECTION 11F.1.(a)** The title to Part 4 of Article 3 of Chapter 143B of the General  
40 Statutes reads as rewritten:

41 "Part 4. ~~Commission for~~ Mental Health, Developmental Disabilities, and Substance Abuse  
42 Services."

43 **SECTION 11F.1.(b)** Part 4 of Article 3 of Chapter 143B of the General Statutes is  
44 amended by adding a new section to read:

#### 45 **"§ 143B-150.1. Use of funds for North Carolina Child Treatment Program.**

46 (a) State funds appropriated to the Department of Health and Human Services, Division  
47 of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the North  
48 Carolina Child Treatment Program shall be used exclusively for the following purposes:

- 49 (1) To continue to provide clinical training and coaching to licensed clinicians  
50 on an array of evidence-based treatments and to provide a statewide platform  
51 to assure accountability and measurable outcomes.



1	Recurring	(\$6,190,210)	(\$9,825,536)
2	Nonrecurring	(\$7,617,796)	(\$1,606,289)
3			
4	Cardinal Innovations Healthcare		
5	Recurring	(\$5,657,457)	(\$8,979,915)
6	Nonrecurring	(\$12,211,415)	(\$2,574,900)
7			
8	Eastpointe		
9	Recurring	(\$1,777,028)	(\$2,820,624)
10	Nonrecurring	(\$4,876,278)	(\$1,028,212)
11			
12	Partners Behavioral Health Management		
13	Recurring	(\$1,560,083)	(\$2,476,273)
14	Nonrecurring	(\$5,656,351)	(\$1,192,699)
15			
16	Sandhills Center		
17	Recurring	(\$5,645,280)	(\$8,960,586)
18	Nonrecurring	(\$7,607,639)	(\$1,604,147)
19			
20	Trillium Health Resources		
21	Recurring	(\$897,450)	(\$1,424,496)
22	Nonrecurring	(\$4,578,447)	(\$965,411)
23			
24	Vaya Health		
25	Recurring	(\$1,049,301)	(\$1,665,524)
26	Nonrecurring	(\$4,876,892)	(\$1,028,342)
27			
28	<b>TOTALS</b>		
29	<b>Recurring</b>	(\$22,776,809)	(\$36,152,954)
30	<b>Nonrecurring</b>	(\$47,424,818)	(\$10,000,000)

By March 1, 2018, the Secretary of Health and Human Services shall submit to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division a proposal for any adjustments to the specified recurring reductions among the LME/MCOs for future fiscal years. The proposal must include a detailed explanation supporting any proposed changes.

During each fiscal year of the 2017-2019 fiscal biennium, each LME/MCO shall offer at least the same level of service utilization as during the 2014-2015 fiscal year.

**SECTION 11F.2.(d)** The Department of Health and Human Services shall continue to use the monthly reporting package submitted by the LME/MCOs to the Department, as modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include revenues and expenditures for the State funding sources for single-stream, intellectual and developmental disability, and substance abuse services on Schedule D2. Additionally, the Department shall continue to use appropriate schedules in the LME/MCO monthly reporting package, as modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include unduplicated recipients and encounters in the same level of detail included in each D schedule for each source of funding for the reporting for the current and previous year's month and year-to-date periods. The Department shall continue to submit these reports to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by the third Monday of each month.

1           **SECTION 11F.2.(e)** If, on or after June 1, 2018, the Office of State Budget and  
2 Management (OSBM) certifies a Medicaid budget surplus in fund codes 1310 and 1311 and  
3 sufficient cash in Budget Code 14445 to meet total obligations for the 2017-2018 fiscal year,  
4 then the Department of Health and Human Services, Division of Medical Assistance (DMA),  
5 may transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or  
6 thirty million dollars (\$30,000,000), whichever is less, to offset the reduction in single-stream  
7 funding required by this section.

8           If, on or after June 1, 2019, the OSBM certifies a Medicaid budget surplus in fund  
9 codes 1310 and 1311 and sufficient cash in Budget Code 14445 to meet total obligations for  
10 fiscal year 2018-2019, then the DMA may transfer to the DMH/DD/SAS funds not to exceed  
11 the amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less, to  
12 offset the reduction in single-stream funding required by this section.

13           The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection  
14 among the LME/MCOs based on the individual LME/MCO's percentage of nonrecurring  
15 reductions in single-stream funding for the fiscal year, as required by subsection (b) of this  
16 section. These funds shall be allocated as prescribed by June 30 of each State fiscal year.

17           **SECTION 11F.2.(f)** The Department of Health and Human Services shall develop  
18 a maintenance of effort (MOE) spending requirement for all mental health and substance abuse  
19 services which must be maintained using nonfederal, State appropriations on an annual basis in  
20 order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure the  
21 MOE spending requirement is met using State appropriations.

22           **SECTION 11F.2.(g)** Beginning July 1, 2017, and quarterly thereafter, the  
23 Secretary of Health and Human Services shall evaluate the financial position of each  
24 LME/MCO relative to the solvency standards to be developed by the Department and included  
25 in the statewide Strategic Plan for Behavioral Health Services pursuant to Section 12F.10(b)(4)  
26 of S.L. 2016-94 (approved solvency standards).

27           If, at any time, the Secretary determines an LME/MCO is at risk of failing  
28 financially in the ensuing two-year period, based on the approved solvency standards, the  
29 Secretary shall immediately meet with that LME/MCO for the purpose of evaluating the  
30 reasons for the LME/MCO's vulnerable financial position, including reasons attributable to  
31 trends in performance management and utilization of services. Within 30 days after meeting  
32 with an LME/MCO pursuant to this section, the Secretary shall submit a written report of its  
33 evaluation to the LME/MCO. By October 1, 2017, the Secretary shall submit an initial report to  
34 the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal  
35 Research Division on each LME/MCO determined to be at risk of failing financially,  
36 identifying the reasons for each LME/MCO's vulnerable financial position.

37           Within 45 days after receiving the Secretary's report, the LME/MCO shall develop  
38 and submit to the Secretary, in writing, a proposed plan of corrective action with specific  
39 initiatives and actions to be implemented by the LME/MCO in order to bring its financial  
40 position into compliance with the approved solvency standards, along with a projected time line  
41 for completing each identified initiative or action and a deadline for achieving full compliance  
42 with the approved solvency standards. At a minimum, the proposed plan of corrective action  
43 shall address (i) rates paid to the LME/MCO and its providers for services, contracts, and  
44 administrative costs; (ii) utilization of services; (iii) management of the operations of the  
45 LME/MCO; and (iv) financial risk to the State.

46           Within 14 days after receiving the LME/MCO's proposed plan of corrective action,  
47 the Secretary shall make any changes to the proposed plan of corrective action it deems  
48 necessary for the LME/MCO to bring its financial position into compliance with the approved  
49 solvency standards and submit a final, Secretary-approved plan of corrective action to the  
50 LME/MCO, the Joint Legislative Oversight Committee on Health and Human Services, and the  
51 Fiscal Research Division.

1           The LME/MCO shall submit monthly reports to the Secretary on its progress under  
2 the final, Secretary-approved plan of corrective action. The Secretary shall submit monthly  
3 reports to the Joint Legislative Oversight Committee on Health and Human Services and the  
4 Fiscal Research Division evaluating the LME/MCO's progress under the final,  
5 Secretary-approved plan of corrective action, identifying any variance from the corrective plan  
6 of action that could be an obstacle to the LME/MCO achieving full compliance with the  
7 approved solvency standards by the deadline included in the final, Secretary-approved  
8 corrective plan of action.

## 10 **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

11           **SECTION 11F.3.(a)** Use of Funds. – Of the funds appropriated to the Department  
12 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
13 Substance Abuse Services, for crisis services, the sum of forty-one million three hundred  
14 fifty-one thousand six hundred forty-four dollars (\$41,351,644) in recurring funds and the sum  
15 of forty-one million three hundred fifty-one thousand six hundred forty-four dollars  
16 (\$41,351,644) in recurring funds for the 2018-2019 fiscal year shall be used to purchase  
17 additional new or existing local inpatient psychiatric beds or bed days not currently funded by  
18 or though LME/MCOs. The Department shall continue to implement a two-tiered system of  
19 payment for purchasing these local inpatient psychiatric beds or bed days based on acuity level  
20 with an enhanced rate of payment for inpatient psychiatric beds or bed days for individuals  
21 with higher acuity levels, as defined by the Department. The enhanced rate of payment for  
22 inpatient psychiatric beds or bed days for individuals with higher acuity levels shall not exceed  
23 the lowest average cost per patient bed day among the State psychiatric hospitals. In addition,  
24 at the discretion of the Secretary of Health and Human Services, existing funds allocated to  
25 LME/MCOs for community-based mental health, developmental disabilities, and substance  
26 abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.  
27 Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed  
28 days shall not be used to supplant other funds appropriated or otherwise available to the  
29 Department for the purchase of inpatient psychiatric services through contracts with local  
30 hospitals.

31           **SECTION 11F.3.(b)** Distribution and Management of Beds or Bed Days. – Except  
32 as provided in this subsection, the Department shall work to ensure that any local inpatient  
33 psychiatric beds or bed days purchased in accordance with this section are utilized solely for  
34 individuals who are medically indigent, as defined in this subsection. In addition, the  
35 Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased  
36 in accordance with this section are distributed across the State in LME/MCO catchment areas  
37 and according to need as determined by the Department. The Department shall ensure that beds  
38 or bed days for individuals with higher acuity levels are distributed across the State in LME  
39 catchment areas, including any catchment areas served by managed care organizations, and  
40 according to greatest need based on hospital bed utilization data. The Department shall enter  
41 into contracts with LME/MCOs and local hospitals for the management of these beds or bed  
42 days. The Department shall work to ensure that these contracts are awarded equitably around  
43 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric  
44 beds or bed days, including the determination of the specific local hospital or State psychiatric  
45 hospital to which an individual should be admitted pursuant to an involuntary commitment  
46 order.

47           The Department may use up to ten percent (10%) of the funds allocated in this  
48 section for each year of the 2017-2019 fiscal biennium to pay for facility-based crisis services  
49 and nonhospital detoxification services for individuals in need of these services, regardless if  
50 the individuals are medically indigent, defined as uninsured persons who (i) are financially

1 unable to obtain private insurance coverage as determined by the Department and (ii) are not  
2 eligible for government-funded health coverage such as Medicare or Medicaid.

3 **SECTION 11F.3.(c)** Funds to Be Held in Statewide Reserve. – Funds appropriated  
4 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be  
5 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental  
6 Health, Developmental Disabilities, and Substance Abuse Services to pay for services  
7 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.  
8 LME/MCOs shall remit claims for payment to the Department within 15 working days after  
9 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days  
10 after receipt of payment from the Department.

11 **SECTION 11F.3.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –  
12 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed  
13 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not  
14 being utilized while demand for services at the State psychiatric hospitals has not decreased, or  
15 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)  
16 of this section, the Department may contract with another LME/MCO to manage the beds or  
17 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital  
18 directly.

19 **SECTION 11F.3.(e)** Reporting by LME/MCOs. – The Department shall establish  
20 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

21 **SECTION 11F.3.(f)** Reporting by Department. – By no later than December 1,  
22 2018, and by no later than December 1, 2019, the Department shall report to the Joint  
23 Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
24 Division on all of the following:

- 25 (1) A uniform system for beds or bed days purchased during the preceding fiscal  
26 year from (i) funds appropriated in this act that are designated for this  
27 purpose in subsection (a) of this section, (ii) existing State appropriations,  
28 and (iii) local funds.
- 29 (2) An explanation of the process used by the Department to ensure that, except  
30 as otherwise provided in subsection (a) of this section, local inpatient  
31 psychiatric beds or bed days purchased in accordance with this section are  
32 utilized solely for individuals who are medically indigent, along with the  
33 number of medically indigent individuals served by the purchase of these  
34 beds or bed days.
- 35 (3) The amount of funds used to pay for facility-based crisis services, along with  
36 the number of individuals who received these services and the outcomes for  
37 each individual.
- 38 (4) The amount of funds used to pay for nonhospital detoxification services,  
39 along with the number of individuals who received these services and the  
40 outcomes for each individual.
- 41 (5) Other Department initiatives funded by State appropriations to reduce State  
42 psychiatric hospital use.

#### 43 44 **USE OF FUNDS TO PURCHASE INPATIENT ALCOHOL AND SUBSTANCE USE** 45 **DISORDER TREATMENT SERVICES**

46 **SECTION 11F.4.** Section 12F.12(b) of S.L. 2015-241 reads as rewritten:

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

- 1 (1) During the 2015-2016 fiscal year, a minimum of one hundred percent  
2 (100%) of the allocation shall be used exclusively to purchase inpatient  
3 alcohol and substance abuse treatment services from the ADATCs.  
4 (2) During the 2016-2017 fiscal year, a minimum of ninety percent (90%) of the  
5 allocation shall be used exclusively to purchase inpatient alcohol and  
6 substance abuse treatment services from the ADATCs. The LME/MCOs  
7 shall use the remaining ten percent (10%) of their respective allocations to  
8 purchase inpatient alcohol and substance abuse treatment services from any  
9 qualified provider.  
10 (2a) During the 2017-2018 fiscal year, a minimum of eighty-six percent (86%) of  
11 the allocation shall be used exclusively to purchase inpatient alcohol and  
12 substance abuse treatment services from the ADATCs in order to increase  
13 the availability of services through the ADATCs to individuals in need of  
14 inpatient opioid treatment. The LME/MCOs shall use any remaining  
15 allocations to purchase inpatient alcohol and substance abuse treatment  
16 services from any qualified provider.  
17 (3) In subsequent fiscal years, the percentage of the allocation that shall be used  
18 exclusively to purchase inpatient alcohol and substance abuse treatment  
19 services from the ADATCs shall decrease by ten percentage points each  
20 fiscal year after the 2016-2017 fiscal year until it reaches zero percent (0%).  
21 The percentage of the allocation remaining that shall be used to purchase  
22 inpatient alcohol and substance abuse treatment services from any qualified  
23 provider shall increase by ten percentage points each fiscal year after the  
24 2016-2017 fiscal year until it reaches one hundred percent (100%)."  
25

26 **USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS FOR THE PURCHASE**  
27 **OF ADDITIONAL PSYCHIATRIC AND FACILITY-BASED CRISIS BEDS AND A**  
28 **CASE MANAGEMENT PILOT PROGRAM FOR INDIVIDUALS WITH**  
29 **BEHAVIORAL HEALTH NEEDS**

30 **SECTION 11F.5.(a)** It is the intent of the General Assembly to increase inpatient  
31 behavioral health bed capacity in rural areas of the State with the highest need. To that end, of  
32 the funds appropriated from the Dorothea Dix Hospital Property Fund established under  
33 G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental  
34 Health, Developmental Disabilities, and Substance Abuse Services, for the 2017-2018 fiscal  
35 year, the sum of up to nineteen million dollars (\$19,000,000) in nonrecurring funds shall be  
36 used to pay for any renovation or building costs associated with (i) the construction of new  
37 licensed inpatient behavioral health beds, (ii) the conversion of existing inpatient acute care  
38 beds into licensed inpatient behavioral health beds, or (iii) a combination of these options as  
39 follows:

- 40 (1) The sum of up to four million dollars (\$4,000,000) in nonrecurring funds  
41 shall be used to pay for any renovation or building costs associated with the  
42 construction of new licensed inpatient behavioral health beds at Caldwell/  
43 University of North Carolina Health Care in Caldwell County.  
44 (2) The sum of up to four million dollars (\$4,000,000) in nonrecurring funds  
45 shall be used to pay for any renovation or building costs associated with the  
46 construction of new licensed inpatient behavioral health beds at Cape Fear  
47 Valley Medical Center in Cumberland County.  
48 (3) The sum of up to four million dollars (\$4,000,000) in nonrecurring funds  
49 shall be used to pay for any renovation or building costs associated with the  
50 construction of new licensed inpatient behavioral health beds at Vidant  
51 Health in Eastern North Carolina.

- 1 (4) The sum of up to three million dollars (\$3,000,000) in nonrecurring funds  
2 shall be used for any renovation or building costs associated with the  
3 construction of new licensed inpatient behavioral health beds at Good Hope  
4 Hospital in Harnett County.
- 5 (5) The sum of up to two million two hundred thousand dollars (\$2,200,000) in  
6 nonrecurring funds shall be used to pay for any renovation or building costs  
7 associated with the construction of new licensed inpatient behavioral health  
8 beds at Mission Health System, Inc., in Buncombe County.
- 9 (6) The sum of up to one million eight hundred thousand dollars (\$1,800,000) in  
10 nonrecurring funds shall be used to pay for any renovation or building costs  
11 associated with the construction of new licensed inpatient behavioral health  
12 beds at the Dix Crisis Intervention Center in Onslow County.

13 **SECTION 11F.5.(b)** Notwithstanding the State Medical Facilities Plan, Article 9  
14 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each  
15 facility that receives funds allocated under subsection (a) of this section shall be allowed to  
16 construct new or convert unused acute care beds into licensed, inpatient behavioral health beds  
17 without undergoing certificate of need review by the Division of Health Service Regulation for  
18 the beds constructed or converted with funds allocated under subsection (a) of this section. All  
19 newly constructed or converted beds shall be subject to existing licensure laws and  
20 requirements. As a condition of receiving these funds, each selected rural hospital shall reserve  
21 at least fifty percent (50%) of the constructed or converted beds for (i) purchase by the  
22 Department under the State-administered, three-way contract and (ii) referrals by local  
23 management entities/managed care organizations (LME/MCOs) of individuals who are  
24 indigent or Medicaid recipients. Any hospital unit or other location with inpatient behavioral  
25 health beds constructed or converted with funds allocated under subsection (a) of this section  
26 shall be named in honor of Dorothea Dix.

27 **SECTION 11F.5.(c)** Beginning November 1, 2018, the Department of Health and  
28 Human Services shall annually report to the Joint Legislative Oversight Committee on Health  
29 and Human Services and the Fiscal Research Division on the number and location of additional  
30 licensed inpatient behavioral health beds brought into operation with funds allocated under  
31 subsection (a) of this section. By December 1, 2020, the Department shall submit a report that  
32 includes a proposal for funding the recurring operating costs of these additional beds from a  
33 source or sources other than the Dorothea Dix Hospital Property Funds, including the  
34 identification of potential new funding sources.

35 **SECTION 11F.5.(d)** It is the intent of the General Assembly to continue to  
36 increase the number of facility-based crisis centers in North Carolina for children and  
37 adolescents. To that end, of the funds appropriated from the Dorothea Dix Hospital Property  
38 Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services,  
39 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the  
40 2017-2018 fiscal year, the sum of two million dollars (\$2,000,000) in nonrecurring funds shall  
41 be used to award grants on a competitive basis for the establishment of up to two new  
42 facility-based crisis centers in the State for children and adolescents. The Department shall  
43 establish a process for applying for these grants, criteria for evaluating applications, and a  
44 process for allocating grants.

45 **SECTION 11F.5.(e)** It is the intent of the General Assembly to reduce avoidable  
46 emergency department readmissions and emergency department boarding times among  
47 individuals with behavioral health needs. To that end, of the funds appropriated from the  
48 Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department  
49 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
50 Substance Abuse Services, for the 2017-2018 fiscal year, the sum of two million dollars  
51 (\$2,000,000) in nonrecurring funds shall be allocated for the development and establishment of



1 a two-year pilot program at a hospital in Wake County that supports a hospital-based,  
2 comprehensive community case management program. The Department of Health and Human  
3 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
4 Services, in consultation with local management entities/managed care organizations  
5 responsible for the management and provision of mental health, developmental disabilities, and  
6 substance abuse disorder services in Wake County under the 1915(b)/(c) Medicaid Waiver,  
7 shall oversee the development and establishment of the pilot program to ensure it is designed to  
8 reduce avoidable emergency department readmissions and emergency department boarding  
9 times among individuals with behavioral health needs. The pilot program shall be conducted at  
10 the hospital in Wake County with the largest number of emergency department visits that  
11 agrees to participate in the two-year pilot program authorized by this subsection.

12 By December 1, 2020, the Department shall submit a report to the Joint Legislative  
13 Oversight Committee on Health and Human Services and the Fiscal Research Division  
14 evaluating the effectiveness of the pilot program in reducing avoidable emergency department  
15 readmissions and emergency department boarding times among individuals with behavioral  
16 health needs.

17 **SECTION 11F.5.(f)** Any funds allocated to the Department of Health and Human  
18 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
19 Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1)  
20 pursuant to Section 12F.4 of S.L. 2016-94 for the 2016-2017 fiscal year that are not expended  
21 or encumbered as of June 30, 2017, shall remain in the Dorothea Dix Hospital Property Fund.

22 **SECTION 11F.5.(g)** Any funds allocated to the Department of Health and Human  
23 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
24 Services, from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1)  
25 pursuant to this section for the 2017-2018 fiscal year that are not expended or encumbered as of  
26 June 30, 2019, shall remain in the Dorothea Dix Hospital Property Fund.

## 27 28 **ADDITIONS TO THE STRATEGIC PLAN FOR IMPROVEMENT OF BEHAVIORAL** 29 **HEALTH SERVICES**

30 **SECTION 11F.6.(a)** Section 12F.10(b) of S.L. 2016-94 reads as rewritten:

31 **"SECTION 12F.10.(b)** By January 1, 2018, the Department of Health and Human  
32 Services shall develop and submit to the Joint Legislative Oversight Committee on Health and  
33 Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health  
34 Choice, and the Fiscal Research Division a strategic statewide plan to improve the efficiency  
35 and effectiveness of State-funded behavioral health services. In developing the plan, the  
36 Department shall review and consider its past and current studies, and associated reports,  
37 relating to behavioral health services in the State. The plan shall include at least all of the  
38 following:

39 ...

- 40 (5) Any other ~~component~~ component, study, or report that the Department deems  
41 necessary to achieve the goal of improving the effective and efficient  
42 delivery and coordination of publicly funded behavioral health services  
43 across the State."

44 **SECTION 11F.6.(b)** Section 12F.10 of S.L. 2016-94 is amended by adding a new  
45 subsection to read:

46 **"SECTION 12F.10.(b1)** In the development of the strategic statewide plan, required under  
47 subsection (b) of this section, the Department of Health and Human Services shall consider  
48 policy issues pertaining to the delivery of services for people with intellectual and  
49 developmental disabilities. Consideration shall be given to all of the following:

- 1           (1) The causes and potential solutions for the growing waitlist for NC  
2 Innovations Waiver slots. Potential solutions to be studied include the  
3 following:  
4           a. Increasing the funding for the 1915(c) Innovations Waiver to result  
5 in more individuals served.  
6           b. Creating new support waiver slots as recommended in the March  
7 2015 "Study Additional 1915(c) Waiver" report from the Department  
8 of Health and Human Services, Division of Medical Assistance, to  
9 the Joint Legislative Oversight Committee on Health and Human  
10 Services.  
11           c. Utilizing a 1915(i) waiver option and exploring how the 1115 waiver  
12 required for Medicaid transformation may assist in addressing  
13 current waitlist for services.  
14           (2) Issues surrounding single-stream funding and how single-stream funding is  
15 used to support services for people with intellectual and developmental  
16 disabilities.  
17           (3) Multiple federal mandates that will directly impact current services and  
18 supports for people with intellectual and developmental disabilities,  
19 including Home and Community-Based Services changes, the Work Force  
20 Innovations and Opportunities Act, and changes under section 14(c) of the  
21 federal Fair Labor Standards Act.  
22           (4) The coverage of services for the treatment of autism, including any State  
23 Plan amendment needed to address guidance issued by the Centers for  
24 Medicare and Medicaid Services."  
25

## 26 **TRAUMATIC BRAIN INJURY FUNDING**

27           **SECTION 11F.8.** Of the funds appropriated in this act to the Department of Health  
28 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance  
29 Abuse Services, the sum of two million three hundred seventy-three thousand eighty-six dollars  
30 (\$2,373,086) for the 2017-2018 fiscal year and the sum of two million three hundred  
31 seventy-three thousand eighty-six dollars (\$2,373,086) for the 2018-2019 fiscal year shall be  
32 used exclusively to support traumatic brain injury (TBI) services as follows:

- 33           (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars  
34 (\$359,218) shall be used to fund contracts with the Brain Injury Association  
35 of North Carolina or other appropriate service providers to assist families in  
36 accessing the continuum of care and to provide educational programs on  
37 brain injury prevention, intervention, and care.  
38           (2) The sum of two million thirteen thousand eight hundred sixty-eight dollars  
39 (\$2,013,868) shall be used to (i) support residential programs across the  
40 State that are specifically designed to serve individuals with TBI and (ii)  
41 support requests submitted by individual consumers for assistance with  
42 services such as, but not limited to, residential supports, home modifications,  
43 transportation, and other requests deemed necessary by the consumer's local  
44 management entity.  
45

## 46 **FUNDS FOR BROUGHTON HOSPITAL LITIGATION COSTS RELATED TO** 47 **CONSTRUCTION DELAYS AND TO EXTEND THE STUDY ON THE FUTURE** 48 **USE OF BROUGHTON HOSPITAL FACILITIES**

49           **SECTION 11F.13.** Of the funds appropriated in this act to the Department of  
50 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
51 Substance Abuse Services, for Broughton Hospital, the sum of up to two million five hundred

1 thousand dollars (\$2,500,000) in nonrecurring funds for the 2017-2018 fiscal year and the sum  
2 of up to two million five hundred thousand dollars (\$2,500,000) for the 2018-2019 fiscal year  
3 shall be used to offset the following costs arising from delays in the construction of the new  
4 Broughton Hospital:

- 5 (1) A combined sum for both years of the 2017-2019 fiscal biennium of not  
6 more than two million two hundred twenty thousand dollars (\$2,220,000) in  
7 nonrecurring funds for litigation costs resulting from anticipated or pending  
8 litigation against private third parties. The Secretary of the Department of  
9 Health and Human Services may retain private legal counsel to represent the  
10 interest of the State in such litigation, as provided in G.S. 147-17(c1), as  
11 amended by this act, and G.S. 114-2.3(d), as amended by this act.
- 12 (2) The sum of one hundred eighty thousand dollars (\$180,000) for the  
13 2017-2018 fiscal year shall be transferred to the Department of Commerce to  
14 extend the study on the future use of Broughton Hospital Facilities  
15 authorized by Section 15.20 of S.L. 2014-100, as amended by Section 15.5  
16 of S.L. 2016-94.
- 17 (3) A combined sum for both years of the 2017-2019 fiscal biennium of not  
18 more than the balance of the funds allocated under this section or two  
19 million six hundred thousand dollars (\$2,600,000) in nonrecurring funds,  
20 whichever is greater, for any combination of the following:
  - 21 a. Costs related to design changes, technology changes, continued use  
22 of the existing hospital, staffing, and other costs directly related to  
23 the delays in construction.
  - 24 b. Costs to equip the new hospital.
  - 25 c. Administrative costs.

## 26 27 **FUNDS FOR OVERDOSE MEDICATIONS**

28 **SECTION 11F.14.** Of the funds appropriated in this act to the Department of  
29 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
30 Substance Abuse Services, the sum of one hundred thousand dollars (\$100,000) in recurring  
31 funds for each year of the 2017-2019 fiscal biennium shall be used to purchase opioid  
32 antagonists, as defined in G.S. 90-12.7, to reverse opioid-related drug overdoses as follows:

- 33 (1) Seventy-five thousand dollars (\$75,000) in recurring funds for each year of  
34 the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists  
35 to be distributed at no charge to the North Carolina Harm Reduction  
36 Coalition to serve individuals at risk of experiencing an opioid-related drug  
37 overdose or to the friends and family members of an at-risk individual.
- 38 (2) Twenty-five thousand dollars (\$25,000) in recurring funds for each year of  
39 the 2017-2019 fiscal biennium shall be used to purchase opioid antagonists  
40 to be distributed at no charge to North Carolina law enforcement agencies.

## 41 42 **NC START FUNDING AND REPORT**

43 **SECTION 11F.15.(a)** Of the funds appropriated to the Department of Health and  
44 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
45 Services, the sum of five hundred thousand dollars (\$500,000) in nonrecurring funds for the  
46 2017-2018 fiscal year and the sum of five hundred thousand dollars (\$500,000) in nonrecurring  
47 funds for the 2018-2019 fiscal year shall be allocated to contracts for providing North Carolina  
48 Systemic, Therapeutic Assessment, Respite and Treatment (NC START) services, an  
49 evidenced-based model of community-based crisis prevention and intervention services for  
50 individuals with Intellectual/Developmental Disabilities (I/DD) who are at least 18 years of age  
51 and who experience crises due to mental health or complex behavioral health issues.

1           **SECTION 11F.15.(b)** By December 1, 2020, the Department of Health and  
2 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
3 Services, shall report to the Joint Legislative Oversight Committee on Health and Human  
4 Services on NC START services funded by State appropriations during the 2017-2019 fiscal  
5 biennium. The report shall include at least all of the following components:

- 6           (1) A breakdown of expenditures.
- 7           (2) The number of individuals who received services, broken down by age and  
8 category of disability.
- 9           (3) Specific and objectively measurable outcomes for each individual who  
10 received services.

## 11 12 **REPEAL OF LME/MCO CLINICAL INTEGRATION ACTIVITIES REPORT**

13           **SECTION 11F.16.** Subsection (e) of Section 12F.4A of S.L. 2013-360 is repealed.  
14

## 15 **STUDY ON LME/MCO PROPERTY CONVEYANCE RESTRICTIONS**

16           **SECTION 11F.17.** By April 1, 2018, the Joint Legislative Oversight Committee on  
17 Health and Human Services shall examine the need for statutory restrictions prohibiting local  
18 management entities/managed care organizations from conveying State-funded property. The  
19 Committee may report its findings, including any recommended legislation, to the 2018  
20 Regular Session of the 2017 General Assembly.

## 21 22 **STUDY ON SITE-OF-USE SOLUTIONS FOR SAFE DISPOSAL OF PRESCRIPTION** 23 **DRUGS**

24           **SECTION 11F.18.** By December 1, 2017, the Department of Health and Human  
25 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse  
26 Services, shall study and submit a report to the Joint Legislative Oversight Committee on  
27 Health and Human Services and the Fiscal Research Division on simple site-of-use solutions  
28 for the safe disposal of prescription drugs.  
29

## 30 **SUPPLEMENTAL SHORT-TERM ASSISTANCE FOR GROUP HOMES**

31           **SECTION 11F.18A.(a)** As used in this section, "group home" means any facility  
32 that (i) is licensed under Chapter 122C of the General Statutes, (ii) meets the definition of a  
33 supervised living facility under 10A NCAC 27G .5601(c)(1) or 10A NCAC 27G .5601(c)(3),  
34 and (iii) serves adults whose primary diagnosis is mental illness or a developmental disability  
35 but may also have other diagnoses.

36           **SECTION 11F.18A.(b)** Of the funds appropriated in this act to the Department of  
37 Health and Human Services, Division of Mental Health, Developmental Disabilities, and  
38 Substance Abuse Services, the sum of five million dollars (\$5,000,000) in nonrecurring funds  
39 for each year of the 2017-2019 fiscal biennium shall be used to provide temporary, short-term  
40 financial assistance in the form of a monthly payment to group homes on behalf of each  
41 resident who meets all of the following criteria:

- 42           (1) Was eligible for Medicaid-covered personal care services (PCS) prior to  
43 January 1, 2013, but was determined to be ineligible for PCS on or after  
44 January 1, 2013, due to Medicaid State Plan changes in PCS eligibility  
45 criteria specified in Section 10.9F of S.L. 2012-142, as amended by Section  
46 3.7 of S.L. 2012-145 and Section 70 of S.L. 2012-194.
- 47           (2) Has continuously resided in a group home since December 31, 2012.

48           **SECTION 11F.18A.(c)** These monthly payments shall be subject to all of the  
49 following requirements and limitations:

- 50           (1) The amount of the monthly payments authorized by this section shall not  
51 exceed four hundred sixty-four dollars and thirty cents (\$464.30) per month

- 1 for each resident who meets all criteria specified in subsection (b) of this  
2 section.
- 3 (2) A group home that receives the monthly payments authorized by this section  
4 shall not, under any circumstances, use these payments for any purpose other  
5 than providing, as necessary, supervision and medication management for a  
6 resident who meets all criteria specified in subsection (b) of this section.
- 7 (3) The Department shall make monthly payments authorized by this section to  
8 a group home on behalf of each resident who meets all criteria specified in  
9 subsection (b) of this section only for the period commencing July 1, 2017,  
10 and ending June 30, 2019, or upon depletion of the five million dollars  
11 (\$5,000,000) in nonrecurring funds appropriated in this act to the Division of  
12 Mental Health, Developmental Disabilities, and Substance Abuse Services,  
13 for supplemental short-term assistance for group homes, for each year of the  
14 2017-2019 fiscal biennium for the purpose of this section, whichever is  
15 earlier.
- 16 (4) The Department shall make monthly payments authorized by this section  
17 only to the extent sufficient funds are available from the five million dollars  
18 (\$5,000,000) in nonrecurring funds appropriated in this act to the Division of  
19 Mental Health, Developmental Disabilities, and Substance Abuse Services,  
20 for supplemental short-term assistance for group homes, for each year of the  
21 2017-2019 fiscal biennium for the purpose of this section.
- 22 (5) The Department shall not make monthly payments authorized by this section  
23 to a group home on behalf of a resident during the pendency of an appeal by  
24 or on behalf of the resident under G.S. 108A-70.9A.
- 25 (6) The Department shall terminate all monthly payments pursuant to this  
26 section on 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 (7) Each group home that receives the monthly payments authorized by this  
33 section shall submit to the Department a list of all funding sources for the  
34 operational costs of the group home for the preceding two years, in  
35 accordance with the schedule and format prescribed by the Department.

36 **SECTION 11F.18A.(d)** The Department shall use an existing mechanism to  
37 administer these funds in the least restrictive manner that ensures compliance with this section  
38 and timely and accurate payments to group homes. The Department shall not, under any  
39 circumstances, use any portion of the five million dollars (\$5,000,000) in nonrecurring funds  
40 appropriated in this act to the Division of Mental Health, Developmental Disabilities, and  
41 Substance Abuse Services, for supplemental short-term assistance for group homes, for each  
42 year of the 2017-2019 fiscal biennium for any other purpose than the purpose specified in this  
43 section.

44 **SECTION 11F.18A.(e)** By September 1, 2018, the Department of Health and  
45 Human Services shall submit the following to the Joint Legislative Oversight Committee on  
46 Health and Human Services and the Fiscal Research Division:

- 47 (1) A list of funding sources for each group home that receives assistance  
48 authorized by this section, based on the information provided to the  
49 Department pursuant to subdivision (7) of subsection (c) of this section.
- 50 (2) A plan for sustained funding beyond the 2017-2019 fiscal biennium for  
51 group homes that provide services to individuals diagnosed with mental

1 illness or intellectual or developmental disabilities. The plan must be based  
2 on an assessment of the number and size of these group homes, their  
3 geographic location, current sources of funding for each group home, and  
4 any other aspects determined by the Department to affect their viability.

5 **SECTION 11F.18A.(f)** Nothing in this section shall be construed as an obligation  
6 by the General Assembly to appropriate funds for the purpose of this section, or as an  
7 entitlement by any group home, resident of a group home, or other person to receive temporary,  
8 short-term financial assistance under this section.

9 **SECTION 11F.18A.(g)** This section expires June 30, 2019.

## 10 11 **LME/MCO FUND BALANCE DESIGNATION AND REINVESTMENT**

12 **SECTION 11F.19.(a)** In addition to the Medicaid risk reserve that the LME/MCOs  
13 must maintain as required by their contracts with the Department of Health and Human  
14 Services (Department), LME/MCOs shall maintain other fund balances in accordance with  
15 State and federal laws and regulations and the requirements of the Governmental Accountings  
16 Standards Board (GASB). These other fund balances shall be designated as spendable and  
17 non-spendable. Spendable fund balances shall be further designated as restricted and  
18 unrestricted fund balances. Restricted fund balances other than those imposed by GASB or  
19 State law are subject to approval by the Department. The designation of those funds as  
20 restricted fund balance and plans for the reinvestment of funds must be approved by the  
21 Department and be consistent with the Medicaid State Plan and long-term goals of the  
22 Department for the provision of services for people with behavioral health or intellectual and  
23 development disability needs. The Department shall set a threshold for each LME/MCO's  
24 unrestricted fund balances.

25 **SECTION 11F.19.(b)** By March 1 of each year, the Department shall notify each  
26 LME/MCO of the approved purposes for which restricted fund balances may be used and the  
27 LME/MCO's approved unrestricted fund balance threshold for the next State fiscal year. To  
28 provide appropriate working capital and cash flow, the unrestricted fund balance threshold shall  
29 not be less than fifteen percent (15%) of the LME/MCO annual budget.

30 **SECTION 11F.19.(c)** The Department shall review the fund balance of each  
31 LME/MCO annually at the close of the fiscal year following the submission of the  
32 LME/MCO's annual audit. If the LME/MCO's unrestricted fund balance exceeds the threshold  
33 set by the Department, the Department may withhold the amount in excess of the threshold  
34 from single-stream payments to the LME/MCO for the next State fiscal year, so long as doing  
35 so does not impact the ability of the LME/MCO to meet the maintenance of effort spending  
36 requirements to maintain federal block grant funding developed by the Department. The  
37 LME/MCO must maintain the level of services provided to consumers regardless of the  
38 withholding of single-stream payments. The funds withheld may be distributed to any  
39 LME/MCOs that are in compliance with the fund balance thresholds for the provision of  
40 priority mental health, development disabilities, and substance abuse services (MH/DD/SAS)  
41 or be used for other purposes that benefit people in need of MH/DD/SAS services.

42 **SECTION 11F.19.(d)** The Department may adopt temporary and permanent rules  
43 necessary to implement the provisions of this section.

## 44 45 **LME/MCO REINVESTMENT PLAN**

46 **SECTION 11F.20.** No later than September 1, 2017, Cardinal Innovations  
47 Healthcare shall submit a plan to the Department of Health and Human Services for the  
48 reinvestment of its cash reserves in the amount of up to eight hundred thousand dollars  
49 (\$800,000) for the capital needs of an established accredited clubhouse located within its  
50 catchment area. The Department of Health and Human Services shall approve the reinvestment  
51 plan no later than 30 days after the submission of the plan.

1  
2 **SUBPART XI-G. DIVISION OF HEALTH SERVICE REGULATION**

3  
4 **FUNDS TO CONTINUE COMMUNITY PARAMEDICINE PILOT PROGRAM**

5 **SECTION 11G.1.(a)** Of the funds appropriated in this act to the Department of  
6 Health and Human Services, Division of Health Service Regulation, the sum of three hundred  
7 fifty thousand dollars (\$350,000) in nonrecurring funds for the 2017-2018 fiscal year and the  
8 sum of three hundred fifty thousand dollars (\$350,000) in nonrecurring funds for the 2018-2019  
9 fiscal year shall be used to continue the community paramedicine pilot program authorized in  
10 Section 12A.12 of S.L. 2015-241, as amended by Section 12A.3 of S.L. 2016-94, as follows:

- 11 (1) The sum of two hundred ten thousand dollars (\$210,000) in nonrecurring  
12 funds for each year of the fiscal biennium shall be allocated to the New  
13 Hanover Regional Emergency Medical Services site.  
14 (2) The sum of seventy thousand dollars (\$70,000) in nonrecurring funds for  
15 each year of the fiscal biennium shall be allocated to the McDowell County  
16 Emergency Medical Services site.  
17 (3) The sum of seventy thousand dollars (\$70,000) in nonrecurring funds for  
18 each year of the fiscal biennium shall be allocated to the Wake County  
19 Emergency Medical Services site.

20 The focus of this community paramedicine pilot program shall continue to be expansion of the  
21 role of paramedics to allow for community-based initiatives that result in providing care that  
22 avoids nonemergency use of emergency rooms and 911 services and avoidance of unnecessary  
23 admissions into health care facilities.

24 **SECTION 11G.1.(b)** The participation requirements, objectives, standards, and  
25 required outcomes for the pilot program shall remain the same as established pursuant to  
26 Section 12A.12 of S.L. 2015-241, as amended by Section 12A.3 of S.L. 2016-94.

27 **SECTION 11G.1.(c)** By November 1, 2019, the Department of Health and Human  
28 Services shall submit an updated report on the community paramedicine pilot program to the  
29 Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research  
30 Division. At a minimum, the updated report shall include all of the following:

- 31 (1) Any updated version of the evaluation plan required by subsection (d) of  
32 Section 12A.12 of S.L. 2015-241.  
33 (2) An estimate of the cost to expand the program incrementally and statewide.  
34 (3) An estimate of any potential savings of State funds associated with  
35 expansion of the program.  
36 (4) If expansion of the program is recommended, a time line for expanding the  
37 program.  
38

39 **FACILITIES INCLUDED UNDER SINGLE HOSPITAL LICENSE**

40 **SECTION 11G.2.(a)** G.S. 131E-77(e1) reads as rewritten:

41 "(e1) Any license issued by the Department shall include only ~~facilities, premises,~~  
42 ~~buildings, outpatient clinics, and other locations~~ facilities (i) operated by the hospital within a  
43 single county and (ii) operated by the hospital in an immediately adjoining county; provided,  
44 however, that ~~facilities, premises, buildings, outpatient clinics, and other locations~~ facilities  
45 operated by a hospital in an immediately adjoining county shall only be included within the  
46 same hospital license if the applicant hospital demonstrates all of the following to the  
47 satisfaction of the Department:

- 48 (1) There was previously only one hospital licensed by the Department ~~and~~  
49 providing inpatient services in the immediately adjoining county.  
50 (2) The licensed ~~inpatient~~ hospital in the immediately adjoining county  
51 described in subdivision (1) of this subsection closed or otherwise ceased

1 providing hospital services to patients no more than three years prior to the  
 2 date the applicant hospital first applied to license a ~~facility, premises,~~  
 3 ~~building, outpatient clinic, or location~~ facility in such immediately adjoining  
 4 county.

5 If the Department approves ~~an applicant~~ a hospital's initial request to include within its  
 6 hospital licensure ~~an initial facility, premises, building, outpatient clinic, or other location~~  
 7 license a facility in an immediately adjoining county, then any other ~~designated facilities,~~  
 8 ~~premises, buildings, outpatient clinics, or other locations~~ hospital services thereafter developed  
 9 and operated by the applicant in such immediately adjoining county in accordance with  
 10 applicable law may also be included within and covered by the license issued to the applicant  
 11 by the Department."

12 **SECTION 11G.2.(b)** This section is effective when this act becomes law.

13  
 14 **SUBPART XI-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)**

15  
 16 **MEDICAID ELIGIBILITY**

17 **SECTION 11H.1.(a)** Families and children who are categorically and medically  
 18 needy are eligible for Medicaid, subject to the following annual income levels:

	<b>Categorically Needy</b>	<b>Medically Needy</b>
<b>Family Size</b>	<b>Income Level</b>	<b>Income Level</b>
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

20  
 21  
 22  
 23  
 24  
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 29  
 30 The Department of Health and Human Services shall provide Medicaid coverage to 19- and  
 31 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid  
 32 enrollment of categorically needy families with children shall be continuous for one year  
 33 without regard to changes in income or assets.

34 **SECTION 11H.1.(b)** For the following Medicaid eligibility classifications for  
 35 which the federal poverty guidelines are used as income limits for eligibility determinations,  
 36 the income limits will be updated each April 1 immediately following publication of federal  
 37 poverty guidelines. The Department of Health and Human Services, Division of Medical  
 38 Assistance, shall provide Medicaid coverage to the following:

- 39 (1) All elderly, blind, and disabled people who have incomes equal to or less  
 40 than one hundred percent (100%) of the federal poverty guidelines.
- 41 (2) Pregnant women with incomes equal to or less than one hundred ninety-six  
 42 percent (196%) of the federal poverty guidelines and without regard to  
 43 resources. Services to pregnant women eligible under this subsection  
 44 continue throughout the pregnancy but include only those related to  
 45 pregnancy and to those other conditions determined by the Department as  
 46 conditions that may complicate pregnancy.
- 47 (3) Infants under the age of one with family incomes equal to or less than two  
 48 hundred ten percent (210%) of the federal poverty guidelines and without  
 49 regard to resources.



1 (4) Children aged one through five with family incomes equal to or less than  
2 two hundred ten percent (210%) of the federal poverty guidelines and  
3 without regard to resources.

4 (5) Children aged six through 18 with family incomes equal to or less than one  
5 hundred thirty-three percent (133%) of the federal poverty guidelines and  
6 without regard to resources.

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

11 **SECTION 11H.1.(c)** The Department of Health and Human Services, Division of  
12 Medical Assistance, shall provide Medicaid coverage to adoptive children with special or  
13 rehabilitative needs, regardless of the adoptive family's income.

14 **SECTION 11H.1.(d)** The Department of Health and Human Services, Division of  
15 Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents,"  
16 ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §  
17 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

18 **SECTION 11H.1.(e)** The Department of Health and Human Services, Division of  
19 Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast  
20 or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

## 21 22 **MEDICAID ANNUAL REPORT**

23 **SECTION 11H.2.** The Department of Health and Human Services, Division of  
24 Medical Assistance (Division), shall continue the publication of the Medicaid Annual Report  
25 and accompanying tables. The Division shall publish the report and tables on its Web site no  
26 later than December 31 following each State fiscal year.

## 27 28 **PROVIDER APPLICATION AND RECREDENTIALING FEE**

29 **SECTION 11H.3.** Chapter 108C of the General Statutes is amended by adding a  
30 new section to read:

### 31 **"§ 108C-2.1. Provider application and recredentialing fee.**

32 (a) Each provider that submits an application to enroll in the Medicaid program shall  
33 submit an application fee. The application fee shall be the sum of the amount federally required  
34 and one hundred dollars (\$100.00).

35 (b) The fee required under subsection (a) of this section shall be charged to all providers  
36 at recredentialing every five years."

## 37 38 **ADMINISTRATIVE HEARINGS FUNDING**

39 **SECTION 11H.4.** Of the funds appropriated to the Department of Health and  
40 Human Services, Division of Medical Assistance, for administrative contracts and interagency  
41 transfers, the Department of Health and Human Services (Department) shall transfer the sum of  
42 one million dollars (\$1,000,000) for the 2017-2018 fiscal year and the sum of one million  
43 dollars (\$1,000,000) for the 2018-2019 fiscal year to the Office of Administrative Hearings  
44 (OAH). These funds shall be allocated by the OAH for mediation services provided for  
45 Medicaid applicant and recipient appeals and to contract for other services necessary to conduct  
46 the appeals process. The OAH shall continue the Memorandum of Agreement (MOA) with the  
47 Department for mediation services provided for Medicaid recipient appeals and contracted  
48 services necessary to conduct the appeals process. The MOA will facilitate the Department's  
49 ability to draw down federal Medicaid funds to support this administrative function. Upon  
50 receipt of invoices from the OAH for covered services rendered in accordance with the MOA,  
51 the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

**ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

**SECTION 11H.5.(a)** Receivables reserved at the end of the 2017-2018 and 2018-2019 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

**SECTION 11H.5.(b)** For the 2017-2018 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred sixty-four million seven hundred thousand dollars (\$164,700,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2018-2019 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred forty-nine million six hundred thousand dollars (\$149,600,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals that are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

**VOLUME PURCHASE PLANS AND SINGLE SOURCE PROCUREMENT**

**SECTION 11H.6.** The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

**ANNUAL ISSUANCE OF MEDICAID IDENTIFICATION CARDS**

**SECTION 11H.7.** The Department of Health and Human Services (Department) shall issue Medicaid identification cards to recipients on an annual basis with updates as needed. The Department shall adopt rules, or amend any current rules relating to Medicaid identification cards, to implement this section.

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

**SECTION 11H.8.(a)** The Department of Health and Human Services (Department) shall continue to ensure that local management entities/managed care organizations (LME/MCOs) utilize an out-of-network agreement that contains standardized elements developed in consultation with LME/MCOs. The out-of-network agreement shall be a streamlined agreement between a single provider of behavioral health or intellectual/developmental disability (IDD) services and an LME/MCO to ensure access to care in accordance with 42 C.F.R. § 438.206(b)(4), reduce administrative burden on the provider, and comply with all requirements of State and federal laws and regulations. LME/MCOs shall use the out-of-network agreement in lieu of a comprehensive provider contract when all of the following conditions are met:

- (1) The services requested are medically necessary and cannot be provided by an in-network provider.
- (2) The behavioral health or IDD provider's site of service delivery is located outside of the geographical catchment area of the LME/MCO, and the LME/MCO is not accepting applications or the provider does not wish to apply for membership in the LME/MCO closed network.

- 1 (3) The behavioral health or IDD provider is not excluded from participation in
- 2 the Medicaid program, the NC Health Choice program, or other State or
- 3 federal health care program.
- 4 (4) The behavioral health or IDD provider is serving no more than two enrollees
- 5 of the LME/MCO, unless the agreement is for inpatient hospitalization, in
- 6 which case the LME/MCO may, but shall not be required to, enter into more
- 7 than five such out-of-network agreements with a single hospital or health
- 8 system in any 12-month period.

9 **SECTION 11H.8.(b)** Medicaid providers providing services pursuant to an  
 10 out-of-network agreement shall be considered a network provider for purposes of Chapter  
 11 108D of the General Statutes only as it relates to enrollee grievances and appeals.

12  
 13 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

14 **SECTION 11H.10.** The local management entities/managed care organizations  
 15 (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human  
 16 Services, Division of Medical Assistance (DMA), in an aggregate amount of seventeen million  
 17 seven hundred thirty-six thousand nine hundred eighty-five dollars (\$17,736,985) in the  
 18 2017-2018 fiscal year and in an aggregate amount of eighteen million twenty-eight thousand  
 19 two hundred seventeen dollars (\$18,028,217) for the 2018-2019 fiscal year. The due date and  
 20 frequency of the intergovernmental transfer required by this section shall be determined by  
 21 DMA. The amount of the intergovernmental transfer that each individual LME/MCO is  
 22 required to make in each fiscal year shall be as follows:

	<b>2017-2018</b>	<b>2018-2019</b>
23 Alliance Behavioral Healthcare	\$2,994,703	\$3,043,874
24 Cardinal Innovations Healthcare	\$4,118,912	\$4,186,543
25 Eastpointe	\$2,011,858	\$2,044,892
26 Partners Behavioral Health Management	\$1,913,793	\$1,945,216
27 Sandhills Center	\$1,924,822	\$1,956,427
28 Trillium Health Resources	\$2,457,426	\$2,497,775
29 Vaya Health	\$2,315,471	\$2,353,490

30  
 31 In the event that any county disengages from an LME/MCO and realigns with  
 32 another LME/MCO during the 2017-2019 fiscal biennium, DMA shall have the authority to  
 33 reallocate the amount of the intergovernmental transfer that each affected LME/MCO is  
 34 required to make, taking into consideration the change in catchment area and covered  
 35 population, provided that the aggregate amount of the transfers received from all LME/MCOs  
 36 in each year of the fiscal biennium are achieved.

37  
 38 **EXPAND NORTH CAROLINA INNOVATIONS WAIVER SLOTS**

39 **SECTION 11H.11.** The Department of Health and Human Services, Division of  
 40 Medical Assistance, shall amend the North Carolina Innovations waiver to increase the number  
 41 of slots available under the waiver by 500 slots. These additional slots shall be made available  
 42 on January 1, 2018.

43  
 44 **INCREASE PERSONAL CARE SERVICES RATE**

45 **SECTION 11H.12.** Beginning January 1, 2018, the Department of Health and  
 46 Human Services, Division of Medical Assistance, shall increase to three dollars and ninety-four  
 47 cents (\$3.94) the rate paid per 15-minute billing unit for personal care services provided  
 48 pursuant to Clinical Coverage Policy 3L.

49  
 50 **RETROACTIVE PERSONAL CARE SERVICES PAYMENT**

1           **SECTION 11H.12A.(a)** The Department of Health and Human Services, Division  
2 of Medical Assistance, shall amend Section 5.5, Retroactive Prior Approval for PCS, of  
3 Clinical Coverage Policy 3L, State Plan Personal Care Services (PCS), to extend the allowable  
4 retroactive period for prior approvals for personal care services from 10 days to 30 days upon  
5 the same conditions that are currently required for retroactive prior approval of personal care  
6 services. This section shall not be construed to require Medicaid reimbursement for personal  
7 care services provided within the retroactive period in excess of the number of hours approved  
8 through the prior approval process.

9           **SECTION 11H.12A.(b)** This section becomes effective August 1, 2017, and  
10 applies to Requests for Independent Assessment for Personal Care Services Attestation for  
11 Medical Need forms received on or after that date.

### 12 13 **GRADUATE MEDICAL EDUCATION MEDICAID REIMBURSEMENT**

14           **SECTION 11H.13.(a)** For the period of July 1, 2017, through June 30, 2019, the  
15 Department of Health and Human Services, Division of Medical Assistance, shall not be  
16 required to implement the prohibitions on reimbursement for Graduate Medical Education  
17 payments required by Section 12H.23 of S.L. 2015-241, as amended by Section 88 of S.L.  
18 2015-264.

19           **SECTION 11H.13.(b)** No later than January 1, 2018, the Department of Health  
20 and Human Services, Division of Medical Assistance, shall report to the Joint Legislative  
21 Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division on  
22 any changes in spending or other actions taken that will result in lower overall appropriations  
23 needed for the 2017-2019 fiscal biennium.

24           **SECTION 11H.13.(c)** Notwithstanding any other provision of this act to the  
25 contrary, the sum of thirty million dollars (\$30,000,000) appropriated in the 2017-2018 fiscal  
26 year and the sum of thirty million dollars (\$30,000,000) appropriated in the 2018-2019 fiscal  
27 year to the Department of Health and Human Services, Division of Medical Assistance, for the  
28 purpose of reinstating the funding to maintain the Graduation Medical Education add-on to the  
29 inpatient hospital DRG payment shall be nonrecurring funds.

30           **SECTION 11H.13.(d)** Notwithstanding any other provision of this act to the  
31 contrary, the thirty-million-dollar (\$30,000,000) reduction in the 2017-2018 fiscal year and the  
32 thirty-million-dollar (\$30,000,000) reduction in the 2018-2019 fiscal year attributed to the  
33 identification of savings or reduced spending within the authority of the Department of Health  
34 and Human Services, Division of Medical Assistance, defined under G.S. 108A-54(e) shall be  
35 nonrecurring reductions.

### 36 37 **PLAN TO IMPLEMENT COVERAGE FOR HOME VISITS FOR PREGNANT** 38 **WOMEN AND FAMILIES WITH YOUNG CHILDREN**

39           **SECTION 11H.14.(a)** It is the intent of the General Assembly to provide Medicaid  
40 and NC Health Choice coverage for evidence-based home visits for pregnant women and  
41 families with young children designed to improve maternal and child health, prevent child  
42 abuse and neglect, encourage positive parenting, and promote child development and school  
43 readiness that are consistent with the model used by Nurse-Family Partnership. No later than  
44 July 1, 2018, the Department of Health and Human Services, Division of Medical Assistance  
45 (Department), shall begin providing Medicaid and NC Health Choice coverage for home visits  
46 statewide or through a pilot program.

47           The Department shall develop a plan to implement changes necessary to provide  
48 Medicaid and NC Health Choice coverage for home visits statewide or through a pilot program;  
49 however, consistent with G.S. 108A-54(e)(4), the Department is not authorized to make any  
50 changes to eligibility for the Medicaid or NC Health Choice programs. The plan shall detail the  
51 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 1115 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

<b>TEMPORARY ASSISTANCE FOR NEEDY</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
<b>FAMILIES (TANF) FUNDS</b>		

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

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	<b>Division of Child Development and Early Education</b>		
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	<b>Division of Public Health</b>		
16			
17	11. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
18			
19	<b>DHHS Administration</b>		
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	<b>Transfers to Other Block Grants</b>		
31			
32	<b>Division of Child Development and Early Education</b>		
33			
34	16. Transfer to the Child Care and		
35	Development Fund	71,773,001	71,773,001
36			
37	<b>Division of Social Services</b>		
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	<b>TOTAL TEMPORARY ASSISTANCE FOR</b>		
3	<b>NEEDY FAMILIES (TANF) FUNDS</b>	<b>\$301,385,315</b>	<b>\$312,678,010</b>
4			
5	<b>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)</b>		
6	<b>EMERGENCY CONTINGENCY FUNDS</b>		
7			
8	<b>Local Program Expenditures</b>		
9			
10	<b>Division of Child Development and Early Education</b>		
11			
12	01. Subsidized Child Care	\$28,600,000	\$28,600,000
13			
14	<b>TOTAL TEMPORARY ASSISTANCE FOR</b>		
15	<b>NEEDY FAMILIES (TANF) EMERGENCY</b>		
16	<b>CONTINGENCY FUNDS</b>	<b>\$28,600,000</b>	<b>\$28,600,000</b>
17			
18	<b>SOCIAL SERVICES BLOCK GRANT</b>		
19			
20	<b>Local Program Expenditures</b>		
21			
22	<b>Divisions of Social Services and Aging and Adult Services</b>		
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	<b>Division of Central Management and Support</b>		
11			
12	15. DHHS Competitive Block Grants		
13	for Nonprofits	4,202,500	4,202,500
14			
15	<b>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</b>		
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	<b>DHHS Program Expenditures</b>		
22			
23	<b>Division of Services for the Blind</b>		
24			
25	17. Independent Living Program	3,361,323	3,361,323
26			
27	<b>Division of Health Service Regulation</b>		
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	<b>Division of Aging and Adult Services</b>		
35			
36	20. Guardianship	3,766,119	3,766,119
37			
38	<b>DHHS Administration</b>		
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	<b>TOTAL SOCIAL SERVICES BLOCK GRANT</b>	<b>\$69,521,667</b>	<b>\$69,521,667</b>
6			
7	<b>LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT</b>		
8			
9	<b>Local Program Expenditures</b>		
10			
11	<b>Division of Social Services</b>		
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	<b>Local Administration</b>		
19			
20	<b>Division of Social Services</b>		
21			
22	03. County DSS Administration	5,978,512	5,817,014
23			
24	<b>DHHS Administration</b>		
25			
26	<b>Division of Central Management and Support</b>		
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	<b>Transfers to Other State Agencies</b>		
39			
40	<b>Department of Environmental Quality</b>		
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	<b>Department of Administration</b>		
7			
8	15. N.C. Commission on Indian Affairs	87,736	87,736
9			
10	<b>TOTAL LOW-INCOME ENERGY</b>		
11	<b>ASSISTANCE BLOCK GRANT</b>	<b>\$99,194,110</b>	<b>\$99,194,110</b>
12			
13	<b>CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</b>		
14			
15	<b>Local Program Expenditures</b>		
16			
17	<b>Division of Child Development and Early Education</b>		
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	<b>DHHS Administration</b>		
29			
30	<b>Division of Child Development and Early Education</b>		
31			
32	04. DCDEE Administrative Expenses	9,042,159	8,929,324
33			
34	<b>Division of Social Services</b>		
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	<b>Division of Central Management and Support</b>		
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	<b>Division of Public Health</b>		
4			
5	12. Child Care Health Consultation Contracts	62,205	62,205
6			
7	<b>TOTAL CHILD CARE AND DEVELOPMENT</b>		
8	<b>FUND BLOCK GRANT</b>	<b>\$300,227,341</b>	<b>\$299,833,915</b>
9			
10	<b>MENTAL HEALTH SERVICES BLOCK GRANT</b>		
11			
12	<b>Local Program Expenditures</b>		
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	<b>DHHS Administration</b>		
25			
26	<b>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</b>		
27			
28	05. Administration	200,000	200,000
29			
30	<b>TOTAL MENTAL HEALTH SERVICES</b>		
31	<b>BLOCK GRANT</b>	<b>\$16,968,476</b>	<b>\$16,968,476</b>
32			
33	<b>SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT</b>		
34			
35	<b>Local Program Expenditures</b>		
36			
37	<b>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</b>		
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	<b>DHHS Program Expenditures</b>		
11			
12	<b>Division of Central Management and Support</b>		
13			
14	08. Competitive Block Grant	1,600,000	1,600,000
15			
16	<b>DHHS Administration</b>		
17			
18	<b>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</b>		
19			
20	09. Administration	454,000	454,000
21			
22	10. Controlled Substance Reporting System		
23	Enhancement	326,224	427,655
24			
25	<b>Division of Public Health</b>		
26			
27	11. HIV Testing for Individuals in Substance		
28	Abuse Treatment	965,949	965,949
29			
30	<b>Transfers to Other State Agencies</b>		
31			
32	<b>Department of Military and Veterans Affairs</b>		
33			
34	12. Crisis Solutions Initiative – Veteran's Crisis	250,000	250,000
35			
36	<b>TOTAL SUBSTANCE ABUSE PREVENTION</b>		
37	<b>AND TREATMENT BLOCK GRANT</b>	<b>\$45,842,995</b>	<b>\$45,842,995</b>
38			
39	<b>MATERNAL AND CHILD HEALTH BLOCK GRANT</b>		
40			
41	<b>Local Program Expenditures</b>		
42			
43	<b>Division of Public Health</b>		
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	<b>DHHS Program Expenditures</b>		
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	<b>DHHS Administration</b>		
24			
25	09. Division of Public Health Administration	552,571	552,571
26			
27	<b>TOTAL MATERNAL AND CHILD</b>		
28	<b>HEALTH BLOCK GRANT</b>	<b>\$18,089,519</b>	<b>\$18,089,519</b>
29			
30	<b>PREVENTIVE HEALTH SERVICES BLOCK GRANT</b>		
31			
32	<b>Local Program Expenditures</b>		
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	<b>DHHS Program Expenditures</b>		
40			
41	<b>Division of Public Health</b>		
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	<b>DHHS Administration</b>		
12			
13	<b>Division of Public Health</b>		
14			
15	10. Division of Public Health	172,820	172,820
16			
17	<b>TOTAL PREVENTIVE HEALTH</b>		
18	<b>SERVICES BLOCK GRANT</b>	<b>\$6,121,026</b>	<b>\$6,121,026</b>
19			
20	<b>COMMUNITY SERVICES BLOCK GRANT</b>		
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	<b>TOTAL COMMUNITY SERVICES</b>		
29	<b>BLOCK GRANT</b>	<b>\$26,874,602</b>	<b>\$26,874,602</b>
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  
8 Fund shall be cost shared with at least one non-State dollar for every  
9 three dollars from the Fund.

10       **(d) Return of Non-State Entity Funds.** – Non-State entities that contribute to the Fund  
11 for a particular project or group of projects may make a written request to the Secretary that the  
12 contribution be returned if the contribution has not been spent or encumbered within two years  
13 of receipt of the contribution by the Fund. If the written request is made prior to the funds being  
14 spent or encumbered, the Secretary shall return the funds to the entity within 30 days after the  
15 later of (i) receiving the request or (ii) the expiration of the two-year period described by this  
16 subsection."

17       **SECTION 13.11.(b)** The Joint Legislative Oversight Committee on Agriculture  
18 and Natural and Economic Resources shall study the benefits and impact on the General Fund  
19 of dedicating the proceeds of the tax levied by Article 8E of Chapter 105 of the General  
20 Statutes for the purposes set forth in G.S. 143-215.73M, as enacted by subsection (a) of this  
21 section, and for other conservation-related purposes. The Committee shall report its findings  
22 and legislative recommendations to the 2018 Regular Session of the 2017 General Assembly  
23 upon its convening.  
24

## 25 **OYSTER RESEARCH REPORTING**

26       **SECTION 13.12.** The Division of Marine Fisheries and the University of North  
27 Carolina at Wilmington shall annually report no later than March 1 to the chairs of the Senate  
28 and the House of Representatives appropriations committees with jurisdiction over natural and  
29 economic resources and the Fiscal Research Division regarding the funding for oyster research  
30 and restoration activities provided by this act. The report shall include details regarding the use  
31 of the funds, including activities completed and additional personnel supported by the funds.  
32

## 33 **CONTINUE RESEARCH SUPPORT FOR SHELLFISH INDUSTRY**

34       **SECTION 13.13.(a)** Section 14.11 of S.L. 2016-94 reads as rewritten:

### 35 **"PROMOTE SHELLFISH INDUSTRY**

36       ...

37       ~~"SECTION 14.11.(d) The Chief Sustainability Officer of the University of North Carolina~~  
38 ~~at Chapel Hill North Carolina Sea Grant at North Carolina State University (Sea Grant) shall~~  
39 ~~convene a stakeholder working group to study and advance efforts to ecologically restore and~~  
40 ~~achieve economic stability of the shellfish aquaculture industry, including (i) how best to spend~~  
41 ~~financial resources to counter declining native oyster populations and shellfish habitats; (ii) the~~  
42 ~~use of nonnative-appropriate oyster species to accomplish oyster restoration; (iii) means of~~  
43 ~~combating oyster disease and managing harvesting practices to balance the needs of the~~  
44 ~~industry and promote long-term viability and health of oyster habitat and substrate; (iv)~~  
45 ~~economic aquaculture economically and scientifically sound mariculture methods to improve~~  
46 ~~oyster stock and populations; (v) long-term, dedicated options for funding sources and water~~  
47 ~~quality improvements; (vi) means to increase oyster production for both population growth and~~  
48 ~~harvest; harvest, including the use of triploid oyster species; (vii) options that expand the use of~~  
49 ~~private shellfish hatchery capacity in the State; (viii) options for promoting the use of cultch~~  
50 ~~planting to enhance and increase oyster habitat and population; (ix) other resources that might~~

1 be leveraged to enhance reform efforts; and (x) any other issue ~~the Institute~~ Sea Grant deems  
2 relevant.

3 **"SECTION 14.11.(e)** In the conduct of the study required by subsection (d) of this section,  
4 ~~the Officer~~ Sea Grant shall convene and consult with a stakeholders group that ~~includes~~  
5 ~~representatives of the commercial and recreational oyster harvesting industries, the North~~  
6 ~~Carolina Division of Marine Fisheries, the Marine Fisheries Commission, nature conservation~~  
7 ~~entities, and experts in the fields of marine biology and marine ecology,~~may consist of  
8 representatives from appropriate State and federal agencies; academic institutions;  
9 nongovernmental organizations; representatives of any industry working in, or benefitting  
10 from, shellfish mariculture; and any other individuals or groups deemed by Sea Grant as being  
11 relevant to the overall success of the study. Nothing in this subsection is intended to require a  
12 particular process or level of procedural formality for the stakeholders group.

13 ...."

14 **SECTION 13.13.(b)** In addition to the study required by Subsection 14.11(d) of  
15 S.L. 2016-94, North Carolina Sea Grant at North Carolina State University (Sea Grant) shall  
16 also prepare and deliver a Shellfish Mariculture Plan by December 31, 2018. All State entities  
17 shall provide all information, resources, and support deemed relevant by Sea Grant for the  
18 creation of the Shellfish Mariculture Plan. The plan shall be submitted to the Joint Legislative  
19 Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the  
20 House of Representatives Appropriations Committee on Agriculture and Natural and Economic  
21 Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and  
22 Economic Resources, and the Fiscal Research Division and shall include the following:

- 23 (1) A summary of available and relevant information on shellfish mariculture.
- 24 (2) An analysis of existing programs, policies, rules, and laws that govern or  
25 affect shellfish mariculture operations within the State, including an  
26 examination of workforce training and marketing programs that could  
27 facilitate the growth of shellfish mariculture within the State.
- 28 (3) A summary of shellfish mariculture plans from other states and countries,  
29 including a comparison of how these entities (i) promote and manage  
30 shellfish mariculture, (ii) reduce barriers to entry for potential participants in  
31 shellfish mariculture, and (iii) offer incentives to encourage entry into  
32 shellfish mariculture.
- 33 (4) Analysis of siting strategies that reduce potential user conflicts impeding the  
34 siting of shellfish mariculture operations and that protect riparian property  
35 owners and the public trust uses of estuarine waters for navigation, fishing,  
36 and recreation.
- 37 (5) Evaluation and consideration of enforcement mechanisms necessary to  
38 protect shellfish mariculture operations from theft and degradation and to  
39 ensure that shellfish mariculture operations make productive and fair use of  
40 public trust coastal waters dedicated to these operations.
- 41 (6) Opportunities for local traditional fishermen to effectively compete for  
42 shellfish mariculture sites in public waters and participate in enterprises in or  
43 near their own communities.
- 44 (7) Examination of environmental policies that protect or enhance shellfish  
45 mariculture operations.
- 46 (8) Consideration of the most appropriate substrate for cultch planting, with  
47 consideration of regional differences in bottom conditions within the State  
48 that may require different substrates to maximize shellfish sustainability.
- 49 (9) Strategies to mitigate or eliminate shellfish pests such as DMX, Dermo, and  
50 boring sponges.

(10) Any other issues deemed relevant by Sea Grant to grow and support shellfish mariculture within the State.

**SECTION 13.13.(c)** North Carolina State University shall not charge indirect facilities and administrative costs against the funding for the studies required by this section.

**SECTION 13.13.(d)** North Carolina Sea Grant at North Carolina State University (Sea Grant), in consultation with the Economic Development Partnership of North Carolina, the Department of Commerce, the Department of Natural and Cultural Resources, and any other stakeholders Sea Grant deems relevant, including the North Carolina Tourism Advisory Board, the North Carolina Restaurant and Lodging Association, the North Carolina Shellfish Growers Association, and the North Carolina Fisheries Association, shall develop conceptual plans and recommendations for economic development related to promotion of the State's shellfish harvesting heritage. The plans and recommendations shall include the creation of a North Carolina Oyster Trail and a North Carolina Oyster Festival. Plan development shall be congruent with the ongoing work of Sea Grant and its stakeholder group as described in subsection (a) of this section and shall include recommendations of locations, oversight, governmental support, cost, and timing of when such initiatives should be launched in the future, in addition to any other information deemed relevant for inclusion. Sea Grant's recommendations shall be provided no later than March 1, 2018, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division. This study, as it may be subsequently amended after submission, shall be included as an appendix to the Shellfish Mariculture Plan required by subsection (b) of this section.

#### **MARINE PATROL/SHELLFISH SANITATION EQUIPMENT SALES**

**SECTION 13.14.(a)** The Division of Marine Fisheries of the Department of Environmental Quality may sell the following equipment and vessels from its fleet in order to modernize the fleet:

- (1) 1991 Lull telehandler.
- (2) 1984 LRT-100 crane.
- (3) 1999 Hudson Brothers lowboy trailer.
- (4) 1970s-era 135' M/V West Bay vessel.

Notwithstanding G.S. 143C-6-4 or any other provision of law, the Division may spend funds received from the sales authorized by this subsection for future equipment acquisitions to support the Shellfish Rehabilitation and Habitat Enhancement Programs. The sales proceeds are appropriated for that purpose and shall be incorporated into the authorized budget of the Division.

**SECTION 13.14.(b)** The Division shall report to the Fiscal Research Division and the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources on the proceeds of the sales authorized by this section and the Division's plan for use of the proceeds.

#### **ASSENT TO PROVISIONS OF CERTAIN FEDERAL FISHERIES ACTS**

**SECTION 13.15.(a)** The title of Article 23 of Chapter 113 of the General Statutes reads as rewritten:

"Article 23.

"Administrative Provisions; ~~Regulatory Authority of Wildlife Resources Commission; Assent to~~  
Certain Federal Acts."

**SECTION 13.15.(b)** G.S. 113-307.1 reads as rewritten:  
"§ 113-307.1. Legislative assent to specific federal acts.



1 ...  
2 (b) The State of North Carolina hereby assents to the provisions of the act of Congress  
3 entitled "An act to provide that the United States shall aid the states in wildlife restoration  
4 projects, and for other purposes," approved September 2, 1937 (Public Law 415, 75th  
5 ~~Congress~~), ~~Congress~~, also known as the "Pittman-Robertson Act"), 16 U.S.C. § 669, et seq., as  
6 amended, and the Wildlife Resources Commission ~~is~~ and the Division of Marine Fisheries of  
7 the Department of Environmental Quality are hereby authorized, empowered, and directed to  
8 perform such acts as may be necessary to the conduct and establishment of cooperative wildlife  
9 restoration projects, as defined in ~~said act of Congress~~, the Pittman-Robertson Act, in  
10 compliance with ~~said act~~ the Act and rules and regulations promulgated by the Secretary of the  
11 Interior ~~thereunder~~; and no under the Act. No funds accruing to the State of North Carolina  
12 from license fees paid by hunters shall be diverted for any other purpose than the protection and  
13 propagation of game and wildlife in North Carolina and administration of the laws enacted for  
14 such purposes, which laws are and shall be administered by the Wildlife Resources  
15 Commission. No funds accruing to the State of North Carolina from license fees paid by  
16 fishermen for license programs administered by the Division of Marine Fisheries shall be  
17 diverted for any other purpose than the administration by the Division of Marine Fisheries of  
18 the Department of Environmental Quality of the portion of the State's fish programs applicable  
19 to the marine and estuarine resources over which the Division has authority under State law.  
20 Revenues collected from coastal recreational fishing licenses in accordance with the provisions  
21 of G.S. 113-175.1(c) and G.S. 113-175.5(c) shall be used solely for the administration of the  
22 Division of Marine Fisheries and for program functions described by this subsection.

23 (c) Assent is hereby given to the provisions of the act of Congress entitled "An act to  
24 provide that the United States shall aid the states in fish restoration and management projects,  
25 and for other purposes," approved August 9, 1950 (Public Law 681, 81st ~~Congress~~), ~~and~~  
26 Congress, also known as the "Dingell-Johnson Sport Fish Restoration Act"), 16 U.S.C. § 777,  
27 et seq., as amended, the Wildlife Resources ~~Commission is~~ Commission and the Division of  
28 Marine Fisheries of the Department of Environmental Quality are hereby authorized,  
29 empowered, and directed to perform such acts as may be necessary to the conduct and  
30 establishment of cooperative fish restoration projects, as defined in ~~said act of Congress~~, the  
31 Dingell-Johnson Sport Fish Restoration Act, in compliance with ~~said act~~ the Act and rules and  
32 regulations promulgated by the Secretary of the Interior ~~thereunder~~; under the Act; and no  
33 funds accruing to the State of North Carolina from license fees paid by fishermen shall be  
34 directed for any other purpose than the following:

35 (1) The administration of the Wildlife Resources Commission and ~~for~~ the  
36 protection, propagation, preservation, and investigation of fish and wildlife.

37 (2) The administration by the Division of Marine Fisheries of the Department of  
38 Environmental Quality of the portion of the State's fish programs applicable  
39 to the marine and estuarine resources over which the Division has authority  
40 under State law. Revenues collected from coastal recreational fishing  
41 licenses in accordance with the provisions of G.S. 113-175.1(c) and  
42 G.S. 113-175.5(c) shall be used solely for the administration of the Division  
43 of Marine Fisheries and for program functions described by this subdivision.

44 ...."

45 **SECTION 13.15.(c)** G.S. 113-175.1 reads as rewritten:

46 **"§ 113-175.1. North Carolina Marine Resources Fund.**

47 ...  
48 (b) The State Treasurer shall hold the Marine Resources Fund separate and apart from  
49 all other moneys, funds, and accounts. The State Treasurer shall invest the assets of the Marine  
50 Resources Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, and all  
51 marine resources investment income shall be deposited to the credit of the Marine Resources

1 Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and  
 2 marine resources investment income only upon the written direction of the ~~Marine Fisheries~~  
 3 ~~Commission~~ Division of Marine Fisheries of the Department of Environmental Quality.

4 (c) ~~The Marine Fisheries Commission~~ Division of Marine Fisheries of the Department  
 5 of Environmental Quality may authorize the disbursement of the principal of the Marine  
 6 Resources Fund and marine resources investment income only to manage, protect, restore,  
 7 develop, cultivate, conserve, and enhance the marine resources of the State. ~~The Marine~~  
 8 ~~Fisheries Commission is encouraged to consider supporting the Oyster Sanctuary Program~~  
 9 ~~managed by the Division of Marine Fisheries. The Marine Fisheries Commission~~ The Division  
 10 of Marine Fisheries may not authorize the disbursement of the principal of the Marine  
 11 Resources Fund and marine resources investment income to establish positions without specific  
 12 authorization from the General Assembly. ~~All proposals to the Marine Fisheries Commission~~  
 13 ~~for the disbursement of funds from the Marine Resources Fund shall be made by and through~~  
 14 ~~the Fisheries Director.~~ Prior to authorizing disbursements from the Marine Resources Fund, the  
 15 ~~Marine Fisheries Commission~~ Division of Marine Fisheries shall consult with the Wildlife  
 16 Resources Commission about these proposals. Expenditure of the assets of the Marine  
 17 Resources Fund shall be made through the State budget accounts of the Division of Marine  
 18 Fisheries in accordance with the provisions of the Executive Budget Act. The Marine  
 19 Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of  
 20 Chapter 147 of the General Statutes."

21 **SECTION 13.15.(d)** G.S. 113-175.5 reads as rewritten:

22 "**§ 113-175.5. North Carolina Marine Resources Endowment Fund.**

23 ...

24 (b) The State Treasurer shall hold the Endowment Fund separate and apart from all  
 25 other moneys, funds, and accounts. The State Treasurer shall invest the assets of the  
 26 Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. The  
 27 State Treasurer shall disburse the endowment investment income only upon the written  
 28 direction of ~~both the Marine Fisheries Commission~~ Division of Marine Fisheries of the  
 29 Department of Environmental Quality.

30 (c) Subject to the limitations set out in subsection (d) of this section, the ~~Marine~~  
 31 ~~Fisheries Commission~~ Division of Marine Fisheries of the Department of Environmental  
 32 Quality may authorize the disbursement of endowment investment income only to manage,  
 33 protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State.  
 34 ~~The Marine Fisheries Commission~~ Division of Marine Fisheries may not authorize the  
 35 disbursement of endowment investment income to establish positions without specific  
 36 authorization from the General Assembly. ~~All proposals to the Marine Fisheries Commission~~  
 37 ~~for the disbursement of funds from the Endowment Fund shall be made by and through the~~  
 38 ~~Fisheries Director.~~ Prior to authorizing disbursements from the Marine Resources Endowment  
 39 Fund, the ~~Marine Fisheries Commission~~ Division of Marine Fisheries shall consult with the  
 40 Wildlife Resources Commission about ~~these proposals.~~ funding requests.

41 ...."

#### 43 **DMF ARTIFICIAL REEFS PROGRAM FUNDING CLARIFICATION**

44 **SECTION 13.16.** G.S. 113-175.1 is amended by adding a new subsection to read:

45 "(d) To enhance fishing opportunities, the Marine Resources Fund may be used to  
 46 construct artificial reefs in the estuarine and ocean waters of the State and federal waters up to  
 47 20 nautical miles from land."

#### 49 **CRAB POT CLEANUP PROGRAM**

50 **SECTION 13.18.** Funds appropriated by this act to the Division of Marine  
 51 Fisheries of the Department of Environmental Quality to contract with the Coastal Federation

1 for a crab pot cleanup program are not subject to Article 3 of Chapter 143 of the General  
2 Statutes. The Coastal Federation shall use these funds only for program expenses and not for  
3 any indirect administrative or overhead costs. Funds not expended or encumbered by June 30,  
4 2018, shall revert. The Coastal Federation shall report to the Department of Environmental  
5 Quality by March 15, 2018 on the total amount of funds used, including amount spent per crab  
6 pot recovered and amount paid to third parties utilized in the cleanup program. The Department  
7 of Environmental Quality shall submit the report provided by the Coastal Federation along with  
8 any recommendations to improve the program, including mechanisms to reuse or repurpose  
9 recovered crab pots and to increase efficiency of the program, to the Joint Legislative Oversight  
10 Committee on Agriculture and Natural and Economic Resources and the Fiscal Research  
11 Division on or before April 15, 2018.

#### 12 13 **UST PROGRAM RULE MAKING AND REPORT**

14 **SECTION 13.19.(a)** The Environmental Management Commission shall adopt  
15 temporary rules implementing Section 14.16B of S.L. 2015-241 no later than October 1, 2017.  
16 Notwithstanding G.S. 150B-21.1(d), the temporary rules shall remain in effect until the  
17 effective date of the permanent rule adopted to replace the temporary rule.

18 **SECTION 13.19.(b)** The Commission shall report regarding the status of the rule  
19 making required by this section and by Section 14.16B of S.L. 2015-241 to the chairs of the  
20 Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources  
21 and the Fiscal Research Division no later than December 31, 2017.

#### 22 23 **MOTOR VEHICLE EMISSIONS INSPECTIONS**

24 **SECTION 13.20.(a)** G.S. 143-215.107A(c), as amended by Section 3.5(a) of S.L.  
25 2017-10, reads as rewritten:

26 "(c) Counties Covered. – Motor vehicle emissions inspections shall be performed in the  
27 following counties: Alamance, Buncombe, Cabarrus, Cumberland, Davidson, Durham, Forsyth,  
28 Franklin, Gaston, Guilford, Iredell, Johnston, Lee, Lincoln, Mecklenburg, New Hanover,  
29 ~~Onslow, Randolph, Roekingham, Rowan, Union, and Wake.~~"

30 **SECTION 13.20.(b)** The Department of Environmental Quality shall include the  
31 change to the motor vehicle emissions testing program provided in subsection (a) of this section  
32 in the amendment required to be prepared and submitted to the United States Environmental  
33 Protection Agency under Section 3.5(c) of S.L. 2017-10.

34 **SECTION 13.20.(c)** This section becomes effective on the later of the following  
35 dates and applies to motor vehicles inspected, or due to be inspected, on or after that effective  
36 date:

- 37 (1) October 1, 2017.  
38 (2) The first day of a month that is 60 days after the Secretary of the Department  
39 of Environmental Quality certifies to the Revisor of Statutes that the United  
40 States Environmental Protection Agency has approved an amendment to the  
41 North Carolina State Implementation Plan submitted as required by Section  
42 3.5(c) of S.L. 2017-10. The Secretary shall provide this notice along with the  
43 effective date of this act on its Web site and by written or electronic notice to  
44 emissions inspection mechanic license holders, emissions inspection station  
45 licensees, and self-inspector licensees in the counties where motor vehicle  
46 emissions inspection requirements are removed by this section.

#### 47 48 **MERCURY SWITCH PROGRAM EXTENSION**

49 **SECTION 13.21.(a)** Section 9 of S.L. 2007-142, as amended by Section 14.1(a) of  
50 S.L. 2016-94, reads as rewritten:

1 "SECTION 9. Sections 1, 2, 6, 7, and 9 of this act become effective when this act becomes  
2 law. Sections 3, 4, and 8 of this act become effective 1 July 2007. Section 5 of this act becomes  
3 effective 1 July 2007 and applies to violations that occur on or after that date. The Department  
4 shall submit the first annual report required by G.S. 130A-310.57, as enacted by Section 7 of  
5 this act, on or before 1 October 2008. Effective June 30, ~~2017~~,2021, Part 6 of Article 9 of  
6 Chapter 130A of the General Statutes, as amended by this act, is repealed."

7 **SECTION 13.21.(b)** Section 14.1(c) of S.L. 2016-94 reads as rewritten:

8 "SECTION 14.1.(c) Subsection (b) of this section becomes effective June 30, ~~2017~~,2021.  
9 Funds remaining in the Mercury Pollution Prevention Fund (Fund Code 24300-2119) on that  
10 date shall be transferred to the Division of Waste Management (Fund Code 14300-1760)."

11 **SECTION 13.21.(c)** This section becomes effective June 30, 2017.  
12

### 13 WATER AND SEWER INFRASTRUCTURE GRANTS

14 **SECTION 13.22.** From funds appropriated by this act to the Division of Water  
15 Infrastructure of the Department of Environmental Quality for water and sewer infrastructure  
16 grants for the 2017-2018 fiscal year, the sum of one million dollars (\$1,000,000) is allocated  
17 for grants to grantees located in development tier one or tier two areas, as defined in  
18 G.S. 143B-437.08, for any of the following:

- 19 (1) Construction, protection, or expansion of water intake structures located in  
20 surface water impoundments. For purposes of this subdivision, protection of  
21 water intake structures may include the stabilization or restoration of natural  
22 stream functions upstream and downstream of the water intake.
- 23 (2) Repair or replacement of sewer lines, when the repair project is necessary to  
24 protect or enhance (i) natural habitats or (ii) water quality.

25 Notwithstanding G.S. 159G-33 and G.S. 159G-34, no non-State match will be  
26 required for grants allocated by this section.  
27

### 28 LRC STUDY ON TRAFFICKING IN IVORY AND RHINOCEROS HORN

29 **SECTION 13.23.(a)** The Legislative Research Commission (LRC) shall study the  
30 trafficking of ivory and rhinoceros horn in the State. As part of its study, the LRC shall do all  
31 of the following:

- 32 (1) Identify ivory and rhinoceros horn products that have a substantial likelihood  
33 of being imported, sold, offered for sale, purchased, bartered, or intended for  
34 sale in the State.
- 35 (2) Examine actions other states have taken with regard to the trafficking of  
36 ivory and rhinoceros horns.
- 37 (3) Determine prohibitions and enforcement mechanisms that may be  
38 appropriate for the State, taking into account exceptions that may be  
39 warranted.

40 **SECTION 13.23.(b)** The LRC shall report its findings, together with any proposed  
41 legislation, to the 2018 Regular Session of the 2017 General Assembly upon its convening.  
42

### 43 IN SITU NUTRIENT MANAGEMENT STRATEGIES

44 **SECTION 13.24.** Section 14.13(e) of S.L. 2016-94 reads as rewritten:

45 "SECTION 14.13.(e) The Department of Environmental Quality shall study alternative  
46 technologies for in situ approaches to nutrient management in Falls Lake and Jordan Lake. In  
47 its study, the Department shall consider in situ treatments, including algaecide and  
48 phosphorus-locking technologies, that have been certified by the United States Environmental  
49 Protection Agency for use in drinking water sources. Of the funds appropriated in this act to the  
50 Department of Environmental Quality, the sum of one million three hundred thousand dollars  
51 (\$1,300,000) for the 2016-2017 fiscal year may be used to ~~implement~~ only for permitting and

1 implementation of a trial of these technologies. If the Department decides to implement a trial,  
2 it shall enter into a contract for the trial by December 31, 2016. The Department shall begin any  
3 testing or sampling activities required to support permit applications for the trial by September  
4 1, 2017. Any contract entered into under this subsection shall not be subject to Article 3 or  
5 Article 8 of Chapter 143 of the General Statutes. The study shall determine whether these  
6 treatments would provide improvements in water quality and whether the improvements would  
7 ~~be more cost effective than more conventional nutrient mitigation strategies.~~ quality. The  
8 Department shall submit an interim report no later than ~~March 1, 2017,~~ September 1 of each  
9 year the study and trial required by this section are ongoing and a final report no later than  
10 ~~March 1, 2018,~~ December 31, 2020, to the Environmental Review Commission, the Joint  
11 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the  
12 Fiscal Research Division. If the Department finds these strategies to be effective, it shall  
13 incorporate them into the Nutrient Strategies readoption required by subsection (d) of this  
14 section. Funds allocated by this subsection shall remain available until the conclusion of the  
15 study, and any funds unused at that time shall revert to the General Fund."

## 16 17 **SUBPART XIII-A. WILDLIFE RESOURCES COMMISSION**

### 18 19 **MATTAMUSKEET LODGE REPAIRS**

20 **SECTION 13A.1.** From funds available to it, the Wildlife Resources Commission  
21 shall repair the roof and stabilize the tower at the Mattamuskeet Lodge in Hyde County. The  
22 Commission shall complete the repairs required by this section no later than June 30, 2019.

### 23 24 **WILDLIFE ENDOWMENT FUND CHANGES**

25 **SECTION 13A.2.(a)** G.S. 143-250.1(f1) reads as rewritten:

26 "(f1) At all times during which the cash balance in the Wildlife Endowment Fund is equal  
27 to or greater than the sum of one hundred million dollars (\$100,000,000), the Wildlife  
28 Resources Commission shall budget at least ~~twenty-five percent (25%)~~ fifty percent (50%)  
29 of the annual expendable interest from the Fund, as determined by the Board of Trustees of the  
30 Fund, to implement the conservation goals set forth in the Wildlife Resource Commission's  
31 strategic plan."

32 **SECTION 13A.2.(b)** G.S. 147-69.2(a) is amended by adding a new subdivision to  
33 read:

34 "(17k) The Wildlife Endowment Fund."

35 **SECTION 13A.2.(c)** G.S. 147-69.2(d) reads as rewritten:

36 "(d) The State Treasurer may invest funds deposited pursuant to ~~subdivisions (a)(17i) or~~  
37 ~~(a)(17j)~~ subdivisions (17i), (17j), and (17k) of subsection (a) of this section in any of the  
38 investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b)  
39 of this section. The State Treasurer may require a minimum deposit, up to one hundred  
40 thousand dollars (\$100,000), and may assess a reasonable fee, not to exceed 15 basis points, as  
41 a condition of participation pursuant to this subsection. Fees assessed by the State Treasurer  
42 may be used to defray the costs of administering the funds and expenditures authorized under  
43 this section. Funds deposited pursuant to this subsection shall remain the funds of the North  
44 Carolina Conservation Easement Endowment ~~Fund or Fund,~~ the Conservation Grant Fund, or  
45 the Wildlife Endowment Fund, as applicable, and interest or other investment income earned  
46 thereon shall be prorated and credited to the North Carolina Conservation Easement  
47 Endowment ~~Fund or Fund,~~ the Conservation Grant Fund or Fund, or the Wildlife Endowment  
48 Fund on the basis of the amounts contributed to the respective Funds, figured according to  
49 sound accounting principles."

### 50 51 **MODIFY LICENSE FEES REQUIRED TO HUNT, FISH, OR TRAP**

1           **SECTION 13A.3.** G.S. 113-270.1B(e) reads as rewritten:

2           "(e) The Wildlife Resources Commission shall adopt rules to establish fees for the  
3 hunting, fishing, trapping, and activity licenses issued and administered by the Wildlife  
4 Resources Commission. No rule to increase fees above January 1, 2015, levels may increase a  
5 fee in excess of the ~~average total~~ increase in the Consumer Price Index for All Urban  
6 Consumers over the ~~preceding five years~~ period of time since the last fee change.

7           The statutory fees for the hunting, fishing, trapping, and activity licenses issued and  
8 administered by the Wildlife Resources Commission shall expire when the rules adopted  
9 pursuant to this subsection become effective."

## 10           **PART XIV. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES**

### 11           **MILITARY BUFFERS**

12           **SECTION 14.2.** The funds appropriated in this act to the Clean Water  
13 Management Trust Fund and the North Carolina Agricultural Development and Farmland  
14 Preservation Trust Fund for the purpose of military buffers shall only be expended on land that  
15 buffers a military facility from incompatible use encroachment.  
16  
17  
18

### 19           **CLARIFYING CHANGES TO DEPARTMENT OF NATURAL AND CULTURAL** 20 **RESOURCES FUNDS**

21           **SECTION 14.3.(a)** G.S. 121-5(e) reads as rewritten:

22           "(e) Archives and Records Management Fund. The Archives and Records Management  
23 Fund is established as a special revenue fund. The Fund consists of donations, gifts, devises,  
24 and the fees credited to it under Chapter 161 of the General Statutes. Revenue in the Fund may  
25 be used only to offset the Department's costs in providing essential records management and  
26 archival services for public records pursuant to Chapter 121 and Chapter 132 of the General  
27 Statutes."

28           **SECTION 14.3.(b)** G.S. 121-7.6(a) reads as rewritten:

29           "(a) Fund Established. – The North Carolina Transportation Museum Fund is created as  
30 a special ~~interest-bearing,~~ interest-bearing, nonreverting enterprise fund in the Department of  
31 Natural and Cultural Resources. The Fund shall be used to pay all costs associated with the  
32 ~~operation~~ operation, interpretation, development, expansion, preservation, and maintenance of  
33 the North Carolina Transportation Museum."

34           **SECTION 14.3.(c)** G.S. 121-7.7(a) reads as rewritten:

35           "(a) Fund. – The State Historic Sites and Museums Fund is created as a special,  
36 interest-bearing revenue fund in the Division of State Historic Sites and the Division of State  
37 History Museums. The Fund consists of all receipts derived from the lease or rental of property  
38 or facilities, disposition of structures or products of the land, ~~private donations,~~ donations, gifts,  
39 devises, and admissions and fees collected at the State Historic Sites, State History Museums,  
40 and Maritime Museums. The revenues in the Fund may be used only for the operation,  
41 interpretation, maintenance, preservation, development, and expansion of the individual State  
42 Historic Site, State History Museum, and Maritime Museum where the receipts are generated.  
43 The respective Division and the staff from each State Historic Site, State History Museum, and  
44 Maritime Museum ~~will~~ shall determine how the funds ~~will~~ shall be used at that Historic Site,  
45 State History Museum, and Maritime Museum."

46           **SECTION 14.3.(d)** G.S. 143B-53.3(a) reads as rewritten:

47           "(a) Fund. – The Queen Anne's Revenge Project Special Fund is created as a special,  
48 interest-bearing revenue fund within the Department of Natural and Cultural Resources, Office  
49 of Archives and History. The Fund shall consist of all receipts derived from ~~private donations,~~  
50 ~~grant funds,~~ donations, gifts, devises, and earned revenue. The monies in the Fund may be used  
51 only for contracted services, personal services and operations, conference and meeting

1 expenses, travel, staff salaries, operations for laboratory needs, museum exhibits, and other  
2 administrative costs related to the Queen Anne's Revenge Project. The staff of the Office of  
3 Archives and History and the Department of Natural and Cultural Resources shall determine  
4 how the funds ~~will~~shall be used for the purposes of the Queen Anne's Revenge Project, and  
5 those funds are hereby appropriated for those purposes."

6 **SECTION 14.3.(e)** G.S. 143B-79(7) reads as rewritten:

7 "(7) The Committee may dispose of property held in the Executive Mansion after  
8 consultation with a review committee comprised of one person from the  
9 Executive Mansion Fine Arts Committee, appointed by its chairman; one  
10 person from the Department of Administration appointed by the Secretary of  
11 Administration; and two qualified professionals from the Department of  
12 Natural and Cultural Resources, Division of Archives and History, appointed  
13 by the Secretary of Natural and Cultural Resources. Upon request of the  
14 Executive Mansion Fine Arts Committee, the review committee ~~will~~shall  
15 view proposed items for disposition and shall make a recommendation to the  
16 North Carolina Historical Commission who ~~will~~shall make a final decision.  
17 The Historical Commission ~~must~~shall consider whether the disposition is in  
18 the best interest of the State of North Carolina. If any property is sold, the  
19 net proceeds of each sale and any interest earned thereon shall be deposited  
20 in the State Treasury to the credit of the Executive Mansion, Special Fund,  
21 and shall be used only for the purchase, conservation, ~~restoration~~restoration,  
22 or repair of other property for use in the Executive Mansion."

23 **SECTION 14.3.(f)** G.S. 143B-87.2(a) reads as rewritten:

24 "(a) Fund. – The A+ Schools Special Fund is created as a special interest-bearing  
25 revenue fund in the Department of Natural and Cultural Resources, North Carolina Arts  
26 Council. The Fund shall consist of all receipts derived from ~~private donations, grant funds,~~  
27 donations, gifts, devises, and earned revenue. The revenue in the Fund may be used only for  
28 contracted services, conference and meeting expenses, travel, staff salaries, and other  
29 administrative costs related to the A+ Schools program. The staff of the North Carolina Arts  
30 Council and the Department shall determine how the funds ~~will~~shall be used for the purposes  
31 of the A+ Schools program."

32 **SECTION 14.3.(g)** G.S. 143B-135.56(a) reads as rewritten:

33 "(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State  
34 Treasurer's Office. The Trust Fund shall be a special revenue fund consisting of ~~gifts and grants~~  
35 donations, gifts, and devises to the Trust Fund and other monies appropriated to the Trust Fund  
36 by the General Assembly."

37 **SECTION 14.3.(h)** G.S. 143B-135.188 reads as rewritten:

38 "**§ 143B-135.188. North Carolina Aquariums; fees; fund.**

39 ...  
40 (b) Fund. – The North Carolina Aquariums Fund is hereby created as a special fund.  
41 The North Carolina Aquariums Fund shall be used for the following purposes with respect to  
42 the aquariums and the pier operated by the Division of North Carolina Aquariums:

43 (1) Repair, renovation, expansion, maintenance, and educational exhibit  
44 construction. Funds used for repair, renovation, and expansion projects may  
45 be transferred to a capital projects fund to account for use of the funds for  
46 each project.

47 ...  
48 (c) Disposition of Receipts. – All receipts derived from the collection of admissions  
49 charges and other fees and the lease or rental of property or facilities shall be credited to the  
50 aquariums' General Fund operating budget. At the end of each fiscal year, the Secretary may

1 transfer from the North Carolina aquariums' General Fund operating budget to the North  
2 Carolina Aquariums Fund an amount not to exceed the sum of the following:

- 3 ...  
4 (3) Any ~~private donations, donations, gifts, and devises~~ received by the North  
5 Carolina aquariums.

6 ...."

7 **SECTION 14.3.(i)** G.S. 143B-135.209 reads as rewritten:

8 "**§ 143B-135.209. North Carolina Zoo Fund.**

9 (a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North  
10 Carolina Zoo Fund shall be used for the following types of projects at the North Carolina  
11 Zoological Park and to match private funds raised for these types of projects:

- 12 (1) Repair, renovation, expansion, maintenance, and educational exhibit  
13 construction. Funds used for repair, renovation, and expansion projects may  
14 be transferred to a capital projects fund to account for use of the funds for  
15 each project.

16 ...

17 (b) Disposition of Receipts. – All receipts derived from the collection of admissions  
18 charges and other ~~fees and fees~~, the lease or rental of property or facilities, and the disposition  
19 of products of the land or structures shall be credited to the North Carolina Zoological Park's  
20 General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from  
21 the North Carolina Zoological Park's General Fund operating budget to the North Carolina Zoo  
22 Fund an amount not to exceed the sum of one million five hundred thousand dollars  
23 (\$1,500,000) and any ~~private donations, donations, gifts, and devises~~ received by the North  
24 Carolina Zoological Park.

25 ...."

26 **SECTION 14.3.(j)** G.S. 143B-135.213 is amended by adding a new subsection to  
27 read:

28 "(c) Notwithstanding Article 3A of Chapter 143 of the General Statutes, G.S. 143-49(4),  
29 or any other law pertaining to surplus State property, the Council may dispose of any exhibit,  
30 exhibit component, or object from the collections of the North Carolina Zoological Park by  
31 sale, lease, or trade. A sale, lease, or trade under this subsection shall be conducted in  
32 accordance with generally accepted practices for zoos and aquariums that are accredited by the  
33 American Association of Zoos and Aquariums. After deducting the expenses attributable to the  
34 sale or lease, the net proceeds of any sale or lease shall be credited to the North Carolina Zoo  
35 Fund."

## 37 PROMOTE ACCESS TO AND EXCHANGE OF LIBRARY MATERIALS

38 **SECTION 14.5.** G.S. 125-2 reads as rewritten:

39 "**§ 125-2. Powers and duties of Department of Natural and Cultural Resources.**

40 The Department of Natural and Cultural Resources shall have the following powers and  
41 duties:

42 ...

- 43 (10) ~~To plan and coordinate cooperative programs between the various types of~~  
44 ~~libraries within the State of North Carolina, and to coordinate State~~  
45 ~~development with regional and national cooperative library programs; and to~~  
46 ~~assist nonprofit corporations in organization and operation for the purposes~~  
47 ~~of cooperative programs do the following:~~

48 a. Plan and coordinate cooperative programs between the various types  
49 of libraries within the State of North Carolina.

50 b. Coordinate State development with regional and national cooperative  
51 library programs.



- 1                   c.     Assist nonprofit corporations in the organization and operation of  
2                             cooperative programs.  
3                   d.     Enter into contracts to coordinate cooperative programs or to  
4                             promote the access and exchange of library materials under this  
5                             subdivision."  
6

7     **EXEMPTION FOR FOOD AND VENDING FACILITIES AT NORTH CAROLINA**  
8     **ZOO**

9             **SECTION 14.6.(a)** Article 3 of Chapter 111 of the General Statutes is amended by  
10 adding a new section to read:

11     **"§ 111-47.4. Food service at North Carolina Zoological Park.**

12             Notwithstanding any other provision of this Article, the North Carolina Zoological Park  
13     may operate or contract for the operation of food or vending services at the North Carolina  
14     Zoological Park. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food  
15     and vending services operated by the North Carolina Zoological Park or a vendor with whom  
16     the North Carolina Zoological Park has contracted shall be credited to the North Carolina Zoo  
17     Fund."

18             **SECTION 14.6.(b)** This section becomes effective July 1, 2017, and applies to any  
19 contract for food or vending services at the North Carolina Zoological Park entered into on or  
20 after that date.

21  
22     **CORRECT DNCR SALARY AND BENEFIT BASE BUDGET EXPENDITURES**

23             **SECTION 14.7.** Notwithstanding G.S. 143C-6-4, the Office of State Budget and  
24 Management, after coordination with the Department of Natural and Cultural Resources and  
25 the Fiscal Research Division, shall adjust personal services line items, as appropriate, within  
26 the Division of Parks and Recreation, the North Carolina Aquariums, and the North Carolina  
27 Zoological Park within the Department of Natural and Cultural Resources to correct errors in  
28 the base budget. The line item adjustments shall be corrected as part of the 2017-2019 biennial  
29 budget certification process. The Department shall make corresponding adjustments in the  
30 BEACON system to reflect the updated source of funds as necessary.

31  
32     **SCIENCE MUSEUM FUNDING**

33             **SECTION 14.11.** G.S. 143B-135.227(b1) reads as rewritten:

34             "(b1) Tier-Based Funding Preferences. – The Museum of Natural Sciences shall reserve  
35 seven hundred fifty thousand dollars (\$750,000) for the purpose of awarding grants to museums  
36 located in development tier one counties and six hundred thousand dollars (\$600,000) for  
37 museums located in development tier two counties. The development tier designation of a  
38 county shall be determined as provided in G.S. 143B-437.08. If, after the initial awarding of  
39 grants to all museum applicants who meet the eligibility criteria provided for in subsection (d)  
40 of this section, there are funds remaining in any development tier category, the Museum of  
41 Natural Sciences may reallocate those funds to another development tier category. The  
42 maximum amount of each grant awarded in any fiscal year shall be (i) seventy-five thousand  
43 dollars (\$75,000) for a museum in a development tier one county; (ii) sixty thousand dollars  
44 (\$60,000) for a museum in a development tier two county; and (iii) fifty thousand dollars  
45 (\$50,000) for a museum in a development tier three county. For purposes of this subsection, a  
46     museum located in a rural census tract, as defined in G.S. 143B-472.127(a)(2), in a  
47     development tier two or development tier three county shall be subject to the maximum grant  
48     amount for a development tier one county."  
49

50     **YOUTH CONSERVATION CORPS**

1           **SECTION 14.12.** Article 3 of Chapter 143 of the General Statutes is amended by  
2 adding a new section to read:

3 **"§ 143-58.7. Contracts with Youth Conservation Corps.**

4           State departments, institutions, and agencies may contract with the North Carolina Youth  
5 Conservation Corps to perform trail construction and maintenance, invasive species removal,  
6 and other conservation projects in State parks, State forests, and other State-owned facilities  
7 where the projects provide direct public benefits to the citizens of the State and offer youth and  
8 young adults of the State a structured program that connects them to natural resources and  
9 teaches job skills, leadership, community service, and personal responsibility."

10  
11 **MAYO RIVER STATE PARK ACCESS**

12           **SECTION 14.13.** Two hundred fifty thousand dollars (\$250,000) of the  
13 nonrecurring funds available to the Parks and Recreation Trust Fund for the 2017-2018 fiscal  
14 year shall be held in a reserve at the Office of State Budget and Management to provide  
15 matching funds in the ratio of one State dollar for each dollar available from non-State sources  
16 for construction of an access bridge from real property owned by the State of North Carolina  
17 over the Mayo River for the purpose of addressing public safety issues and service vehicle  
18 access to monitor, maintain, repair, or replace the existing sewer line traversing portions of  
19 Mayo River State Park.

20  
21 **CWMTE/PARTF FUNDS**

22           **SECTION 14.14.** Five hundred forty-five thousand dollars (\$545,000) of the  
23 nonrecurring funds available to the Clean Water Management Trust Fund for the 2017-2018  
24 fiscal year and five hundred thousand dollars (\$500,000) of the nonrecurring funds available to  
25 the Parks and Recreation Trust Fund for the 2017-2018 fiscal year shall be held in a reserve at  
26 the Office of State Budget and Management to provide matching funds for a Readiness and  
27 Environmental Protection Integration grant to purchase the Archers Creek tract on Bogue  
28 Banks in Carteret County. Funds allocated by this section but not encumbered at the end of the  
29 2017-2018 fiscal year shall revert to the respective funds.

30  
31 **UPPER HICKORY NUT GORGE TRAIL**

32           **SECTION 14.15.** The General Assembly authorizes the Department of Natural and  
33 Cultural Resources to add the Upper Hickory Nut Gorge trail to the State Parks System as a  
34 State trail as provided in G.S. 143B-135.54(b). The Department shall support, promote,  
35 encourage, and facilitate the establishment of trail segments on State park lands and on lands of  
36 other federal, State, local, and private landowners. On segments of the Upper Hickory Nut  
37 Gorge trail that cross property controlled by agencies or owners other than the Department's  
38 Division of Parks and Recreation, the laws, rules, and policies of those agencies or owners shall  
39 govern the use of the property. The requirement of G.S. 143B-135.54(b) that additions be  
40 accompanied by adequate appropriations for land acquisition, development, and operations  
41 shall not apply to the authorization set forth in this section.

42  
43 **FUNDING FOR FORT DOBBS**

44           **SECTION 14.16.(a)** Notwithstanding any other provision of law, the funds  
45 appropriated by this act to the Parks and Recreation Trust Fund for grants shall be reduced by  
46 one hundred fifty thousand dollars (\$150,000) in nonrecurring funds for the 2017-2018 fiscal  
47 year.

48           **SECTION 14.16.(b)** The sum of one hundred fifty thousand dollars (\$150,000) in  
49 nonrecurring funds is appropriated to the Division of Historic Sites of the Department of  
50 Natural and Cultural Resources for the construction of a replica building at Ft. Dobbs State  
51 Historic Site.

1  
2 **PART XV. DEPARTMENT OF COMMERCE**

3  
4 **NER BLOCK GRANTS FOR 2018 AND 2019 PROGRAM YEARS/USE OF**  
5 **DEOBLIGATED FUNDS**

6 **SECTION 15.1.(a)** Appropriations from federal block grant funds are made for the  
7 fiscal years ending June 30, 2018, and June 30, 2019, according to the following schedule:

8  
9 **COMMUNITY DEVELOPMENT BLOCK GRANT**

10	01. State Administration	\$	1,037,500
11			
12	02. Neighborhood Revitalization		9,750,000
13			
14	03. Economic Development		10,737,500
15			
16	04. Infrastructure		21,725,000
17			
18	05. Public Services		250,000
19			
20			
21	<b>TOTAL COMMUNITY DEVELOPMENT</b>		
22	<b>BLOCK GRANT – 2018 Program Year</b>	<b>\$</b>	<b>43,500,000</b>
23	<b>2019 Program Year</b>	<b>\$</b>	<b>43,500,000</b>
24			

25 **SECTION 15.1.(b)** If federal funds are reduced below the amounts specified in  
26 this section after the effective date of this act, then every program in each of these federal block  
27 grants shall be reduced by the same percentage as the reduction in federal funds.

28 **SECTION 15.1.(c)** Any block grant funds appropriated by the Congress of the  
29 United States in addition to the funds specified in this section shall be expended as follows:  
30 each program category under the Community Development Block Grant shall be increased by  
31 the same percentage as the increase in federal funds.

32 **SECTION 15.1.(d)** Of the funds appropriated in this section for the Community  
33 Development Block Grant, the following shall be allocated in each category for each program  
34 year: up to one million thirty-seven thousand five hundred dollars (\$1,037,500) may be used for  
35 State Administration; up to nine million seven hundred fifty thousand dollars (\$9,750,000) may  
36 be used for Neighborhood Revitalization; up to ten million seven hundred thirty-seven  
37 thousand five hundred dollars (\$10,737,500) may be used for Economic Development; up to  
38 twenty-one million seven hundred twenty-five thousand dollars (\$21,725,000) may be used for  
39 infrastructure; and up to two hundred fifty thousand dollars (\$250,000) may be used for Public  
40 Services. If federal block grant funds are reduced or increased by the Congress of the United  
41 States after the effective date of this act, then these reductions or increases shall be allocated in  
42 accordance with subsection (b) or (c) of this section, as applicable.

43 **SECTION 15.1.(e)** The Department of Commerce shall consult with the Joint  
44 Legislative Commission on Governmental Operations prior to reallocating Community  
45 Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever  
46 the Director of the Budget finds that:

- 47 (1) A reallocation is required because of an emergency that poses an imminent  
48 threat to public health or public safety, the Director of the Budget may  
49 authorize the reallocation without consulting the Commission. The  
50 Department of Commerce shall report to the Commission on the reallocation  
51 no later than 30 days after it was authorized and shall identify in the report

1 the emergency, the type of action taken, and how it was related to the  
2 emergency.

- 3 (2) The State will lose federal block grant funds or receive less federal block  
4 grant funds in the next fiscal year unless a reallocation is made. The  
5 Department of Commerce shall provide a written report to the Commission  
6 on the proposed reallocation and shall identify the reason that failure to take  
7 action will result in the loss of federal funds. If the Commission does not  
8 hear the issue within 30 days of receipt of the report, the Department may  
9 take the action without consulting the Commission.

10 **SECTION 15.1.(f)** By September 1, 2017, and September 1, 2018, the Department  
11 of Commerce shall report to the chairs of the House of Representatives Appropriations  
12 Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate  
13 Appropriations Committee on Agriculture, Natural, and Economic Resources, the Joint  
14 Legislative Economic Development and Global Engagement Oversight Committee, and the  
15 Fiscal Research Division on the use of Community Development Block Grant Funds  
16 appropriated in the prior fiscal year. The report shall include the following:

- 17 (1) A discussion of each of the categories of funding and how the categories  
18 were selected, including information on how a determination was made that  
19 there was a statewide need in each of the categories.  
20 (2) Information on the number of applications that were received in each  
21 category and the total dollar amount in each category.  
22 (3) A list of grantees, including the grantee's name, county, category under  
23 which the grant was funded, the amount awarded, and a narrative description  
24 of the project.

25 **SECTION 15.1.(g)** For purposes of this section, eligible activities under the  
26 category of infrastructure in subsection (a) of this section shall be defined as provided in the  
27 HUD State Administered Community Development Block Grant definition of the term  
28 "infrastructure." Notwithstanding the provisions of subsection (e) of this section, funds  
29 allocated to the infrastructure category in subsection (a) of this section shall not be reallocated  
30 to any other category.

31 **SECTION 15.1.(h)** Throughout each year, deobligated funds arise in the various  
32 funding categories and program years of the Community Development Block Grant (CDBG)  
33 program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii)  
34 projects being required to repay funds. Surplus federal administrative funds in the CDBG  
35 program may vary from year-to-year based upon the amount of State-appropriated funds  
36 allocated and the amount of eligible in-kind funds identified.

37 **SECTION 15.1.(i)** To allow the Department of Commerce and the Department of  
38 Environmental Quality to quickly deploy deobligated and surplus federal administrative funds  
39 as they are identified throughout the program year, the following shall apply to the use of  
40 deobligated CDBG funds and surplus federal administrative funds:

- 41 (1) All surplus federal administrative funds shall be divided equally between the  
42 Departments of Commerce and Environmental Quality and shall be used as  
43 provided in subdivisions (2) and (3) of this subsection.  
44 (2) All deobligated funds allocated to the Department of Commerce and any  
45 surplus federal administrative funds, as provided for in subdivision (1) of  
46 this subsection, may be used by the Department for all of the following:  
47 a. To issue grants in the CDBG economic development or  
48 neighborhood revitalization program category.  
49 b. For providing training and guidance to local governments relative to  
50 the CDBG program, its management, and administrative  
51 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

43 ...

44 (f) Report. – By ~~September 30~~ March 1 of each year, and more frequently as requested,  
 45 the Department shall submit a report to the Joint Legislative Commission on Governmental  
 46 Operations, the Joint Legislative Economic Development and Global Engagement Oversight  
 47 Committee, and the Fiscal Research Division on any performance for which the Department  
 48 has contracted pursuant to this section. The report shall contain, at a minimum, each of the  
 49 ~~following:~~ following presented on a calendar year basis:  
 50

50 ...."

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 **NC READY SITES PROGRAM**

34 **SECTION 15.7A.(a)** Program. – There is created within the Department of  
35 Commerce the NC Ready Sites Fund (Fund), a special fund. Of the funds appropriated in this  
36 act to the Fund, the Department of Commerce shall use five million dollars (\$5,000,000) in the  
37 2017-2018 fiscal year for the assistance program described in this section, as governed by  
38 agreements entered into by the Department of Commerce.

39 **SECTION 15.7A.(b)** Purposes. – Moneys in the NC Ready Sites Program shall  
40 assist local government units to fund improvement of public infrastructure that serves publicly  
41 owned or publicly controlled industrial sites that have the potential to attract employers that can  
42 create jobs and have a significant positive effect on the local, regional, and state economies.

43 **SECTION 15.7A.(c)** Program Guidelines. – The Department shall develop  
44 guidelines related to the administration of this program. At least 20 days before the effective  
45 date of any guidelines or nontechnical amendments to the guidelines, the Department shall  
46 publish the proposed guidelines on the Department's Web site and provide notice to persons  
47 who have requested notice of proposed guidelines. In addition, the Department shall accept oral  
48 and written comments on the proposed guidelines during the 15 business days beginning on the  
49 first day that the Department has completed these notifications. Guidelines adopted under this  
50

1 section shall not be subject to the requirements of Article 2A of Chapter 150B of the General  
2 Statutes. The guidelines shall include, at a minimum, the following provisions:

- 3 (1) The applicant shall be a local unit of government.
- 4 (2) The site to be served by the public infrastructure shall be publicly-owned or  
5 publicly-controlled.
- 6 (3) The site shall have a minimum size of 50 contiguous acres.
- 7 (4) There shall be evidence of appropriate local financial support for site  
8 development, which include but is not limited to site acquisition,  
9 development costs, or infrastructure improvements.
- 10 (5) There shall be evidence of recent private sector interest in developing an  
11 industrial project on the site.
- 12 (6) There shall be evidence of a well thought-out strategy to identify and market  
13 the site to appropriate private sector businesses.
- 14 (7) Improvements that would be funded shall result in a site that is ready for  
15 development; funds are to be used to eliminate or reduce the infrastructure  
16 gap and time needed to make the site development ready.
- 17 (8) Funds will only be utilized for public infrastructure improvements including  
18 new or existing water, sewer, gas, telecommunications, high-speed  
19 broadband, electrical utility distribution lines or equipment, or transportation  
20 infrastructure.

21 **SECTION 15.7A.(d)** Notwithstanding any other provision in this act to the  
22 contrary, of the funds transferred from the Utility Account (24609-2568) to the Rural Economic  
23 Development Division for Rural Grants (14600-1534) for the 2017-2018 fiscal year, the sum of  
24 one million four hundred ninety thousand dollars (\$1,490,000) shall be transferred to the NC  
25 Ready Sites Fund created in this section.

26 **SECTION 15.7A.(e)** Notwithstanding any other provision in this act to the  
27 contrary, the nonrecurring appropriation for Rural Grants for the 2017-2018 fiscal year shall be  
28 reduced by three million five hundred ten thousand dollars (\$3,510,000) and the revised net  
29 appropriation for the NC Ready Sites Fund created by this section shall be increased by three  
30 million five hundred ten thousand dollars (\$3,510,000) for the 2017-2018 fiscal year.

## 31 32 **PROSPERITY ZONE REPORTING**

33 **SECTION 15.10.(a)** For each Collaboration for Prosperity Zone established in  
34 G.S. 143B-28.1, the employees of the Department of Commerce in the zone shall submit a  
35 report on or before September 1 of each year to the Joint Legislative Oversight Committee on  
36 Agriculture and Natural and Economic Resources, the Joint Legislative Economic  
37 Development and Global Engagement Oversight Committee, and the Fiscal Research Division  
38 on the following criteria:

- 39 (1) Jobs anticipated to result from efforts of the employees, including the name  
40 and contact person of each company creating new jobs in the zone.
- 41 (2) The location of each project, including the development tier designation of  
42 the location.
- 43 (3) Project leads that were not submitted to the Department for possible  
44 discretionary incentives pursuant to Chapter 143B of the General Statutes.
- 45 (4) Proactive local government outreach to share information and planning  
46 services that are available.
- 47 (5) Coordination of regular meetings with Prosperity Zones agency  
48 representatives to increase collaboration of services and resources to local  
49 communities.
- 50 (6) Completion of strategic economic development plans, downtown  
51 revitalization project plans, implementation services, market studies,

1 Geographical Information Systems (GIS) mapping, and assistance with  
2 development policies for local governments that can be measured for  
3 economic impact, including investment, business growth, and jobs as a result  
4 of the planning effort.

5 (7) Existing business expansion activities, service requests, and number of  
6 contacts and inquiries.

7 (8) New business location activities and number of contacts and inquiries.

8 **SECTION 15.10.(b)** The Department of Commerce shall develop performance  
9 metrics for Community Planners for the Collaboration for Prosperity Zones established in  
10 G.S. 143B-28.1 using the criteria listed in subsection (a) of this section. The Department of  
11 Commerce shall submit a report on or before September 1 of each year to the Joint Legislative  
12 Oversight Committee on Agriculture and Natural and Economic Resources, the Joint  
13 Legislative Economic Development and Global Engagement Oversight Committee, and the  
14 Fiscal Research Division detailing the performance metrics and the measurements observed for  
15 each Community Planner within the Collaboration for Prosperity Zones.

## 16 17 **WASTEWATER FUNDING REPORT**

18 **SECTION 15.11.** The Johnston County Research and Training Zone shall submit a  
19 report detailing its use of State funds appropriated by the General Assembly. The report shall  
20 be submitted to the Joint Legislative Oversight Committee on Agriculture and Natural and  
21 Economic Resources, the chairs of the House of Representatives Appropriations Committee on  
22 Agriculture and Natural and Economic Resources, the chairs of the Senate Appropriations  
23 Committee on Agriculture, Natural, and Economic Resources, and the Fiscal Research Division  
24 by September 1, 2017, and September 1 of each subsequent year State funds are received, and  
25 more frequently as requested, and shall include the information required by this section for the  
26 most recently ended fiscal year.

## 27 28 **YOUTH WORKFORCE INVESTMENT PROGRAM CHANGES**

29 **SECTION 15.12.(a)** The local Workforce Development Boards created pursuant to  
30 G.S. 143B-438.11 shall include in their State-developed criteria to be used in awarding grants  
31 for youth workforce investment activities pursuant to Section 129 of the federal Workforce  
32 Innovation and Opportunity Act a competitive process that requires grant recipients to provide  
33 at least the following information as part of the application process and consideration of grant  
34 awards:

35 (1) The extent to which the organization specifically focuses on serving at-risk  
36 youth, including youth who are at risk of school dropout or at risk of school  
37 displacement due to suspension or expulsion.

38 (2) Whether the organization leverages community-based resources, including  
39 partnerships with organizations that provide mentoring services and  
40 private-sector employer involvement.

41 (3) The use of an evidence-based program model by the organization with a  
42 proven track record of success.

43 (4) The inclusion of rigorous, quantitative performance measures by the  
44 organization to confirm effectiveness of the program.

45 (5) The deployment of comprehensive support services to youth, including  
46 addressing behavioral issues, emphasizing academic and career growth, and  
47 enhancing parent and family engagement.

48 **SECTION 15.12.(b)** The local Workforce Development Boards shall coordinate  
49 with the NCWorks Commission to update the Workforce Innovation and Opportunity Act  
50 Unified State Plan, as needed, to reflect the inclusions to the State-developed criteria required  
51 by subsection (a) of this section.



1 otherwise compensated by public moneys, shall be reimbursed for transportation and shall  
2 receive such per diem compensation as is provided generally for boards and commissions under  
3 the biennial maintenance appropriation acts for each day spent in attendance at meetings of the  
4 Apprenticeship Council. The State Board of Community Colleges shall annually appoint one  
5 member of the Council to act as its chair.

6 The Apprenticeship Council shall meet at the call of the State Board of Community  
7 Colleges and shall aid the State Board and the Community Colleges System Office in  
8 formulating policies for the effective administration of this Article. The Apprenticeship Council  
9 shall establish standards for apprentice agreements which in no case shall be lower than those  
10 prescribed by this Article, shall recommend rules and regulations to the State Board of  
11 Community Colleges as may be necessary to carry out the intent and purposes of this Article,  
12 and shall perform other functions as the State Board of Community Colleges may direct. Not  
13 less than once a year the Apprenticeship Council shall make a report through the Community  
14 Colleges System Office of its activities and findings to the legislature and to the public.

15 **"§ 115D-11.7. ApprenticeshipNC.**

16 The State Board of Community Colleges is hereby directed to appoint a Director of  
17 ApprenticeshipNC, which appointment shall be subject to the confirmation of the State  
18 Apprenticeship Council by a majority vote. Upon the recommendation of the Director, the State  
19 Board of Community Colleges may appoint and employ clerical, technical, and professional  
20 help as necessary to effectuate the purposes of this Article. The Director shall supervise  
21 clerical, technical, and professional staff appointed to administer the ApprenticeshipNC  
22 program.

23 **"§ 115D-11.8. Powers and duties of Director of ApprenticeshipNC.**

24 The Director, under the supervision of the President of the North Carolina Community  
25 College System or the President's designee and with the advice and guidance of the  
26 Apprenticeship Council, is authorized to administer the provisions of this Article; in  
27 cooperation with the Apprenticeship Council and apprenticeship committees and sponsors, to  
28 set up conditions and training standards for apprentice agreements, which conditions or  
29 standards shall in no case be lower than those prescribed by this Article; to act as secretary of  
30 the Apprenticeship Council; to approve for the Council any apprentice agreement that meets  
31 the standards established under this Article; to terminate or cancel any apprentice agreement in  
32 accordance with the provisions of the agreement; to keep a record of apprentice agreements and  
33 their disposition; to issue certificates of completion of apprenticeship; and to perform other  
34 duties as are necessary to carry out the intent of this Article, including other on-the-job training  
35 necessary for emergency and critical civilian production. The administration and supervision of  
36 related and supplemental instruction for apprentices, coordination of instruction with job  
37 experiences, and the selection and training of teachers and coordinators for the instruction is the  
38 responsibility of State and local boards responsible for career and technical education.

39 **"§ 115D-11.9. Apprenticeship committees and program sponsors.**

40 (a) As used in this Article:

41 (1) "Apprenticeship agreement" means a written agreement between an  
42 apprentice and either his or her employer or an apprenticeship committee or  
43 sponsor acting as agent for employers, which agreement satisfies the  
44 requirements of G.S. 115D-11.11.

45 (2) "Apprenticeship committee" means those persons designated by the sponsor,  
46 and approved by the Apprenticeship Council, to act for it in the  
47 administration of the apprenticeship program. A committee may be "joint,"  
48 i.e., it is composed of an equal number of representatives of the employer  
49 and of the employees represented by a bona fide collective bargaining agent  
50 and has been established to conduct, operate, or administer an apprenticeship  
51 program and enter into apprenticeship agreements with apprentices. A

1 committee may be "unilateral" or "nonjoint" which shall mean a program  
2 sponsor in which employees or a bona fide collective bargaining agent is not  
3 a party.

4 (3) "ApprenticeshipNC" means the statewide apprenticeship program  
5 administered by the Community Colleges System Office in accordance with  
6 this Article.

7 (4) "Apprenticeship program" means a plan containing all terms and conditions  
8 for the qualification, recruitment, selection, employment, and training of  
9 apprentices, including such matters as the requirement for a written  
10 apprenticeship agreement.

11 (5) "Employer" means any person, firm, corporation, or organization employing  
12 an apprentice whether or not such person, firm, corporation, or organization  
13 is a party to an apprenticeship agreement with the apprentice.

14 (6) "Sponsor" means any person, firm, corporation, organization, association, or  
15 committee operating an apprenticeship program and in whose name the  
16 apprenticeship program is approved.

17 (b) An apprenticeship committee may be appointed by the Apprenticeship Council in  
18 any trade or group of trades in a city or trade area, whenever the apprentice training needs of  
19 the trade or group of trades justifies such establishment.

20 (c) The function of the apprenticeship committee, or sponsor when there is no  
21 apprenticeship committee, shall be to cooperate with school authorities in regard to the  
22 education of apprentices; in accordance with the standards set up by the apprenticeship  
23 committee for the same trade or group of trades, where a committee has been appointed, to  
24 work in an advisory capacity with employers and employees in matters regarding schedule of  
25 operations, application of wage rates, and working conditions for apprentices and to specify the  
26 number of apprentices which shall be employed locally in the trade under the apprenticeship  
27 agreements under this Article; to adjust apprenticeship disputes, subject to the approval of the  
28 Director; to ascertain the prevailing rate for journeymen in the city or trade area and specify the  
29 graduated scale of wages applicable to apprentices in the trade in that area; to ascertain  
30 employment needs in the trade or group of trades and specify the appropriate current ratio of  
31 apprentices to journeymen; and to make recommendations for the general good of apprentices  
32 engaged in the trade or trades represented by the committee. An apprenticeship committee may  
33 appoint a representative and delegate to the representative the authority for implementation and  
34 performance of any standards adopted by the committee pursuant to any of the aforementioned  
35 functions.

36 **"§ 115D-11.10. Definition of an apprentice.**

37 The term "apprentice" means a person at least 16 years of age who is covered by a written  
38 apprenticeship agreement approved by the Apprenticeship Council, which apprenticeship  
39 agreement provides for not less than 2,000 hours of reasonably continuous employment for the  
40 person for his or her participation in an approved schedule of work experience and for  
41 organized, related supplemental instruction in technical subjects related to the trade. A  
42 minimum of 144 hours of related supplemental instruction for each year of apprenticeship is  
43 recommended. The required hours for apprenticeship agreements and the recommended hours  
44 for related supplemental instruction may be decreased or increased in accordance with  
45 standards adopted by the apprenticeship committee or sponsor, subject to approval of the State  
46 Board of Community Colleges.

47 **"§ 115D-11.11. Contents of agreement.**

48 Every apprentice agreement entered into under this Article shall contain:

49 (1) The names of the contracting parties.

50 (2) The date of birth of the apprentice.

- 1           (3)    A statement of the trade, craft, or business which the apprentice is to be  
2           taught, and the time at which the apprenticeship will begin and end.
- 3           (4)    A statement showing (i) the number of hours to be spent by the apprentice in  
4           work on the job and (ii) the number of hours to be spent in related and  
5           supplemental instruction, which is recommended to be not less than 144  
6           hours per year. In no case shall the combined weekly hours of work and of  
7           required related and supplemental instruction of the apprentice exceed the  
8           maximum number of hours of work prescribed by law for a person of the age  
9           of the apprentice.
- 10          (5)    A statement setting forth a schedule of the processes in the trade or industry  
11          division in which the apprentice is to be taught and the approximate time to  
12          be spent at each process.
- 13          (6)    A statement of the graduated scale of wages to be paid the apprentice and  
14          whether the required school time shall be compensated.
- 15          (7)    A statement providing for a period of probation of not more than 500 hours  
16          of employment and instruction extending over not more than four months,  
17          during which time the apprentice agreement shall be terminated by the  
18          Director at the request in writing of either party, and providing that after the  
19          probationary period the apprentice agreement may be terminated by the  
20          Director by mutual agreement of all parties or canceled by the Director for  
21          good and sufficient reason. The Council at the request of a joint apprentice  
22          committee may lengthen the period of probation.
- 23          (8)    A provision that all controversies or differences concerning the apprentice  
24          agreement which cannot be adjusted locally in accordance with  
25          G.S. 115D-11.9 shall be submitted to the Director for determination.
- 26          (9)    A provision that an employer who is unable to fulfill his or her obligation  
27          under the apprentice agreement may with the approval of the Director  
28          transfer the contract to any other employer; provided, that the apprentice  
29          consents and that the other employer agrees to assume the obligations of the  
30          apprentice agreement.
- 31          (10)   Any additional terms and conditions as may be prescribed or approved by  
32          the Director not inconsistent with the provisions of this Article.

33    **"§ 115D-11.12. Approval of apprentice agreements; signatures.**

34    No apprentice agreement under this Article shall be effective until approved by the  
35    Director. Every apprentice agreement shall be signed by the employer, or by an association of  
36    employers or an organization of employees as provided in G.S. 115D-11.13, and by the  
37    apprentice, and if the apprentice is a minor, by either of the minor's parents, or by any person,  
38    agency, organization, or institution standing in loco parentis. Where a minor enters into an  
39    apprentice agreement under this Article for a period of training extending into his or her  
40    majority, the apprentice agreement shall likewise be binding for a period as may be covered  
41    during the apprentice's majority.

42    **"§ 115D-11.13. Rotation of employment.**

43    For the purpose of providing greater diversity of training or continuity of employment, any  
44    apprentice agreement made under this Article may in the discretion of the Director of  
45    ApprenticeshipNC be signed by an association of employers or an organization of employees  
46    instead of by an individual employer. In this case, the apprentice agreement shall expressly  
47    provide that the association of employers or organization of employees does not assume the  
48    obligation of an employer but agrees to use its best endeavors to procure employment and  
49    training for the apprentice with one or more employers who will accept full responsibility for  
50    all the terms and conditions of employment and training set forth in the agreement between the  
51    apprentice and employer association or employee organization during the period of each

1 employment. The apprentice agreement in this case shall also expressly provide for the transfer  
2 of the apprentice, subject to the approval of the Director, to such employer or employers who  
3 shall sign in written agreement with the apprentice, and if the apprentice is a minor with his or  
4 her parent or guardian, as specified in G.S. 115D-11.12, contracting to employ the apprentice  
5 for the whole or a definite part of the total period of apprenticeship under the terms and  
6 conditions of employment and training set forth in the agreement entered into between the  
7 apprentice and employer association or employee organization.

8 **"§ 115D-11.14. Limitation.**

9 Nothing in this Article or in any apprentice agreement approved under this Article shall  
10 invalidate any apprenticeship provision in any collective agreement between employers and  
11 employees that sets up higher apprenticeship standards. None of the terms or provisions of this  
12 Article apply to any person, firm, corporation, or crafts unless, until, and only so long as the  
13 person, firm, corporation, or crafts voluntarily elects that the terms and provisions of this  
14 Article apply. Any person, firm, corporation, or crafts terminating an apprenticeship agreement  
15 shall notify the Director of ApprenticeshipNC."

16 **SECTION 15.13.(d)** Notwithstanding G.S. 115D-11.6, as enacted by this section,  
17 the current members serving on the Apprenticeship Council pursuant to G.S. 94-2 as of July 1,  
18 2017, shall serve the remainder of their terms. Thereafter, as terms expire, or when a vacancy  
19 occurs prior to the expiration of a term, members of the Apprenticeship Council shall be  
20 appointed by the State Board of Community Colleges in accordance with G.S. 115D-11.6, as  
21 enacted by this section.

22 **SECTION 15.13.(e)** Within 90 days of the date this act becomes law, the  
23 Department of Commerce shall submit a Workforce Innovation and Opportunity Act State Plan  
24 amendment to the United States Department of Labor to designate the Community Colleges  
25 System Office as the State agency responsible for the administration of ApprenticeshipNC as  
26 provided for in this section.

27  
28 **JMAC ELIGIBILITY MODIFICATION**

29 **SECTION 15.14.(a)** G.S. 143B-437.012 reads as rewritten:

30 **"§ 143B-437.012. Job Maintenance and Capital Development Fund.**

31 ...

32 (d) Eligibility. – A business is eligible for consideration for a grant under this section if  
33 it satisfies the conditions of either subdivision ~~(1)~~(1), (1a), or (2) of this subsection and satisfies  
34 subdivision (4) of this subsection:

35 (1) The business is a major employer. A business is a major employer if the  
36 business meets the following requirements:

37 a. The Department certifies that the business has invested or intends to  
38 invest at least two hundred million dollars (\$200,000,000) of private  
39 funds in improvements to real property and additions to tangible  
40 personal property in the project within a six-year period beginning  
41 with the time the investment commences.

42 b. The business employs at least 2,000 full-time employees or  
43 equivalent full-time contract employees at the project that is the  
44 subject of the grant at the time the application is made, and the  
45 business agrees to maintain at least 2,000 full-time employees or  
46 equivalent full-time contract employees at the project for the full  
47 term of the grant agreement.

48 c. The project is located in a development tier one area at the time the  
49 business applies for a grant.

50 (1a) The business previously received a grant as a major employer under this  
51 section and meets the following requirements:



1           a.     The Department certifies that the business has invested or intends to  
 2           invest at least two hundred million dollars (\$200,000,000) of private  
 3           funds in improvements to real property and additions to tangible  
 4           personal property in the project within a 10-year period beginning  
 5           with the time the investment commences. Amounts certified as  
 6           invested under sub-subdivision a. of subdivision (1) of this  
 7           subsection shall not be included in the amount required by this  
 8           sub-subdivision.

9           b.     The business employs at least 2,000 full-time employees or  
 10          equivalent full-time contract employees at the project that is the  
 11          subject of the grant at the time the application is made and the  
 12          business agrees to maintain at least 2,000 full-time employees or  
 13          equivalent full-time contract employees at the project for the full  
 14          term of the grant agreement.

15          c.     The project is at the same location as that for which a grant was  
 16          previously awarded under subdivision (1) of this subsection.

17          ...

18          (4)    All newly hired employees of the business must be citizens of the United  
 19          States or have proper identification and documentation of their authorization  
 20          to reside and work in the United States.

21          ...

22          (n)    Limitations. – The Department may enter into no more than ~~five-six~~ agreements  
 23          under this section. The total aggregate cost of all agreements entered into under this section  
 24          may not exceed ~~seventy-nine million dollars (\$79,000,000)-one hundred thirty-nine million~~  
 25          dollars (\$139,000,000). The total annual cost of an agreement entered into under this section  
 26          may not exceed six million dollars (\$6,000,000)."

27                **SECTION 15.14.(b)** This section is effective when it becomes law.

## 29    **EXTEND JDIG SUNSET**

30                **SECTION 15.15.(a)** G.S. 143B-437.62 reads as rewritten:

31    "**§ 143B-437.62. Expiration.**

32                The authority of the Committee to award new grants expires January 1, ~~2019-2025.~~"

33                **SECTION 15.15.(b)** This section is effective when it becomes law.

## 35    **KEEP WELCOME CENTERS OPEN**

36                **SECTION 15.16.** The Department of Commerce shall not close any welcome  
 37          center in this State during the 2017-2019 fiscal biennium without authorization from the  
 38          General Assembly.

## 40    **INDUSTRIAL COMMISSION SERVICE OF PROCESS**

41                **SECTION 15.17.** G.S. 97-86 reads as rewritten:

42    "**§ 97-86. Award conclusive as to facts; appeal; certified questions of law.**

43                The award of the Industrial Commission, as provided in G.S. 97-84, if not reviewed in due  
 44          time, or an award of the Commission upon such review, as provided in G.S. 97-85, shall be  
 45          conclusive and binding as to all questions of fact; but either party to the dispute may, within 30  
 46          days from the date of such award or within 30 days after receipt of notice to be sent by  
 47          ~~registered mail any class of U.S. mail that is fully prepaid or certified mail electronic mail of~~  
 48          such award, but not thereafter, appeal from the decision of said Commission to the Court of  
 49          Appeals for errors of law under the same terms and conditions as govern appeals from the  
 50          superior court to the Court of Appeals in ordinary civil actions. The procedure for the appeal  
 51          shall be as provided by the rules of appellate procedure.

1 The Industrial Commission of its own motion may certify questions of law to the Court of  
2 Appeals for decision and determination by said Court. In case of an appeal from the decision of  
3 the Commission, or of a certification by said Commission of questions of law, to the Court of  
4 Appeals, said appeal or certification shall operate on a supersedeas except as provided in  
5 G.S. 97-86.1, and no employer shall be required to make payment of the award involved in said  
6 appeal or certification until the questions at issue therein shall have been fully determined in  
7 accordance with the provisions of this Article. If the employer is a noninsurer, then the appeal  
8 of such employer shall not act as a supersedeas and the plaintiff in such case shall have the  
9 same right to issue execution or to satisfy the award from the property of the employer pending  
10 the appeal as obtains to the successful party in an action in the superior court.

11 When any party to an appeal from an award of the Commission is unable, by reason of his  
12 poverty, to make the deposit or to give the security required by law for said appeal, any  
13 member of the Commission or any deputy commissioner shall enter an order allowing said  
14 party to appeal from the award of the Commission without giving security therefor. The party  
15 appealing from the judgment shall, within 30 days from the filing of the appeal from the award,  
16 make an affidavit that he is unable by reason of his poverty to give the security required by law.  
17 The request shall be passed upon and granted or denied by a member of the Commission or  
18 deputy commissioner within 20 days from receipt of the affidavit specified above."  
19

#### 20 **INDUSTRIAL COMMISSION LITIGATION EXPENSE CARRYFORWARD**

21 **SECTION 15.18.(a)** The North Carolina Industrial Commission (Commission)  
22 may carry forward up to two hundred fifty thousand dollars (\$250,000) of State funds  
23 appropriated in the 2016-2017 fiscal year for legal services. Any funds remaining after  
24 completion of the legal services for which the funds were appropriated shall be retained by the  
25 Commission.

26 **SECTION 15.18.(b)** Notwithstanding G.S. 147-17 and G.S. 114-2.3, the North  
27 Carolina Industrial Commission is authorized to use the funds carried forward under subsection  
28 (a) of this section to employ and supervise private counsel.

29 **SECTION 15.18.(c)** Notwithstanding G.S. 1-521, G.S. 147-17, and G.S. 114-2.3,  
30 of the funds appropriated to the North Carolina Industrial Commission in this act, the sum of  
31 three hundred thousand dollars (\$300,000) for the 2017-2018 fiscal year may be used for  
32 private legal services, litigation-related expenses, and the defense of any member in their  
33 official capacity arising from S.L. 2016-125. The funds allocated in this section shall not revert.  
34

#### 35 **INDUSTRIAL COMMISSION CASE MANAGEMENT SYSTEMS**

36 **SECTION 15.19.(a)** The Industrial Commission shall coordinate with the  
37 Department of Information Technology and other State agencies to replace the Industrial  
38 Commission's case management systems by assessing system requirements and to find the most  
39 cost-effective means of meeting those requirements.

40 **SECTION 15.19.(b)** Of the funds appropriated in this act to the Industrial  
41 Commission, the sum of three million dollars (\$3,000,000) in nonrecurring funds for the  
42 2017-2018 fiscal year shall be allocated for the purpose of replacing and maintaining the  
43 Industrial Commission's case management systems and related expenditures.

44 **SECTION 15.19.(c)** The Industrial Commission may retain the additional revenue  
45 up to one million two hundred thousand dollars (\$1,200,000) of the fee charged to parties for  
46 the filing of compromise settlement agreements to be used for the purpose of replacing and  
47 maintaining the Industrial Commission's case management systems and related expenditures.

48 **SECTION 15.19.(d)** The funds in subsection (b) of this section shall not revert.  
49 The fee retention authorization in subsection (c) of this section shall expire on June 30, 2021.  
50

1 **UTILITIES COMMISSION/STUDY COST RECOVERY FROM QUALIFYING**  
2 **FACILITIES**

3 **SECTION 15.20.** The North Carolina Utilities Commission shall study the cost  
4 recovery of capacity and energy costs associated with purchases of electric power production  
5 from qualifying cogeneration facilities and small power production facilities. The Commission  
6 shall provide its report and any recommended legislation no later than February 1, 2018, to the  
7 Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources  
8 and the Fiscal Research Division. For purposes of this subsection, "qualifying cogeneration  
9 facility" and "small power production facility" shall have the definition provided by 16 U.S.C.  
10 § 796.

11  
12 **SCOTLAND COUNTY FARMERS MARKET**

13 **SECTION 15.21.** Of the funds appropriated in this act to the Rural Economic  
14 Development Division of the Department of Commerce for the Rural Grants Program, the  
15 Department shall allocate the sum of one hundred thousand dollars (\$100,000) in nonrecurring  
16 funds for the 2017-2018 fiscal year to the City of Laurinburg to support the development and  
17 promotion of a farmers market in the City of Laurinburg serving Scotland County and the  
18 surrounding region.

19  
20 **SUBPART XV-A. COMMERCE – STATE AID**

21  
22 **NC BIOTECHNOLOGY CENTER**

23 **SECTION 15A.1.(a)** Of the funds appropriated in this act to the Department of  
24 Commerce, the sum of thirteen million six hundred thousand three hundred thirty-eight dollars  
25 (\$13,600,338) for each fiscal year in the 2017-2019 biennium shall be allocated to the North  
26 Carolina Biotechnology Center (hereinafter "Center") for the following purposes:

- 27 (1) Job Creation: AgBiotech Initiative, Economic and Industrial Development,  
28 and related activities – two million nine hundred twenty-four thousand  
29 seventy-three dollars (\$2,924,073).  
30 (2) Science and Commercialization: Science and Technology Development,  
31 Centers of Innovation, Business and Technology Development, Education  
32 and Training, and related activities – eight million eight hundred thirteen  
33 thousand nineteen dollars (\$8,813,019).  
34 (3) Center Operations: Administration, Professional and Technical Assistance  
35 and Oversight, Corporate Communications, Human Resource Management,  
36 Financial and Grant Administration, Legal, and Accounting – one million  
37 eight hundred sixty-three thousand two hundred forty-six dollars  
38 (\$1,863,246).

39 **SECTION 15A.1.(b)** The Center shall prioritize funding and distribution of loans  
40 over existing funding and distribution of grants.

41 **SECTION 15A.1.(c)** Except to provide administrative flexibility, up to ten percent  
42 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or  
43 more of the other allocations in subsection (a) of this section if, in the judgment of Center  
44 management, the reallocation will advance the mission of the Center.

45  
46 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

47 **SECTION 15A.2.** High Point Furniture Market Authority, North Carolina  
48 Biotechnology Center, Carolina Small Business Development Fund, and RTI International shall  
49 do the following for each year that State funds are expended:

- 50 (1) By September 1 of each year, and more frequently as requested, report to the  
51 Joint Legislative Oversight Committee on Agriculture and Natural and

1 Economic Resources, the chairs of the House of Representatives  
2 Appropriations Committee on Agriculture and Natural and Economic  
3 Resources, the chairs of the Senate Appropriations Committee on  
4 Agriculture, Natural, and Economic Resources, and the Fiscal Research  
5 Division on prior State fiscal year program activities, objectives, and  
6 accomplishments and prior State fiscal year itemized expenditures and fund  
7 sources.

- 8 (2) Provide to the Joint Legislative Oversight Committee on Agriculture and  
9 Natural and Economic Resources, the chairs of the House of Representatives  
10 Appropriations Committee on Agriculture and Natural and Economic  
11 Resources, the chairs of the Senate Appropriations Committee on  
12 Agriculture, Natural, and Economic Resources, and the Fiscal Research  
13 Division a copy of the entity's annual audited financial statement within 30  
14 days of issuance of the statement.  
15

## 16 PART XVI. DEPARTMENT OF PUBLIC SAFETY

### 17 18 CREATE DIVISIONS – ALCOHOL LAW ENFORCEMENT AND STATE CAPITOL 19 POLICE IN DEPARTMENT OF PUBLIC SAFETY

#### 20 21 CREATE DIVISION OF ALCOHOL LAW ENFORCEMENT IN THE DEPARTMENT 22 OF PUBLIC SAFETY

23 **SECTION 16.1.(a)** The Alcohol Law Enforcement Branch of the State Bureau of  
24 Investigation shall be relocated as a Division of the Department of Public Safety.

25 **SECTION 16.1.(b)** Part 4 of Article 13 of Chapter 143B of the General Statutes is  
26 amended by adding a new Subpart to read:

27 "Subpart F. Alcohol Law Enforcement Division.

#### 28 **"§ 143B-990. Creation of Alcohol Law Enforcement Division of the Department of Public 29 Safety.**

30 There is created the Alcohol Law Enforcement Division of the Department of Public Safety  
31 with the organization, powers, and duties defined in Article 1 of this Chapter, except as  
32 modified in this Part."

33 **SECTION 16.1.(c)** G.S. 143B-928 is repealed.

34 **SECTION 16.1.(d)** G.S. 18B-500 reads as rewritten:

#### 35 **"§ 18B-500. Alcohol law-enforcement agents.**

36 (a) Appointment. – The Director of the ~~State Bureau of Investigation~~ shall ~~Division of~~  
37 Alcohol Law Enforcement of the Department of Public Safety may appoint alcohol  
38 law-enforcement agents and other enforcement personnel. a sufficient number of assistants who  
39 shall be competent and qualified to do the work of the Division. The Director ~~may also appoint~~  
40 ~~regular employees of the Commission as alcohol law-enforcement agents.~~ shall have the sole  
41 authority to make all personnel-related decisions regarding employees of the Division subject  
42 to the applicable provisions of Chapter 126 of the General Statutes. G.S. 143A-9 shall not  
43 function as a limitation upon the authority granted to the Director by this section. Alcohol  
44 law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons  
45 serving as reserve alcohol law-enforcement agents are considered employees of the ~~Alcohol~~  
46 ~~Law Enforcement Branch Division~~ for workers' compensation purposes while performing  
47 duties assigned or approved by the ~~Head Director~~ of the ~~Alcohol Law Enforcement Branch~~  
48 Division or the ~~Head's Director's~~ designee.

49 (b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an  
50 alcohol law-enforcement agent shall have authority to arrest and take other investigatory and  
51 enforcement actions for any criminal offense. The primary responsibility of an agent shall be

1 enforcement of the ABC ~~and lottery laws.~~ laws, lottery laws, and Article 5 of Chapter 90 of the  
2 General Statutes (North Carolina Controlled Substances Act).

3 ...

4 (g) Shifting of Personnel From One District to Another. – The ~~Head~~ Director of the  
5 Alcohol Law Enforcement ~~Branch, Division,~~ under rules adopted by the Department of Public  
6 Safety may, from time to time, shift the forces from one district to another or consolidate more  
7 than one district force at any point for special purposes. Whenever an agent of the Alcohol Law  
8 Enforcement ~~Section~~ Division is transferred from one district to another for the convenience of  
9 the State or for reasons other than the request of the agent, the Department shall be responsible  
10 for transporting the household goods, furniture, and personal apparel of the agent and members  
11 of the agent's household."

12 **SECTION 16.1.(f)** The Department of Public Safety shall continue to consolidate  
13 ALE and SBI Regions and Regional Offices in the same manner so that all district offices  
14 remain co-located.

15 **SECTION 16.1.(g)** G.S. 143B-919(c) reads as rewritten:

16 "**§ 143B-919. Investigations of lynchings, election frauds, etc.; services subject to call of**  
17 **Governor; witness fees and mileage for employees.**

18 ...

19 (c) The State Bureau of Investigation is further authorized, upon request of the  
20 Governor or the Attorney General, to investigate the commission or attempted commission of  
21 the crimes defined in the following statutes:

22 (1) ~~All sections of~~ Article 4A of Chapter 14 of the General Statutes;

23 (1a) G.S. 14-43.11;

24 (2) G.S. 14-277.1;

25 (3) G.S. 14-277.2;

26 (4) G.S. 14-283;

27 (5) G.S. 14-284;

28 (6) G.S. 14-284.1;

29 (7) G.S. 14-288.2;

30 (8) G.S. 14-288.7;

31 (9) G.S. 14-288.8;

32 (10) G.S. 14-288.20;

33 (10a) G.S. 14-288.21;

34 (10b) G.S. 14-288.22;

35 (10c) G.S. 14-288.23;

36 (10d) G.S. 14-288.24;

37 (11) G.S. 14-284.2;

38 (12) G.S. 14-399(e);

39 (12a) G.S. 15A-287 and G.S. 15A-288;

40 (13) G.S. 130A-26.1;

41 (14) G.S. 143-215.6B;

42 (15) G.S. 143-215.88B; and

43 (16) G.S. 143-215.114B."

44 **SECTION 16.1.(h)** G.S. 143-651 reads as rewritten:

45 "**§ 143-651. Definitions.**

46 The following definitions apply in this Article:

47 ...

48 ~~(4a) Branch. The Alcohol Law Enforcement Branch of the State Bureau of~~  
49 ~~Investigation.~~

50 ...

1           (7a) Division. – The Alcohol Law Enforcement Division of the Department of  
2           Public Safety.

3           ...

4           (23b) Sanctioned amateur match. – Any match regulated by an amateur sports  
5           organization that has been recognized and approved by the ~~Branch~~Division.

6           ...."

7           **SECTION 16.1.(i)** The following statutes are amended by deleting the word  
8 "Branch" wherever it appears in uppercase and substituting "Division": G.S. 18B-101(5),  
9 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, 18B-903, 18B-904, 18C-163(b),  
10 19-2.1, 105-259(b)(15), and 143-652.1 through 143-656.

11           **SECTION 16.1.(j)** Notwithstanding any other provision of law, there shall be no  
12 transfer of positions to or from the Alcohol Law Enforcement Branch (Budget Code 14550,  
13 fund code 1401) and no changes to the total authorized budget of the Alcohol Law  
14 Enforcement Branch, as it existed on March 1, 2017, prior to the transfer of the Alcohol Law  
15 Enforcement Branch from the State Bureau of Investigation to the Department of Public Safety.  
16 Under no circumstances shall funds be expended from Budget Code 24555-2410 – Law  
17 Enforcement – ALE Federal Forfeiture – US DOJ or Budget Code 24555-2415 – Law  
18 Enforcement – ALE Federal Forfeiture – US Treasury prior to the transfer of the Alcohol Law  
19 Enforcement Branch to the Department of Public Safety, unless those expenditures were  
20 reported to the General Assembly on or before March 1, 2017. This subsection shall not apply  
21 to transfers of positions or changes to the total authorized budget of the Alcohol Law  
22 Enforcement Branch that are expressly required by the Committee Report described in Section  
23 39.2 of this act.

24           **SECTION 16.1.(j1)** G.S. 143-341(8) reads as rewritten:

25           "**§ 143-341. Powers and duties of Department.**

26           The Department of Administration has the following powers and duties:

27           ...

28           (8) General Services:

29           ...

30           i. To establish and operate a central motor fleet and such subsidiary  
31           related facilities as the Secretary may deem necessary, and to that  
32           end:

33           ...

34           3. To require on a schedule determined by the Department all  
35           State agencies to transfer ownership, custody or control of  
36           any or all passenger motor vehicles within the ownership,  
37           custody or control of that agency to the Department, except  
38           those motor vehicles under the ownership, custody or control  
39           of the Highway Patrol, the State Bureau of  
40           ~~Investigation, Investigation, the Alcohol Law Enforcement~~  
41           Division, the State Capitol Police, or the constituent  
42           institutions of The University of North Carolina which are  
43           used primarily for law-enforcement purposes."

44           **SECTION 16.1.(j2)** G.S. 143B-1325(c) reads as rewritten:

45           "**§ 143B-1325. Transition to Department of Information Technology.**

46           ...

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

51           ...

1 (13) Department of Public Safety, with the exception of the following:

- 2 a. State Bureau of Investigation.  
 3 b. State Highway Patrol.  
 4 c. Division of Emergency Management.  
 5 d. Alcohol Law Enforcement Division.  
 6 e. State Capitol Police."

7 **SECTION 16.1.(j3)** The following statutes are amended by deleting the language  
 8 "State Bureau of Investigation" wherever it appears and substituting "Alcohol Law  
 9 Enforcement Division": G.S. 14-309.7, 14-309.11, and 14-309.14.

10 **SECTION 16.1.(j4)** The following statutes are amended by deleting the language  
 11 "Bureau" wherever it appears in uppercase and substituting "Division": G.S. 14-309.7 and  
 12 14-309.14."

13  
 14 **CREATE DIVISION OF STATE CAPITOL POLICE IN THE DEPARTMENT OF**  
 15 **PUBLIC SAFETY**

16 **SECTION 16.1.(k)** The State Capitol Police Section of the State Highway Patrol  
 17 shall be relocated as a Division of the Department of Public Safety.

18 **SECTION 16.1.(l)** Subpart B of Part 4 of Article 13 of Chapter 143B of the  
 19 General Statutes reads as rewritten:

20 "Subpart B. State Capitol ~~Police~~Police Division.

21 "**§ 143B-911. Creation of State Capitol Police Section—Division; powers and duties.**

22 (a) ~~Section—Division Established. – There is hereby established, within the State~~  
 23 ~~Highway Patrol of the Department of Public Safety, There is created the State Capitol Police~~  
 24 ~~Section, which shall be organized and staffed in accordance with applicable laws and~~  
 25 ~~regulations and within the limits of authorized appropriations. The Chief, special officers, and~~  
 26 ~~employees of the State Capitol Police Section are not considered members of the State~~  
 27 ~~Highway Patrol.~~Division of the Department of Public Safety with the organization, powers, and  
 28 duties defined in Article 1 of this Chapter, except as modified in this Part.

29 (b) Purpose. – The State Capitol Police ~~Section—Division~~ shall serve as a special police  
 30 agency of the Department of Public Safety. The Chief of the State Capitol Police, appointed by  
 31 the Secretary pursuant to G.S. 143B-602, with the approval of the Governor, may appoint as  
 32 special police officers such reliable persons as ~~he~~the Chief may deem necessary.

33 "...."

34 **SECTION 16.1.(m)** G.S. 143B-602(8) reads as rewritten:

35 "**§ 143B-602. Powers and duties of the Secretary of Public Safety.**

36 The Secretary of Public Safety shall have the powers and duties as are conferred on the  
 37 Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the  
 38 Secretary by the Constitution and laws of this State. These powers and duties include the  
 39 following:

40 ...

41 (8) Other powers and duties. – The Secretary has the following additional  
 42 powers and duties:

43 ...

44 f. Appointing, with the Governor's approval, a special police officer to  
 45 serve as Chief of the State Capitol Police ~~Section of the State~~  
 46 ~~Highway Patrol.~~Division.

47 "...."

48 **SECTION 16.1.(n)** Notwithstanding any other provision of law, there shall be no  
 49 transfer of positions to or from the State Capitol Police Section (Budget Code 14550, fund code  
 50 1402) and no changes to the total authorized budget of the State Capitol Police Section, as it  
 51 existed on March 1, 2017, prior to the transfer of the State Capitol Police from the State

1 Highway Patrol to the Department of Public Safety. This subsection shall not apply to transfers  
2 of positions or changes to the total authorized budget of the State Capitol Police that are  
3 expressly required by the Committee Report described in Section 39.2 of this act.  
4

#### 5 **NO TRANSFER OF POSITIONS TO OTHER STATE AGENCIES**

6 **SECTION 16.2.(a)** Notwithstanding any other provision of law, the Office of State  
7 Budget and Management shall not transfer any positions, personnel, or funds from the  
8 Department of Public Safety to any other State agency during the 2017-2019 fiscal biennium  
9 unless the transfer was included in the base budget for one or both fiscal years of the biennium.  
10 This subsection shall not apply to any of the following annual transfers to the Office of the  
11 Governor:

- 12 (1) Two hundred thirty-four thousand eight hundred ninety-one dollars  
13 (\$234,891) for administrative support.
- 14 (2) Up to fifty thousand dollars (\$50,000) for litigation expenses.

15 **SECTION 16.2.(b)** This section becomes effective July 1, 2017. If any transfers  
16 that violate this section are made prior to this section becoming effective, those transfers shall  
17 be undone within 15 days of this section becoming effective.  
18

#### 19 **LAPSED SALARY REPORT**

20 **SECTION 16.3.** The Department of Public Safety shall report on February 1 and  
21 August 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and  
22 Public Safety and the chairs of the House of Representatives Appropriations Committee on  
23 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public  
24 Safety. The report shall include the following:

- 25 (1) Amount of lapsed salary generated by fund code for the previous six months.
- 26 (2) An itemized accounting of the use of lapsed salary funds including:
  - 27 a. Fund code.
  - 28 b. Current certified budget.
  - 29 c. Annual projected expenditure.
  - 30 d. Annual projected shortfall.
  - 31 e. Amount of lapsed salary funds transferred to date.

32 The August 1 report shall include an annual accounting of this information for the previous  
33 fiscal year.  
34

#### 35 **PILOT PROJECT TO TREAT OPIATE OVERDOSE**

36 **SECTION 16.3A.(a)** Pilot Project. – The Department of Public Safety, in  
37 conjunction with the City of Wilmington, shall develop and implement a pilot project to  
38 establish a Quick Response Team (QRT) to address the needs of opiate and heroin overdose  
39 victims who are not getting follow-up treatment. The QRT shall be staffed by firefighters,  
40 police officers, medics, behavioral health specialists, and other law enforcement as determined  
41 by the Department of Public Safety and the City of Wilmington. The Department of Public  
42 Safety and the City of Wilmington shall work together to develop the policy and procedures for  
43 the QRT. In doing so, all of the following shall be considered:

- 44 (1) Increase engagement and treatment with family counseling and recovery  
45 groups.
- 46 (2) Provide follow-up care to survivable overdose incidents with police or  
47 medics and licensed counselors.
- 48 (3) Provide short-term and long-term support to overdose victims and families.
- 49 (4) Provide follow-up within three to five days after an initial incident.
- 50 (5) Create a fatality review panel to analyze and keep track of the deaths of  
51 those served by QRT.



1           **SECTION 16.3A.(b)** Report. – The Department of Public Safety and the City of  
2 Wilmington shall report on the results of the pilot project to the chairs of the Joint Legislative  
3 Oversight Committee on Justice and Public Safety by February 1, 2019.  
4

#### 5 **GRANT REPORTING AND MATCHING FUNDS**

6           **SECTION 16.5.(a)** The Department of Public Safety, the Department of Justice,  
7 and the Judicial Department shall each report by May 1 of each year to the chairs of the House  
8 of Representatives Appropriations Committee on Justice and Public Safety and the Senate  
9 Appropriations Committee on Justice and Public Safety on grant funds received or preapproved  
10 for receipt by those departments. The report shall include information on the amount of grant  
11 funds received or preapproved for receipt by each department, the use of the funds, the State  
12 match expended to receive the funds, and the period to be covered by each grant. If a  
13 department intends to continue the program beyond the end of the grant period, that department  
14 shall report on the proposed method for continuing the funding of the program at the end of the  
15 grant period. Each department shall also report on any information it may have indicating that  
16 the State will be requested to provide future funding for a program presently supported by a  
17 local grant.

18           **SECTION 16.5.(b)** Notwithstanding the provisions of G.S. 143C-6-9, the  
19 Department of Public Safety may use up to the sum of one million two hundred thousand  
20 dollars (\$1,200,000) during the 2017-2018 fiscal year and up to the sum of one million two  
21 hundred thousand dollars (\$1,200,000) during the 2018-2019 fiscal year from funds available to  
22 the Department to provide the State match needed in order to receive grant funds. Prior to using  
23 funds for this purpose, the Department shall report to the chairs of the House of Representatives  
24 Appropriations Committee on Justice and Public Safety and the Senate Appropriations  
25 Committee on Justice and Public Safety on the grants to be matched using these funds.  
26

#### 27 **EXPAND CRIME VICTIMS' SERVICES**

28           **SECTION 16.6.(a)** G.S. 15B-2 reads as rewritten:

##### 29 **"§ 15B-2. Definitions.**

30           As used in this Article, the following definitions apply, unless the context requires  
31 otherwise:

- 32           (1) Allowable expense. – Reasonable charges incurred for reasonably needed  
33 products, services, and accommodations, including those for medical care,  
34 rehabilitation, medically-related property, and other remedial treatment and  
35 care.

36           Allowable expense includes a total charge not in excess of five thousand  
37 dollars (\$5,000) for expenses related to funeral, cremation, and burial,  
38 including transportation of a body, but excluding expenses for flowers,  
39 gravestone, and other items not directly related to the funeral service.

40           Allowable expense for medical care, counseling, rehabilitation,  
41 medically-related property, and other remedial treatment and care of a victim  
42 shall be limited to sixty-six and two-thirds percent (66 2/3%) of the amount  
43 usually charged by the provider for the treatment or care. By accepting the  
44 compensation paid as allowable expense pursuant to this subdivision, the  
45 provider agrees that the compensation is payment in full for the treatment or  
46 care and shall not charge or otherwise hold a claimant financially  
47 responsible for the cost of services in addition to the amount of allowable  
48 expense.

49           Allowable expense also includes:

1           a.     A charge not in excess of three thousand dollars (\$3,000) for  
 2                 counseling for immediate family members of children under the age  
 3                 of 18 who are victims of rape, sexual assault, or domestic violence.

4           b.     A charge not in excess of three thousand dollars (\$3,000) for family  
 5                 and/or grief counseling for immediate family members of homicide  
 6                 victims.

7           (2)    Claimant. – Any of the following persons who claims an award of  
 8                 compensation under this Article:

9                 ...  
 10            f.     An immediate family member applying for benefits for the purpose  
 11                 of obtaining family or grief counseling.

12            g.     An immediate family member of an adolescent rape, sexual assault,  
 13                 or domestic violence victim for the purpose of obtaining counseling.

14            The claimant, however, may not be the offender or an accomplice of the  
 15                 offender who committed the criminally injurious conduct, except as  
 16                 provided in sub-subdivision e. of this subdivision.

17            ...."

18            **SECTION 16.6.(b)** This section is effective when it becomes law.

19  
 20    **GRANTS FOR LAW ENFORCEMENT CAMERAS**

21            **SECTION 16.7.(a)** Funds appropriated in S.L. 2015-241 to the Department of  
 22                 Public Safety for body-worn camera grants shall be used to provide matching grants to local  
 23                 and county law enforcement agencies to purchase and place into service body-worn or  
 24                 dashboard video cameras, as defined by G.S. 132-1.4, and for training and related expenses.  
 25                 These grant funds shall be administered by the Governor's Crime Commission, which shall  
 26                 develop guidelines and procedures for the administration and distribution of grants to those  
 27                 agencies. These guidelines and procedures shall include the following requirements and  
 28                 limitations:

29            (1)    The maximum grant amount shall not exceed one hundred thousand dollars  
 30                 (\$100,000).

31            (2)    Recipient law enforcement agencies shall be required to provide one dollar  
 32                 (\$1.00) of local funds for every one dollar (\$1.00) of grant funds received.

33            (3)    Grantees shall be required to have appropriate policies and procedures in  
 34                 place governing the operation of body-worn or dashboard cameras, as  
 35                 defined by G.S. 132-1.4, and the proper storage of images recorded with  
 36                 those cameras.

37            **SECTION 16.7.(b)** The Governor's Crime Commission shall submit a report on  
 38                 the grant funds distributed pursuant to this section during the 2017-2018 fiscal year to the  
 39                 chairs of the Joint Legislative Oversight Committee on Justice and Public Safety no later than  
 40                 August 1, 2018.

41            **SECTION 16.7.(c)** Definition. – The term "body-worn camera" means an  
 42                 operational video camera, including a microphone or other mechanism for allowing audio  
 43                 capture, affixed to a law enforcement officer's uniform and positioned in a way that allows the  
 44                 video camera to capture interactions the law enforcement officer has with the public.

45  
 46    **SUBPART XVI-A. GENERAL PROVISIONS [RESERVED]**

47  
 48    **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

49  
 50    **STATE CAPITOL POLICE/CREATION OF RECEIPT-SUPPORTED POSITIONS**

1           **SECTION 16B.1.(a)** Creation of Receipt-Supported Positions Authorized. – The  
2 State Capitol Police may contract with State agencies for the creation of receipt-supported  
3 positions to provide security services to the buildings occupied by those agencies.

4           **SECTION 16B.1.(b)** Annual Report Required. – No later than September 1 of each  
5 fiscal year, the State Capitol Police shall report to the Joint Legislative Oversight Committee on  
6 Justice and Public Safety the following information for the fiscal year in which the report is  
7 due:

- 8           (1) A list of all positions in the State Capitol Police. For each position listed, the  
9 report shall include at least the following information:
  - 10           a. The position type.
  - 11           b. The agency to which the position is assigned.
  - 12           c. The source of funding for the position.
- 13           (2) For each receipt-supported position listed, the contract and any other terms  
14 of the contract.

15           **SECTION 16B.1.(c)** Additional Reporting Required Upon Creation of  
16 Receipt-Supported Positions. – In addition to the report required by subsection (b) of this  
17 section, the State Capitol Police shall report the creation of any position pursuant to subsection  
18 (a) of this section to the chairs of the House of Representatives Appropriations Committee on  
19 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public  
20 Safety and to the Fiscal Research Division within 30 days of the position's creation. A report  
21 submitted pursuant to this section shall include at least the following information:

- 22           (1) The position type.
- 23           (2) The agency to which the position is being assigned.
- 24           (3) The position salary.
- 25           (4) The total amount of the contract.
- 26           (5) The terms of the contract.

27           **SECTION 16B.1.(d)** Format of Reports. – Reports submitted pursuant to this  
28 section shall be submitted electronically and in accordance with any applicable General  
29 Assembly standards.

## 30 31 **USE OF SEIZED AND FORFEITED PROPERTY**

32           **SECTION 16B.2.(a)** Seized and forfeited assets transferred to the Department of  
33 Justice or to the Department of Public Safety during the 2017-2019 fiscal biennium pursuant to  
34 applicable federal law shall be credited to the budget of the recipient department and shall  
35 result in an increase of law enforcement resources for that department. The Department of  
36 Public Safety and the Department of Justice shall each make the following reports to the chairs  
37 of the House of Representatives Appropriations Committee on Justice and Public Safety and  
38 Senate Appropriations Committee on Justice and Public Safety:

- 39           (1) A report upon receipt of any assets.
- 40           (2) A report that shall be made prior to use of the assets on their intended use  
41 and the departmental priorities on which the assets may be expended.
- 42           (3) A report on receipts, expenditures, encumbrances, and availability of these  
43 assets for the previous fiscal year, which shall be made no later than  
44 September 1 of each year.

45           **SECTION 16B.2.(b)** The General Assembly finds that the use of seized and  
46 forfeited assets transferred pursuant to federal law for new personnel positions, new projects,  
47 acquisition of real property, repair of buildings where the repair includes structural change, and  
48 construction of or additions to buildings may result in additional expenses for the State in  
49 future fiscal periods. Therefore, the Department of Justice and Department of Public Safety are  
50 prohibited from using these assets for such purposes without the prior approval of the General  
51 Assembly.

1           **SECTION 16B.2.(c)** Nothing in this section prohibits State law enforcement  
2 agencies from receiving funds from the United States Department of Justice, the United States  
3 Department of the Treasury, and the United States Department of Health and Human Services.

4           **SECTION 16B.2.(d)** The Joint Legislative Oversight Committee on Justice and  
5 Public Safety shall study the impact on State and local law enforcement efforts of the receipt of  
6 seized and forfeited assets. The Committee shall report its findings and recommendations prior  
7 to the convening of the 2018 Regular Session of the 2017 General Assembly.

## 8 9 **LIEUTENANT GOVERNOR EXECUTIVE PROTECTION DETAIL**

10           **SECTION 16B.4.(a)** Article 4 of Chapter 20 of the General Statutes is amended by  
11 adding a new section to read:

### 12 **"§ 20-189.1. Lieutenant Governor Executive Protection Detail.**

13           (a) Creation. – There is created within the Highway Patrol a Lieutenant Governor's  
14 Executive Protection Detail. The Lieutenant Governor shall submit the names of three sworn  
15 members in good standing of the North Carolina Highway Patrol to the Commander, and the  
16 Commander shall assign those officers to serve in the Lieutenant Governor's Executive  
17 Protection Detail. The Lieutenant Governor is authorized to remove any members of the detail,  
18 with or without cause. If the Lieutenant Governor removes a member of the detail, the  
19 Lieutenant Governor shall submit to the Commander the name of an officer to replace the  
20 member who has been removed and the Commander shall assign the replacement. Members of  
21 the Lieutenant Governor's Executive Protection Detail shall continue to be employed by the  
22 North Carolina Highway Patrol subject to the laws, rules, and regulations of the Highway  
23 Patrol. The North Carolina Highway Patrol shall provide vehicles necessary for the carrying out  
24 of the Detail's duties under this Article.

25           (b) Duties. – The members of the Lieutenant Governor's Executive Protection Detail  
26 shall protect the Lieutenant Governor and the Lieutenant Governor's immediate family and  
27 perform duties as assigned by the Lieutenant Governor relating to the protection of the  
28 Lieutenant Governor."

29           **SECTION 16B.4.(b)** This section is effective when this act becomes law.

## 30 31 **STUDIES TO ENHANCE PUBLIC SAFETY/PED**

32           **SECTION 16B.5.(a)** The Joint Legislative Program Evaluation Oversight  
33 Committee shall revise the biennial 2017-2018 work plan for the Program Evaluation Division  
34 to include the following:

- 35           (1) An evaluation of the Voice Interoperability Plan for Emergency Responders  
36 (VIPER) and FirstNet technologies. Specifically, the Program Evaluation  
37 Division shall:
- 38           a. Examine the current state of VIPER and FirstNet technology and  
39 identify long-term future equipment needs and upgrades.
  - 40           b. Examine the services provided by VIPER and FirstNet, the  
41 interoperability of the two systems, whether or not there are  
42 duplications in the system functions, and any opportunities for  
43 efficiencies and cost-sharing.
  - 44           c. Evaluate the need for VIPER upgrades, including the immediate  
45 transition to GTR base stations and the potential establishment of  
46 regularly scheduled updates to ensure the system remains current and  
47 reliable in the future.
  - 48           d. Identify the most effective governance and operational financing  
49 structure to ensure equitable and reasonable cost-sharing and optimal  
50 system adoption by public safety agency stakeholders.

- 1 (2) An evaluation of the current security measures for the downtown Raleigh  
2 State Government complex and options to create cost-efficient and  
3 comprehensive security plans.

4 **SECTION 16B.5.(b)** The Program Evaluation Division shall submit the evaluation  
5 required under subdivision (a)(1) of this section to the Joint Legislative Program Evaluation  
6 Oversight Committee and to the Joint Legislative Oversight Committee on Justice and Public  
7 Safety no later than March 1, 2018.

8 **SECTION 16B.5.(c)** Pursuant to G.S. 132-1.7, the public security information  
9 collected by the Program Evaluation Division as a result of the evaluation required under  
10 subdivision (a)(2) of this section is not a public record. The Program Evaluation Division shall  
11 complete its evaluation no later than March 1, 2018. Notwithstanding G.S. 120-36.16(3), the  
12 Program Evaluation Division shall submit its evaluation, including findings and  
13 recommendations to the Governor, the President Pro Tempore of the Senate, and the Speaker of  
14 the House of Representatives. The evaluation is not a public record as defined in G.S. 132-1.

#### 15 16 **SHP ELIGIBLE FOR PSAP GRANT/911 PROJECTS**

17 **SECTION 16B.7.** G.S. 143B-1407 is amended by adding a new subsection to read:

18 "(f) Application to State Highway Patrol. – The State Highway Patrol is an eligible  
19 PSAP for purposes of applying to the 911 Board for a grant from the PSAP Grant and  
20 Statewide 911 Projects Account. This subsection applies to funds collected on or after July 1,  
21 2017."

#### 22 23 **OPERATION MEDICINE DROP FUNDING**

24 **SECTION 16B.8.** Notwithstanding any other provision of law, funds appropriated  
25 by this act for the SBI Special Investigative Funds shall be reduced by one hundred twenty  
26 thousand dollars (\$120,000) for the fiscal year 2017-2018. Notwithstanding any other provision  
27 of law, funds appropriated by this act to the SBI shall be increased by one hundred twenty  
28 thousand dollars (\$120,000) to be used for Operation Medicine Drop in fiscal year 2017-2018.

#### 29 30 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

##### 31 32 **USE OF CLOSED FACILITIES**

33 **SECTION 16C.1.(a)** In conjunction with the closing of prison facilities, youth  
34 detention centers, and youth development centers, the Department of Public Safety shall  
35 consult with the county or municipality in which the facility is located, with elected State and  
36 local officials, and with State and federal agencies about the possibility of converting that  
37 facility to other use. The Department may also consult with any private for-profit or nonprofit  
38 firm about the possibility of converting the facility to other use. In developing a proposal for  
39 future use of each facility, the Department shall give priority to converting the facility to other  
40 criminal justice use. Consistent with existing law and the future needs of the Department of  
41 Public Safety, the State may provide for the transfer or the lease of any of these facilities to  
42 counties, municipalities, State agencies, federal agencies, or private firms wishing to convert  
43 them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to  
44 this section. The Department of Public Safety may also consider converting some of the  
45 facilities recommended for closing from one security custody level to another, where that  
46 conversion would be cost-effective. A prison unit under lease to a county pursuant to the  
47 provisions of this section for use as a jail is exempt for the period of the lease from any of the  
48 minimum standards adopted by the Secretary of Health and Human Services pursuant to  
49 G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater  
50 standards than those required of a unit of the State prison system.

1           **SECTION 16C.1.(b)** The Department may convert closed facilities for the  
2 following purposes:

- 3           (1) Training needs.
- 4           (2) Behavior modification facilities.
- 5           (3) Transitional housing.

6           Sixty days prior to converting facilities to these purposes, the Department shall  
7 report to the Joint Legislative Oversight Committee on Justice and Public Safety. The report  
8 shall include the justification for the conversion, operational requirements for the facility, and  
9 available resources for staffing and operating the facility. If the proposed facility will require  
10 additional funding in the future, the report shall provide a five-year projection of those funding  
11 needs.

## 12 13 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL** 14 **EXPENSES**

15           **SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public  
16 Safety may use funds available to the Department for the 2017-2019 fiscal biennium to  
17 reimburse counties for the cost of housing convicted inmates, parolees, and post-release  
18 supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The  
19 reimbursement may not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer.  
20 The Department shall report annually by February 1 of each year to the chairs of the Joint  
21 Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of  
22 Representatives Appropriations Committee on Justice and Public Safety and the Senate  
23 Appropriations Committee on Justice and Public Safety on the expenditure of funds to  
24 reimburse counties for prisoners awaiting transfer.

## 25 26 **CENTER FOR COMMUNITY TRANSITIONS/ CONTRACT AND REPORT**

27           **SECTION 16C.3.** The Department of Public Safety may continue to contract with  
28 The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison  
29 beds for minimum security female inmates during the 2017-2019 fiscal biennium. The Center  
30 for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the  
31 House of Representatives Appropriations Committee on Justice and Public Safety and the  
32 Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate  
33 and the average daily inmate population compared to bed capacity using the same methodology  
34 as that used by the Department of Public Safety.

## 35 36 **INMATE CONSTRUCTION PROGRAM**

37           **SECTION 16C.4.** Notwithstanding any other provision of law but subject to  
38 Article 3 of Chapter 148 of the General Statutes, during the 2017-2019 fiscal biennium, the  
39 State Construction Office may utilize inmates in the custody of the Division of Adult  
40 Correction of the Department of Public Safety through the Inmate Construction Program for  
41 repair and renovation projects on State-owned facilities, with priority given to Department of  
42 Public Safety construction projects. State agencies utilizing the Inmate Construction Program  
43 shall reimburse the Division of Adult Correction of the Department of Public Safety for the  
44 cost of transportation, custody, and wages for the inmate crews.

## 45 46 **STATEWIDE MISDEMEANANT CONFINEMENT PROGRAM**

47           **SECTION 16C.5.(a)** The North Carolina Sheriffs' Association shall report no later  
48 than the 15th day of each month to the Office of State Budget and Management and the Fiscal  
49 Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report  
50 shall include all of the following:

- 51           (1) The daily population, delineated by misdemeanor or DWI monthly housing.

- 1 (2) The cost of housing prisoners under the Program.
- 2 (3) The cost of transporting prisoners under the Program.
- 3 (4) Personnel costs.
- 4 (5) Inmate medical care costs.
- 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.(b)** The North Carolina Sheriffs' Association shall report no later  
9 than October 1 of each year to the chairs of the House of Representatives Appropriations  
10 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice  
11 and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety  
12 on the Statewide Misdemeanant Confinement Program. The report shall include the following  
13 with respect to the prior fiscal year:

- 14 (1) Revenue collected by the Statewide Misdemeanant Confinement Program.
- 15 (2) The cost of housing prisoners by county under the Program.
- 16 (3) The cost of transporting prisoners by county under the Program.
- 17 (4) Personnel costs by county.
- 18 (5) Inmate medical care costs by county.
- 19 (6) The number of counties that volunteer to house inmates under the Program.
- 20 (7) The administrative costs paid to the Sheriffs' Association and to the
- 21 Department of Public Safety.

22 **SECTION 16C.5.(c)** Of the funds appropriated in this act for the Statewide  
23 Misdemeanant Confinement Program:

- 24 (1) The sum of one million dollars (\$1,000,000) shall be transferred to the North  
25 Carolina Sheriffs' Association, Inc., a nonprofit corporation, to support the  
26 Program and for administrative and operating expenses of the Association  
27 and its staff.
- 28 (2) The sum of two hundred twenty-five thousand dollars (\$225,000) shall be  
29 allocated to the Division of Adult Correction for its administrative and  
30 operating expenses for the Program.

## 31 **WESTERN YOUTH INSTITUTION ASSET REPORT**

32 **SECTION 16C.6.** The Department of Public Safety (DPS) shall make every effort  
33 to ensure that equipment and other State resources in buildings that are scheduled for  
34 demolition or otherwise not being used are recovered for use elsewhere. DPS shall report by  
35 March 1, 2018, on assets salvaged from the Western Youth Institution prior to demolition. The  
36 report shall include the type of asset salvaged, the estimated value of the asset, where it was  
37 used, and the savings associated with relocating the asset to another facility.

## 38 **ELIMINATE OBSOLETE PILOT PROGRAM**

39 **SECTION 16C.7.** G.S. 143B-706 is repealed.

## 40 **DOT CONTRACT FOR INMATE LITTER CREW**

41 **SECTION 16C.8.** After the issuance of a request for information (RFI) and receipt  
42 of bids by the Department of Transportation for litter pickup on State highways and roads, the  
43 Department of Transportation shall first offer the contract to the Division of Adult Correction  
44 upon the same terms and conditions as the most favorable bid received by the Department of  
45 Transportation from a suitable contractor. The Division of Adult Correction shall have 30 days  
46 to accept or decline the offered contract.

## 47 **WORKERS' COMPENSATION/PRISON INMATES**

1           **SECTION 16C.9.(a)** G.S. 97-13 reads as rewritten:

2   "**§ 97-13. Exceptions from provisions of Article.**

3       (a) Employees of Certain Railroads. – This Article shall not apply to railroads or  
4 railroad employees nor in any way repeal, amend, alter or affect Article 8 of Chapter 60 or any  
5 section thereof relating to the liability of railroads for injuries to employees, nor upon the trial  
6 of any action in tort for injuries not coming under the provisions of this Article, shall any  
7 provision herein be placed in evidence or be permitted to be argued to the jury. Provided,  
8 however, that the foregoing exemption to railroads and railroad employees shall not apply to  
9 employees of a State-owned railroad company, as defined in G.S. 124-11, or to electric street  
10 railroads or employees thereof; and this Article shall apply to electric street railroads and  
11 employees thereof and to this extent the provisions of Article 8 of Chapter 60 are hereby  
12 amended.

13       (b) Casual Employment, Domestic Servants, Farm Laborers, Federal Government,  
14 Employer of Less than Three Employees. – This Article shall not apply to casual employees,  
15 farm laborers when fewer than 10 full-time nonseasonal farm laborers are regularly employed  
16 by the same employer, federal government employees in North Carolina, and domestic  
17 servants, nor to employees of such persons, nor to any person, firm or private corporation that  
18 has regularly in service less than three employees in the same business within this State, except  
19 that any employer without regard to number of employees, including an employer of domestic  
20 servants, farm laborers, or one who previously had exempted himself, who has purchased  
21 workers' compensation insurance to cover his compensation liability shall be conclusively  
22 presumed during life of the policy to have accepted the provisions of this Article from the  
23 effective date of said policy and his employees shall be so bound unless waived as provided in  
24 this Article; provided however, that this Article shall apply to all employers of one or more  
25 employees who are employed in activities which involve the use or presence of radiation.

26       (c) Most Prisoners. – This Article shall not apply to prisoners being worked by the State  
27 or any subdivision thereof, ~~except to the following extent: as provided in this subsection and~~  
28 subsection (c1) of this section. Whenever any prisoner assigned to the Division of Adult  
29 Correction of the Department of Public Safety shall suffer accidental injury or accidental death  
30 arising out of and in the course of the employment to which he had been assigned, if there be  
31 death or if the results of such injury continue until after the date of the lawful discharge of such  
32 prisoner to such an extent as to amount to a disability as defined in this Article, then such  
33 discharged prisoner or the dependents or next of kin of such discharged prisoner may have the  
34 benefit of this Article by applying to the Industrial Commission as any other employee;  
35 provided, such application is made within 12 months from the date of the discharge; and  
36 provided further that the maximum compensation to any prisoner or to the dependents or next  
37 of kin of any deceased prisoner shall not exceed thirty dollars (\$30.00) per week and the period  
38 of compensation shall relate to the date of his discharge rather than the date of the accident. If  
39 any person who has been awarded compensation under the provisions of this subsection shall  
40 be recommitted to prison upon conviction of an offense committed subsequent to the award,  
41 such compensation shall immediately cease. Any awards made under the terms of this  
42 subsection shall be paid by the Department of Public Safety from the funds available for the  
43 operation of the Division of Adult Correction of the Department of Public Safety. The  
44 provisions of G.S. 97-10.1 and 97-10.2 shall apply to prisoners and discharged prisoners  
45 entitled to compensation under this subsection and to the State in the same manner as said  
46 section applies to employees and employers.

47       (c1) Certain Inmates. – The average weekly wage of inmates employed pursuant to the  
48 Prison Industry Enhancement Program shall be calculated pursuant to G.S. 97-2(5).

49       (d) Sellers of Agricultural Products. – This Article shall not apply to persons, firms or  
50 corporations engaged in selling agricultural products for the producers thereof on commission



1 or for other compensation, paid by the producers, provided the product is prepared for sale by  
2 the producer."

3 **SECTION 16C.9.(b)** This section is effective when this act becomes law.  
4

#### 5 **STATE REENTRY COUNCIL COLLABORATIVE**

6 **SECTION 16C.10.** Part 1 of Article 13 of Chapter 143B of the General Statutes is  
7 amended by adding a new section to read:

#### 8 **"§ 143B-604. State Reentry Council Collaborative.**

9 (a) The Secretary shall establish the State Reentry Council Collaborative (SRCC). The  
10 SRCC shall include up to two representatives from each of the following:

11 (1) The Division of Motor Vehicles.

12 (2) The Department of Health and Human Services.

13 (3) The Administrative Office of the Courts.

14 (4) The North Carolina Community College System.

15 (5) The Division of Adult Correction of the Department of Public Safety.

16 (6) Any other agency that the Secretary deems relevant.

17 (b) The Secretary, or the Secretary's designee, shall chair the SRCC which shall meet at  
18 least quarterly upon the call of the chair. The SRCC shall study the needs of ex-offenders who  
19 have been recently released from a correctional institution and to increase the effectiveness of  
20 local reentry councils.

21 (c) Beginning November 1, 2017, and annually thereafter, the SRCC shall report its  
22 findings and recommendations to the Joint Legislative Oversight Committee on Justice and  
23 Public Safety."

#### 24 25 **INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND** 26 **EQUIPMENT PURCHASES SECTIONS**

27 **SECTION 16C.11.** Notwithstanding the provisions of G.S. 148-65.7, fees  
28 collected for the Interstate Compact Fund during the 2017-2019 fiscal biennium may be used  
29 by the Division of Adult Correction of the Department of Public Safety during the 2017-2019  
30 fiscal biennium to provide training programs and equipment purchases for the Section of  
31 Community Corrections, but only to the extent sufficient funds remain available in the Fund to  
32 support the mission of the Interstate Compact Program.  
33

#### 34 **STUDY INMATE HEALTH INFORMATION EXCHANGE SOFTWARE**

35 **SECTION 16C.11A.** The Department of Public Safety, in collaboration with the  
36 Department of Health and Human Services, shall study the feasibility of the State acquiring and  
37 implementing an inmate health information exchange program to allow for the secure and  
38 effective transfer of pertinent medical information on an inmate, including the ability to upload  
39 and transmit test results, so that the need for replication of tests is either minimized or  
40 eliminated. The Departments shall report their findings and recommendations, including any  
41 legislative proposals, to the Joint Legislative Committees on Justice and Public Safety and  
42 Health and Human Services by February 1, 2018.  
43

#### 44 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

#### 45 **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

46 **SECTION 16D.1.(a)** Funds appropriated in this act to the Department of Public  
47 Safety for the 2017-2019 fiscal biennium for community program contracts that are not  
48 required for or used for community program contracts may be used only for the following:  
49

50 (1) Other statewide residential programs that provide Level 2 intermediate  
51 dispositional alternatives for juveniles.

- 1 (2) Statewide community programs that provide Level 2 intermediate  
2 dispositional alternatives for juveniles.
- 3 (3) Regional programs that are collaboratives of two or more Juvenile Crime  
4 Prevention Councils which provide Level 2 intermediate dispositional  
5 alternatives for juveniles.
- 6 (4) The Juvenile Crime Prevention Council funds to be used for the Level 2  
7 intermediate dispositional alternatives for juveniles listed in  
8 G.S. 7B-2506(13) through (23).

9 **SECTION 16D.1.(b)** Funds appropriated by this act to the Department of Public  
10 Safety for the 2017-2019 fiscal biennium for community programs may not be used for  
11 staffing, operations, maintenance, or any other expenses of youth development centers or  
12 detention facilities.

13 **SECTION 16D.1.(c)** The Department of Public Safety shall submit an electronic  
14 report by October 1 of each year of the 2017-2019 fiscal biennium on all expenditures made in  
15 the preceding fiscal year from the miscellaneous contract line in Fund Code 1230 to the chairs  
16 of the House of Representatives Appropriations Committee on Justice and Public Safety and  
17 the Senate Appropriations Committee on Justice and Public Safety and the Fiscal Research  
18 Division. The report shall include all of the following: an itemized list of the contracts that have  
19 been executed, the amount of each contract, the date the contract was executed, the purpose of  
20 the contract, the number of juveniles that will be served and the manner in which they will be  
21 served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an  
22 itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention  
23 Council fund.

#### 24 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

25 **SECTION 16D.2.** Funds appropriated in this act to the Department of Public  
26 Safety for each fiscal year of the 2017-2019 fiscal biennium may be used as matching funds for  
27 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile  
28 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State  
29 Budget and Management and the Governor's Crime Commission shall consult with the  
30 Department of Public Safety regarding the criteria for awarding federal funds. The Office of  
31 State Budget and Management, the Governor's Crime Commission, and the Department of  
32 Public Safety shall report to the chairs of the House of Representatives Appropriations  
33 Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice  
34 and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety  
35 prior to allocation of the federal funds. The report shall identify the amount of funds to be  
36 received for the 2017-2018 fiscal year, the amount of funds anticipated for the 2018-2019 fiscal  
37 year, and the allocation of funds by program and purpose.

#### 38 **JUVENILE CRIME PREVENTION COUNCIL FUNDS**

39 **SECTION 16D.3.** G.S. 143B-852(a) reads as rewritten:

40 (a) On or before February 1 of each year, the Department of Public Safety shall submit  
41 to the Chairs of the Joint Legislative ~~Commission on Governmental Operations Oversight~~  
42 Committee on Justice and Public Safety and the Chairs of the ~~Senate and House of~~  
43 Representatives Appropriations Subcommittees Committee on Justice and Public Safety and the  
44 Senate Appropriations Committee on Justice and Public Safety a list of the recipients of the  
45 grants awarded, or preapproved for award, from funds appropriated to the Department for local  
46 Juvenile Crime Prevention Council (JCPC) grants, including the following information:

- 47 (1) The amount of the grant awarded.
- 48 (2) The membership of the local committee or council administering the award  
49 funds on the local level.
- 50
- 51

- 1 (3) The type of program funded.  
 2 (4) A short description of the local services, programs, or projects that will  
 3 receive funds.  
 4 (5) Identification of any programs that received grant funds at one time but for  
 5 which funding has been eliminated by the Department.  
 6 (6) The number of at-risk, diverted, and adjudicated juveniles served by each  
 7 county.  
 8 (7) The Department's actions to ensure that county JCPCs prioritize funding for  
 9 dispositions of intermediate and community-level sanctions for  
 10 court-adjudicated juveniles under minimum standards adopted by the  
 11 Department.  
 12 (8) The total cost for each funded program, including the cost per juvenile and  
 13 the essential elements of the program."  
 14

## 15 SUBPART XVI-E. EMERGENCY MANAGEMENT AND NATIONAL GUARD

### 16 SEARCH AND RESCUE CHANGES

17 **SECTION 16E.2.** Article 6 of Chapter 166A of the General Statutes reads as  
 18 rewritten:

19 "Article 6.

20 "Urban State Search and Rescue.

#### 21 "§ 166A-65. Definitions.

22 The following definitions apply in this Article:

- 23 (1) Contract response team. – ~~An urban~~ A search and rescue team, specialty  
 24 rescue team, or incident support team.  
 25 (2) Incident support team. – A team of trained emergency response personnel,  
 26 organized to provide coordination between governmental agencies and  
 27 nongovernmental organizations as well as technical and logistical support to  
 28 ~~urban~~ search and rescue teams and specialty rescue teams.  
 29 (2a) Search and rescue team. – A specialized team or group of teams, organized  
 30 with capabilities equivalent to search and rescue teams established under the  
 31 Federal Emergency Management Agency in order to assist in the removal of  
 32 trapped victims during emergencies, including, but not limited to, collapsed  
 33 structures, trench excavations, elevated locations, and other technical rescue  
 34 situations.  
 35 (3) Secretary. – The Secretary of the Department of Public Safety.  
 36 (4) Specialty rescue team. – A specialized response team, organized to provide  
 37 technical rescue assistance to first responders. The term includes, but is not  
 38 limited to, a canine search and rescue or disaster response team, a cave  
 39 search and rescue team, a collapse search and rescue team, a mine and tunnel  
 40 search and rescue team, and a swift water or flood search and rescue team. A  
 41 specialty rescue team shall be aligned with one or more of the search and  
 42 rescue categories within the Federal Emergency Management Agency's  
 43 national resource typing system.  
 44 (5) ~~Urban search and rescue team.~~ – ~~A specialized team or group of teams,~~  
 45 ~~organized with capabilities equivalent to urban search and rescue teams~~  
 46 ~~established under the Federal Emergency Management Agency in order to~~  
 47 ~~assist in the removal of trapped victims during emergencies, including, but~~  
 48 ~~not limited to, collapsed structures, trench excavations, elevated locations,~~  
 49 ~~and in other technical rescue situations.~~

#### 50 "§ 166A-66. Urban State Search and Rescue Program.

1 (a) The Secretary shall adopt rules establishing a program for ~~urban~~ search and rescue  
2 that relies on contracts with contract response teams. The program shall be administered by the  
3 Division of Emergency Management. To the extent possible, the program shall be coordinated  
4 with other emergency planning activities of the State. The program shall include contract  
5 response teams located strategically across the State that are available to provide 24-hour  
6 dispatch from the Division of Emergency Management Operations Center. The rules for the  
7 program shall include:

- 8 (1) Standards, including training, equipment, and personnel standards required  
9 to operate a contract response team.
- 10 (2) Guidelines for the dispatch of a contract response team to ~~an urban~~ a search  
11 and rescue team or specialty rescue team mission.
- 12 (3) Guidelines for the on-site operations of a contract response team.
- 13 (4) Standards for administration of a contract response team, including  
14 procedures for reimbursement of response costs.
- 15 (5) Refresher and specialist training for members of contract response teams.
- 16 (6) Procedures for recovering the costs of ~~an urban~~ a search and rescue team or  
17 specialty rescue team mission.
- 18 (7) Procedures for bidding and contracting for ~~urban~~ search and rescue team and  
19 specialty rescue team missions.
- 20 (8) Criteria for evaluating bids for ~~urban~~ search and rescue team and specialty  
21 rescue team missions.
- 22 (9) Delineation of the roles of the contract response team, local public safety  
23 personnel, the Division of Emergency Management's area coordinator, and  
24 other State agency personnel participating in ~~an urban~~ a search and rescue  
25 team or specialty rescue team mission.
- 26 (10) Procedures for the Division of Emergency Management to audit the contract  
27 response teams to ensure compliance with State and federal guidelines.

28 (b) Within available appropriations, the Division of Emergency Management shall  
29 spend the necessary funds for training, equipment, and other items necessary to support the  
30 operations of contract response teams. The Division of Emergency Management may also  
31 administer any grants of other funds made available for contract response teams, in accordance  
32 with applicable rules and regulations approved by the Director of the State Budget.

33 (c) In developing the Urban State Search and Rescue Program and adopting the rules  
34 required by this section, the Secretary shall consult with the Urban State Search and Rescue  
35 Team Advisory Committee established pursuant to G.S. 166A-69.

36 **"§ 166A-67. Contracts; equipment loans.**

37 (a) The Secretary may contract with any unit or units of local government for the  
38 provision of a contract response team to implement the Urban State Search and Rescue  
39 Program. Contracts are to be let consistent with the bidding and contract standards and  
40 procedures adopted pursuant to G.S. 166A-66(a)(7) and G.S. 166A-66(a)(8). In entering into  
41 contracts with units of local government, the Secretary may agree to provide any of the  
42 following:

- 43 (1) A loan of equipment.
- 44 (2) Reimbursement of personnel costs, including the cost of callback personnel,  
45 when a contract response team is authorized by the Department to respond to  
46 ~~urban~~ search and rescue team and specialty rescue team missions.
- 47 (3) Reimbursement for use of equipment and vehicles owned by the contract  
48 response team.
- 49 (4) Replacement of disposable materials and damaged equipment.
- 50 (5) Training expenses.
- 51 (6) Anything else agreed to by the Secretary and the contract response team.

1 (b) The Secretary shall not agree to provide reimbursement for standby time.

2 (c) Any contract entered into between the Secretary and a unit of local government for  
3 the provision of a contract response team shall specify that the members of the contract  
4 response team, when performing under the contract, shall not be employees of the State and  
5 shall not be entitled to benefits under the Teachers' and State Employees' Retirement System or  
6 for the payment by the State of federal Social Security, employment insurance, or workers'  
7 compensation.

8 (d) Contract response teams that have the use of a State vehicle may use the vehicle for  
9 local purposes. Where a State vehicle is used for purposes other than authorized contract  
10 response to ~~an urban-a~~ search and rescue team and specialty rescue team mission, the contract  
11 response team shall be liable for repairs or replacements directly attributable to that use.

12 **"§ 166A-68. Immunity of contract response team personnel.**

13 Members of a contract response team shall be protected from liability under the provisions  
14 of G.S. 166A-19.60(a) while on ~~an urban-a~~ search and rescue team or specialty rescue team  
15 mission pursuant to authorization from the Division of Emergency Management.

16 **"§ 166A-69. ~~Urban-State~~ Search and Rescue Team Advisory Committee.**

17 (a) The ~~Urban-State~~ Search and Rescue Team Advisory Committee is created. The  
18 Secretary shall appoint the members of the Committee and shall designate the Director or  
19 Deputy Director of the North Carolina Division of Emergency Management as the chair. In  
20 making appointments, the Secretary shall take into consideration the expertise of the appointees  
21 in the management of ~~urban-~~search and rescue or specialty response team missions. The  
22 Secretary shall appoint one representative from each of the following:

- 23 (1) The Division of North Carolina Emergency Management, who shall be the  
24 Director or Deputy Director of the North Carolina Division of Emergency  
25 Management and who shall serve as the chair.
- 26 (2) Each state ~~USAR-~~regional contract response team's Chief or Deputy Chief.
- 27 (3) The North Carolina Office of State Fire Marshal.
- 28 (4) The North Carolina Highway Patrol.
- 29 (5) The North Carolina National Guard.
- 30 (6) The North Carolina Association of Rescue and E.M.S., Inc.
- 31 (7) The North Carolina Association of Fire Chiefs.
- 32 (8) The North Carolina State Firefighters' Association.
- 33 (9) The North Carolina Emergency Management Association.

34 (b) The Advisory Committee shall meet on the call of the chair, or at the request of the  
35 Secretary, provided that the Committee shall meet no less than once every year. The  
36 Department of Public Safety shall provide space for the Advisory Committee to meet. The  
37 Department shall also provide the Advisory Committee with necessary support staff and  
38 supplies to enable the Committee to carry out its duties in an effective manner.

39 (c) Members of the Advisory Committee shall serve without pay, but shall receive  
40 travel allowance, lodging, subsistence, and per diem as provided by G.S. 138-5.

41 (d) The Contract Response Team Advisory Committee shall advise the Secretary on the  
42 establishment of the ~~Urban-State~~ Search and Rescue Program. The Committee shall also  
43 evaluate and advise the Secretary of the need for additional contract response teams to serve the  
44 State."  
45

46 **PART XVII. DEPARTMENT OF JUSTICE**

47  
48 **NO HIRING OF SWORN STAFF POSITIONS FOR NC STATE CRIME LAB**

49 **SECTION 17.1.** The Department of Justice shall not hire sworn personnel to fill  
50 vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be  
51 construed to require the termination of sworn personnel or to affect North Carolina State Crime

1 Laboratory personnel who are sworn and employed by the Laboratory as of the effective date  
2 of this section and who continue to meet the sworn status retention standards mandated by the  
3 North Carolina Criminal Justice Education and Standards Commission.  
4

5 **PED TO STUDY ALLOCATION OF ATTORNEYS BETWEEN THE ATTORNEY**  
6 **GENERAL'S OFFICE AND DEPARTMENTS**

7 **SECTION 17.3.** The Joint Legislative Program Evaluation Oversight Committee  
8 shall revise the biennial 2017-2018 work plan for the Program Evaluation Division to include  
9 an evaluation of the allocation of attorneys in State Government, including the use of general  
10 counsel within State agencies, the use of private attorneys, and the use of attorneys in the  
11 Department of Justice. The Program Evaluation Division shall submit its evaluation to the Joint  
12 Legislative Program Evaluation Oversight Committee and to the chairs of the Joint Legislative  
13 Oversight Committee on Justice and Public Safety no later than March 1, 2018.  
14

15 **SAMARCAND AS VENUE FOR SPECIALIZED INSTRUCTOR TRAINING**

16 **SECTION 17.6.** The Criminal Justice Education and Training Standards  
17 Commission shall authorize specialized instructor training courses offered by authorized  
18 instructors at the Samarcand Training Academy, and the Samarcand Training Academy is a  
19 permissible venue for such courses. The courses shall be limited to those that are certified by  
20 the North Carolina Criminal Justice Training and Standards Division and identified in the  
21 North Carolina Administrative Code under Title 12, Chapter 09, subchapter B, Section .0200.  
22 The courses shall include, but are not limited to, the following:

- 23 (1) 12 NCAC 09B .0226 – Specialized Firearms Instructor Training (Range).
- 24 (2) 12 NCAC 09B .0227 – Specialized Driver Instructor Training (Driving  
25 Track).
- 26 (3) 12 NCAC 09B .0232 – Specialized Subject Control Arrest Techniques  
27 Instructor Training (Mat Rooms).
- 28 (4) 12 NCAC 09B .0233 – Specialized Physical Fitness Instructor Training (Mat  
29 Rooms).
- 30 (5) 12 NCAC 09B .0417 – Specialized Explosives and Hazardous Materials  
31 Instructor Training.  
32

33 **SEXUAL ASSAULT EVIDENCE COLLECTION KITS**

34 **SECTION 17.7.** Article 13 of Chapter 15A of the General Statutes is amended by  
35 adding a new section to read:

36 **"§ 15A-270.10. Inventory and report of Sexual Assault Evidence Collection Kits.**

37 (a) Local Law Enforcement. – Each local law enforcement agency shall conduct an  
38 inventory of Sexual Assault Evidence Collection Kits (SAECKs) in its custody or control and  
39 report its findings to the Department of Justice, State Crime Laboratory, no later than January  
40 1, 2018. The State Crime Laboratory shall compile the information and report its findings to the  
41 Joint Legislative Oversight Committee on Justice and Public Safety no later than April 1, 2018.  
42 The inventory report from each local law enforcement agency shall include all of the following:

- 43 (1) The total number of SAECKs in its custody or control that have not  
44 previously undergone forensic testing.
- 45 (2) Of the total number of SAECKs in its custody or control, the number that:
  - 46 a. Are anonymous. For purposes of this section, the term "anonymous"  
47 means the identity of the victim of sexual assault is not associated  
48 with the SAECK because the victim has not reported the assault to  
49 law enforcement.
  - 50 b. Represent a case that has been resolved in court, whether by  
51 conviction, dismissal, or another manner.

- 1                   c.     Were not submitted for forensic testing because the suspect admitted  
2                             to the sexual act in question.  
3                   d.     Were not submitted for forensic testing because the allegations were  
4                             determined to be unfounded as a result of further investigation."  
5

## 6     **PART XVIII. JUDICIAL DEPARTMENT**

### 7 8     **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

#### 9 10    **IDS MATCH FOR GRANTS**

11                   **SECTION 18A.1.** Notwithstanding G.S. 143C-6-9, during the 2017-2019 fiscal  
12    biennium, Indigent Defense Services may use the sum of up to fifty thousand dollars (\$50,000)  
13    from funds available to provide the State matching funds needed to receive grant funds. Prior to  
14    using funds for this purpose, Indigent Defense Services shall report to the chairs of the House  
15    of Representatives Appropriations Committee on Justice and Public Safety and the Senate  
16    Appropriations Committee on Justice and Public Safety on the grants to be matched using these  
17    funds.  
18

#### 19    **STANDARDS FOR INDIGENCY**

20                   **SECTION 18A.3.** The Administrative Office of the Courts, in conjunction with  
21    Indigent Defense Services, shall study and develop specific statewide standards for determining  
22    indigency for defendants. The study shall include a review of the practices of other states  
23    regarding determination of indigency, analysis of the cost-effectiveness of alternatives to the  
24    status quo, and implementation plans for the standards agreed upon. The standards may take  
25    local expenses and cost-of-living into account. The implementation plans should include  
26    procedures for auditing future indigency determinations to ensure that the new standards are  
27    working as intended. The Administrative Office of the Courts and Indigent Defense Services  
28    shall issue a report to the chairs of the Joint Legislative Oversight Committee on Justice and  
29    Public Safety by February 1, 2018.  
30

### 31    **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

#### 32 33    **COLLECTION OF WORTHLESS CHECKS**

34                   **SECTION 18B.1.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial  
35    Department may use any balance remaining in the Collection of Worthless Checks Fund on  
36    June 30, 2017, for the purchase or repair of office or information technology equipment during  
37    the 2017-2018 fiscal year and may use any balance remaining in the Collection of Worthless  
38    Checks Fund on June 30, 2018, for the purchase or repair of office or information technology  
39    equipment during the 2018-2019 fiscal year. Prior to using any funds under this section, the  
40    Judicial Department shall report to the chairs of the House of Representatives and Senate  
41    Appropriations Committees on Justice and Public Safety and the Office of State Budget and  
42    Management on the equipment to be purchased or repaired and the reasons for the purchases.  
43

#### 44    **GRANT FUNDS**

45                   **SECTION 18B.2.** Notwithstanding G.S. 143C-6-9, the Administrative Office of  
46    the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) in  
47    each year of the 2017-2019 fiscal biennium from funds available to the Department to provide  
48    the State match needed in order to receive grant funds. Prior to using funds for this purpose, the  
49    Department shall submit a report to the chairs of the House of Representatives Appropriations  
50    Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice  
51    and Public Safety on the grants to be matched using these funds.

**THIRD-PARTY ACCESS TO COURT RECORDS ANNUAL REPORT**

**SECTION 18B.3.(a)** G.S. 7A-109(e) reads as rewritten:

"§ 7A-109. **Record-keeping procedures.**

...

(e) If any contracts entered into under ~~G.S. 7A-109(d)~~ subsection (d) of this section are in effect during any calendar year, the Director of the Administrative Office of the Courts shall submit to the ~~Joint Legislative Commission on Governmental Operations~~ House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety not later than February 1 of the following year a report on all those contracts."

**SECTION 18B.3.(b)** This section is effective when it becomes law.

**BUSINESS COURT REPORTS**

**SECTION 18B.4.(a)** G.S. 7A-45.5 is repealed.

**SECTION 18B.4.(b)** G.S. 7A-343(8a) reads as rewritten:

"(8a) Prepare and submit a semiannual report on the activities of each North Carolina business court site to the Chief ~~Justice~~ Justice, the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety, the chairs of the of the Joint Legislative Oversight Committee on Justice and Public Safety, and to each member all other members of the General Assembly on February 1 and August 1. The semiannual report required under this subdivision shall be separate from the report required under subdivision (8) of this section and shall include the total number of civil cases pending in each business court site over three years after being designated as a mandatory complex business case, motions pending over six months after being filed, and civil cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court. report shall include the following information for each business court site:

- a. The number of new, closed, and pending cases for the previous three years.
- b. The average age of pending cases.
- c. The number of motions pending over six months after being filed.
- d. The number of cases in which bench trials have been concluded for over six months without entry of judgment, including any accompanying explanation provided by the Business Court.

The August 1 report shall include an accounting of all business court activities for the previous fiscal year, including the itemized annual expenditures."

**SECTION 18B.4.(c)** This section is effective when it becomes law.

**DIGITAL FORENSICS INCLUDED IN COURT COSTS**

**SECTION 18B.5.(a)** G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs



1 assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8),  
2 (8a), (11), (12), or (13) of this section.

3 ...  
4 (9a) For the services of the North Carolina State Crime Laboratory facilities, the  
5 district or superior court judge shall, upon conviction, order payment of the  
6 sum of six hundred dollars (\$600.00) to be remitted to the Department of  
7 Justice to be used for laboratory purposes. This cost shall be assessed only in  
8 cases in which, as part of the investigation leading to the defendant's  
9 conviction, the laboratories have performed digital forensics, including the  
10 seizure, forensic imaging, and acquisition and analysis of digital media.

11 (9b) For the services of any crime laboratory facility operated by a local  
12 government or group of local governments, the district or superior court  
13 judge shall, upon conviction, order payment of the sum of six hundred  
14 dollars (\$600.00) to be remitted to the general fund of the local law  
15 enforcement unit to be used for laboratory purposes. The cost shall be  
16 assessed only in (i) cases in which, as part of the investigation leading to the  
17 defendant's conviction, the laboratory has performed digital forensics,  
18 including the seizure, forensic imaging, and acquisition and analysis of  
19 digital media, and (ii) if the court finds that the work performed at the local  
20 government's laboratory is the equivalent of the same kind of work  
21 performed by the North Carolina State Crime Laboratory under subdivision  
22 (9a) of this subsection.

23 ...  
24 (11) For the services of an expert witness employed by the North Carolina State  
25 Crime Laboratory who completes a chemical analysis pursuant to ~~G.S.~~  
26 ~~20-139.1~~ or a G.S. 20-139.1, a forensic analysis pursuant to ~~G.S.~~  
27 ~~8-58.20~~ G.S. 8-58.20, or a digital forensics analysis and provides testimony  
28 about that analysis in a defendant's trial, the district or superior court judge  
29 shall, upon conviction of the defendant, order payment of the sum of six  
30 hundred dollars (\$600.00) to be remitted to the Department of Justice for  
31 support of the State Crime Laboratory. This cost shall be assessed only in  
32 cases in which the expert witness provides testimony about the chemical or  
33 forensic analysis in the defendant's trial and shall be in addition to any cost  
34 assessed under subdivision (7) or (9a) of this subsection.

35 (12) For the services of an expert witness employed by a crime laboratory  
36 operated by a local government or group of local governments who  
37 completes a chemical analysis pursuant to ~~G.S. 20-139.1~~ or a G.S. 20-139.1,  
38 a forensic analysis pursuant to ~~G.S. 8-58.20~~ G.S. 8-58.20, or a digital  
39 forensics analysis and provides testimony about that analysis in a defendant's  
40 trial, the district or superior court judge shall, upon conviction of the  
41 defendant, order payment of the sum of six hundred dollars (\$600.00) to be  
42 remitted to the general fund of the local governmental unit that operates the  
43 laboratory to be used for ~~the local law enforcement~~ enforcement laboratory.  
44 This cost shall be assessed only in cases in which the expert witness  
45 provides testimony about the chemical or forensic analysis in the defendant's  
46 trial and shall be in addition to any cost assessed under subdivision (8) or  
47 (9b) of this subsection.

48 ...."

49 **SECTION 18B.5.(b)** This section is effective when it becomes law.

1           **SECTION 18B.8.** Notwithstanding G.S. 7A-10(a), in honor of the court's  
 2 bicentennial celebration, the court may, by rule, hold sessions in any location across the State.  
 3 This section only applies to the calendar years 2018 through 2020.  
 4

5 **ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS**

6           **SECTION 18B.9.(a)** G.S. 7A-60(a1) reads as rewritten:

7           "(a1) The counties of the State are organized into prosecutorial districts, and each district  
 8 has the counties and the number of full-time assistant district attorneys set forth in the  
 9 following table:

10			No. of Full-Time
11	Prosecutorial		Asst. District
12	District	Counties	Attorneys
13	1	Camden, Chowan, Currituck,	11
14		Dare, Gates, Pasquotank,	
15		Perquimans	
16	2	Beaufort, Hyde, Martin,	8
17		Tyrrell, Washington	
18	3A	Pitt	<del>11</del> <u>12</u>
19	3B	Carteret, Craven, Pamlico	<del>12</del> <u>13</u>
20	4	Duplin, Jones, Onslow,	<del>18</del> <u>20</u>
21		Sampson	
22	5	New Hanover, Pender	<del>18</del> <u>20</u>
23	6	Bertie, Halifax, Hertford,	<del>10</del> <u>11</u>
24		Northampton	
25	7	Edgecombe, Nash, Wilson	<del>18</del> <u>19</u>
26	8	Greene, Lenoir, Wayne	14
27	9	Franklin, Granville,	<del>10</del> <u>11</u>
28		Vance, Warren	
29	9A	Person, Caswell	6
30	10	Wake	<del>41</del> <u>42</u>
31	11A	Harnett, Lee	<del>9</del> <u>12</u>
32	11B	Johnston	10
33	12	Cumberland	<del>23</del> <u>25</u>
34	13	Bladen, Brunswick, Columbus	<del>13</del> <u>14</u>
35	14	Durham	18
36	15A	Alamance	11
37	15B	Orange, Chatham	10
38	16A	Scotland, Hoke	7
39	16B	Robeson	12
40	16C	Anson, Richmond	6
41	17A	Rockingham	7
42	17B	Stokes, Surry	8
43	18	Guilford	<del>32</del> <u>35</u>
44	19A	Cabarrus	9
45	19B	Montgomery, Randolph	<del>9</del> <u>10</u>
46	19C	Rowan	8
47	19D	Moore	<del>5</del> <u>6</u>
48	20A	Stanly	5
49	20B	Union	<del>10</del> <u>11</u>
50	21	Forsyth	<del>25</del> <u>26</u>
51	22A	Alexander, Iredell	<del>11</del> <u>12</u>

1	22B	Davidson, Davie	<del>112</del>
2	23	Alleghany, Ashe, Wilkes,	<del>89</del>
3		Yadkin	
4	24	Avery, Madison, Mitchell,	<del>78</del>
5		Watauga, Yancey	
6	25	Burke, Caldwell, Catawba	<del>1821</del>
7	26	Mecklenburg	<del>58</del>
8	27A	Gaston	<del>1416</del>
9	27B	Cleveland, Lincoln	<del>112</del>
10	28	Buncombe	<del>14</del>
11	29A	McDowell, Rutherford	<del>78</del>
12	29B	Henderson, Polk, Transylvania	<del>89</del>
13	30	Cherokee, Clay, Graham,	<del>1012</del>
14		Haywood, Jackson, Macon,	
15		Swain."	

**SECTION 18B.9.(b)** G.S. 7A-60(a2) is repealed.

**SECTION 18B.9.(c)** G.S. 7A-63 reads as rewritten:

**"§ 7A-63. Assistant district attorneys.**

Each district attorney shall be entitled to the number of full-time assistant district attorneys set out in this ~~Subchapter, such number to be developed by the General Assembly after consulting the workload formula established through the National Center for State Courts,~~ Subchapter to be appointed by the district attorney, to serve at the district attorney's pleasure. A vacancy in the office of assistant district attorney shall be filled in the same manner as the initial appointment. An assistant district attorney shall take the same oath of office as the district attorney, and shall perform such duties as may be assigned by the district attorney. The district attorney shall devote full time to the duties of the office and shall not engage in the private practice of law during his or her term."

**SECTION 18B.9.(d)** This section is effective when it becomes law.

**ELIMINATE ACCESS TO CIVIL JUSTICE FUNDS**

**SECTION 18B.10.(a)** G.S. 7A-304(a) reads as rewritten:

**"§ 7A-304. Costs in criminal actions.**

(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

...  
 (4) For support of the General Court of Justice, the sum of one hundred forty-seven dollars and fifty cents (\$147.50) in the district court, including cases before a magistrate, and the sum of one hundred fifty-four dollars and fifty cents (\$154.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of ~~one dollar and fifty cents (\$1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and~~ ninety-five cents (\$.95) of each fee collected under this

subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

...."

**SECTION 18B.10.(b)** G.S. 7A-305(a) reads as rewritten:

**"§ 7A-305. Costs in civil actions.**

(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

(2) For support of the General Court of Justice, the sum of one hundred eighty dollars (\$180.00) in the superior court and the sum of one hundred thirty dollars (\$130.00) in the district court except that if the case is assigned to a magistrate the sum shall be eighty dollars (\$80.00). If a case is designated as a mandatory complex business case under G.S. 7A-45.4, upon assignment to a Business Court Judge, the party filing the designation shall pay an additional one thousand one hundred dollars (\$1,100) for support of the General Court of Justice. If a case is designated as a complex business case under Rule 2.1 and Rule 2.2 of the General Rules of Practice for the Superior and District Courts, upon assignment to a Business Court Judge, the plaintiff shall pay an additional one thousand one hundred dollars (\$1,100) for support of the General Court of Justice. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of ~~one dollar and fifty cents (\$1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and~~ ninety-five cents (\$.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

**SECTION 18B.10.(c)** Article 37A of Chapter 7A of the General Statutes is repealed.

**SECTION 18B.10.(d)** This section is effective when it becomes law.

**MODIFY EMERGENCY RECALL JUDGES**

**SECTION 18B.11.(a)** G.S. 7A-45.2 reads as rewritten:

**"§ 7A-45.2. Emergency special judges of the superior court; qualifications, appointment, removal, and authority.**

- (a) Any justice or judge of the appellate division of the General Court of Justice who:
- (1) Retires under the provisions of the Consolidated Judicial Retirement Act, Article 4 of Chapter 135 of the General Statutes, or who is eligible to receive a retirement allowance under that act;
  - (2) Has not reached the mandatory retirement age specified in G.S. 7A-4.20;
  - (3) Has served at least five years as a superior court judge or five years as a justice or judge of the appellate division of the General Court of Justice, or any combination thereof, whether or not eligible to serve as an emergency justice or judge of the appellate division of the General Court of Justice; and
  - (4) Whose judicial service ended within the preceding 10 years; may apply to the Governor for appointment as an emergency special superior court judge in the same manner as is provided for application as an emergency superior court judge in G.S. 7A-53. If the Governor is satisfied that the applicant meets the requirements of this section and is physically and mentally able to perform the duties of a superior court judge, the Governor shall issue a commission appointing the applicant as an emergency special superior court

- 1 judge until the applicant reaches the mandatory retirement age for superior  
2 court judges specified in G.S. 7A-4.20.
- 3 (b) Any emergency special superior court judge appointed as provided in this section  
4 shall:
- 5 (1) Have the same powers and duties, when duly assigned to hold court, as  
6 provided for an emergency superior court judge by G.S. 7A-48;
  - 7 (2) Be subject to assignment in the same manner as provided for an emergency  
8 superior court judge by ~~G.S. 7A-46~~;G.S. 7A-46 and G.S. 7A-52(a);
  - 9 (3) Receive the same compensation, expenses, and allowances, when assigned  
10 to hold court, as an emergency superior court judge as provided by  
11 G.S. 7A-52(b);
  - 12 (4) Be subject to the provisions and requirements of the Canons of Judicial  
13 Conduct; and
  - 14 (5) Not engage in the practice of law during any period for which the emergency  
15 special superior court judgeship is commissioned. However, this  
16 subdivision shall not be construed to prohibit an emergency special superior  
17 court judge appointed pursuant to this section from serving as a referee,  
18 arbitrator, or mediator, during service as an emergency special superior court  
19 judge when the service does not conflict with or interfere with the  
20 emergency special superior court judge's judicial service in emergency  
21 status.
- 22 (c) Upon reaching mandatory retirement age for superior court judges as set forth in  
23 G.S. 7A-4.20, any emergency special superior court judge appointed pursuant to this section,  
24 whose commission has expired, may be recalled as a recalled emergency special superior court  
25 judge to preside over any regular or special session of the superior court under the following  
26 circumstances:
- 27 (1) The judge shall consent to the recall;
  - 28 (2) The Chief Justice may order the recall;
  - 29 (3) Prior to ordering recall, the Chief Justice shall be satisfied that the recalled  
30 judge is capable of efficiently and promptly discharging the duties of the  
31 office to which recalled;
  - 32 (4) Jurisdiction of a recalled emergency special superior court judge is as set  
33 forth in G.S. 7A-48;
  - 34 (5) Orders of recall and assignment shall be in writing and entered upon the  
35 minutes of the court to which assigned; and
  - 36 (6) Compensation, expenses, and allowances of recalled emergency special  
37 superior court judges are the same as for recalled emergency superior court  
38 judges under G.S. 7A-52(b).
  - 39 (7) The emergency special superior court judge is listed as active on the list  
40 described in G.S. 7A-52(a).
- 41 (d) Any former justice or judge of the appellate division of the General Court of Justice  
42 who otherwise meets the requirements of subsection (a) of this section to be appointed an  
43 emergency special superior court judge but has already reached the mandatory retirement age  
44 for superior court judges set forth in G.S. 7A-4.20 on retirement may, in lieu of serving as an  
45 emergency judge of the court from which he retired, apply to the Governor to be appointed as  
46 an emergency special superior court judge as provided in this section. If the Governor issues a  
47 commission to the applicant, the retired justice or judge is subject to recall as an emergency  
48 special superior court judge as provided in subsection (c) of this section.
- 49 (e) No justice or judge appointed as an emergency special superior court judge or  
50 subject to recall as provided in this section shall, during the period so appointed or subject to

1 recall, contemporaneously serve as an emergency justice or judge of the appellate division of  
2 the General Court of Justice."

3 **SECTION 18B.11.(b)** G.S. 7A-52 reads as rewritten:

4 "**§ 7A-52. Retired district and superior court judges may become emergency judges**  
5 **subject to recall to active service; compensation for emergency judges on recall.**

6 (a) Judges of the district court and judges of the superior court who have not reached  
7 the mandatory retirement age specified in G.S. 7A-4.20, but who have retired under the  
8 provisions of G.S. 7A-51, or under the Uniform Judicial Retirement Act after having completed  
9 five years of creditable service, may apply as provided in G.S. 7A-53 to become emergency  
10 judges of the court from which they retired. From the commissioned emergency district,  
11 superior, and special superior court judges, the Chief Justice of the Supreme Court shall create  
12 two lists of active emergency judges and two lists of inactive emergency judges. For  
13 emergency superior and special superior court judges, the active list shall be limited to a  
14 combined total of 15 emergency judges; all other emergency superior and special superior court  
15 judges shall be on an inactive list. For emergency district court judges, the active list shall be  
16 limited to 35 emergency judges; all other emergency district court judges shall be on an  
17 inactive list. There is no limit to the number of emergency judges on either inactive list. In the  
18 Chief Justice's discretion, emergency judges may be added or removed from their respective  
19 active and inactive lists, as long as the respective numerical limits on the active lists are  
20 observed. The Chief Justice is requested to consider geographical distribution in assigning  
21 emergency judges to an active list but may utilize any factor in determining which emergency  
22 judges are assigned to an active list. The Chief Justice of the Supreme Court may order any  
23 emergency district, superior, or special superior court judge on an active list judge of the  
24 district or superior court who, in his opinion, is competent to perform the duties of a judge of  
25 the court from which such judge retired to hold regular or special sessions of the court from  
26 which the judge retired such court, as needed. Order of assignment shall be in writing and  
27 entered upon the minutes of the court to which such emergency judge is assigned.

28 (a1) An emergency judge of the superior court may be recalled to active service by the  
29 Chief Justice and assigned to hear and decide complex business cases if, at the time of the  
30 judge's retirement, all of the following conditions are met:

- 31 (1) The judge is a special superior court judge who is retiring from a term to  
32 which the judge was appointed pursuant to G.S. 7A-45.1.
- 33 (2) The judge is retiring from a term for which the judge was assigned by the  
34 Chief Justice to hear and decide complex business cases as a business court  
35 judge pursuant to G.S. 7A-45.3.
- 36 (3) The judge's nomination to serve a successive term in the same office is  
37 pending before the General Assembly, or was not acted upon by the General  
38 Assembly prior to adjournment sine die.
- 39 (4) If confirmed and appointed to the successive term of office for which  
40 nominated, the judge would reach mandatory retirement age before  
41 completing that term of office.

42 An emergency judge assigned to hear and decide complex business cases pursuant to this  
43 subsection shall be designated by the Chief Justice as a senior business court judge and shall be  
44 eligible to serve in that capacity for five years from the issuance date of the judge's commission  
45 under G.S. 7A-53 or until the judge's commission expires, whichever occurs first. Order of  
46 assignment shall be in writing and entered upon the minutes of the court to which such  
47 emergency judge is assigned. An emergency judge assigned to hear and decide complex  
48 business cases shall not be counted in the combined total of active emergency superior and  
49 special superior court judges described in subsection (a) of this section.

50 (b) In addition to the compensation or retirement allowance the judge would otherwise  
51 be entitled to receive by law, each emergency judge of the district or superior court who is

1 assigned to temporary active service by the Chief Justice shall be paid by the State the judge's  
2 actual mileage and any necessary lodging and meal expenses, plus four hundred dollars  
3 (\$400.00) for each day of active service rendered upon recall, and each emergency judge  
4 designated as a senior business court judge pursuant to subsection (a1) of this section shall be  
5 paid by the State the judge's actual expenses, plus five hundred dollars (\$500.00) for each day  
6 of active service rendered upon recall as a senior business court judge. No day of active service  
7 rendered by an emergency judge pursuant to assignment under subsection (a) of this section  
8 shall overlap with a day of active service rendered pursuant to assignment under subsection  
9 (a1) of this section. No recalled retired trial judge shall receive from the State total annual  
10 compensation for judicial services in excess of that received by an active judge of the bench to  
11 which the judge is recalled. Emergency judges on an inactive list shall not receive  
12 reimbursement for continuing legal or judicial education."

13 **SECTION 18B.11.(c)** G.S. 7A-57 reads as rewritten:

14 "**§ 7A-57. Recall of active and emergency trial judges who have reached mandatory**  
15 **retirement age.**

16 Superior and district court judges retired because they have reached the mandatory  
17 retirement age, and emergency superior and district court judges whose commissions have  
18 expired because they have reached the mandatory retirement age, may be recalled to preside  
19 over regular or special sessions of the court from which retired under the following  
20 circumstances:

- 21 (1) The judge must consent to the recall.
- 22 (2) The Chief Justice is authorized to order the recall.
- 23 (3) Prior to ordering recall, the Chief Justice shall be satisfied that the judge is  
24 capable of efficiently and promptly discharging the duties of the office to  
25 which recalled.
- 26 (4) Jurisdiction of a recalled retired superior court judge is as set forth in  
27 G.S. 7A-48, and jurisdiction of a recalled retired district court judge is as set  
28 forth in G.S. 7A-53.1.
- 29 (5) Orders of recall and assignment shall be in writing and entered upon the  
30 minutes of the court to which assigned.
- 31 (6) Compensation of recalled retired trial judges is the same as for recalled  
32 emergency trial judges under G.S. 7A-52(b).
- 33 (7) Recalled emergency judges who served as a senior business court judge and  
34 whose commission expired upon reaching the mandatory retirement age may  
35 be recalled by the Chief Justice and assigned to hear and decide complex  
36 business cases as a senior business court judge for up to five years from the  
37 issuance date of their commission under G.S. 7A-53.
- 38 (8) The emergency judge is listed as active on the list described in  
39 G.S. 7A-52(a). This does not apply to an emergency judge who qualifies  
40 under subdivision (7) of this section."

41 **SECTION 18B.11.(d)** The Administrative Office of the Courts shall report  
42 annually to the Joint Legislative Oversight Committee on Justice and Public Safety by August 1  
43 on the preceding fiscal year's activities. The report shall include:

- 44 (1) An updated list of all active superior court and district court emergency  
45 judges.
- 46 (2) A list of all cases where an emergency court judge was assigned, including  
47 what districts the cases were located in and the reason for the assignment.
- 48 (3) A list of all expenses broken down by the daily fee for emergency judges,  
49 travel for service to assignment, and travel for continuing judicial education.
- 50 (4) A list of on-bench time for all emergency judges.

51 **SECTION 18B.11.(e)** This section is effective when it becomes law.

**MAGISTRATE/CLERK STAFFING PILOT PROJECT**

**SECTION 18B.12.** Notwithstanding the minimum staffing number in G.S. 7A-133(c), the clerk of superior court in a county, with the written or e-mailed consent of the chief district court judge, may hire one deputy or assistant clerk in lieu of one of the magistrate positions allocated to that county. To provide accessibility for law enforcement and citizens, the clerk of superior court's office will provide some of the services traditionally provided by the magistrates' office during some or all of the regular courthouse hours. The Administrative Office of the Courts shall report on the results of the pilot project by October 1, 2018, to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall include the counties participating, a summary of the magisterial tasks assumed by clerks, the estimated cost savings, and recommendations for future expansion.

**PART XIX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS****MILITARY AFFAIRS COMMISSION**

**SECTION 19.1.(a)** Section 24.1(a) of S.L. 2015-241 reads as rewritten:

**"SECTION 24.1.(a)** The Department of Military and Veterans Affairs is established as a new executive department. All functions, powers, duties, and obligations vested in the following agencies are transferred to, vested in, and consolidated within the Department of Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:

- (1) The following components of the Department of Administration:
  - a. The Veterans' Affairs Commission.
  - b. The Governor's Jobs for Veterans Committee.
  - c. The Division of Veterans Affairs.
- (2) ~~The North Carolina Military Affairs Commission in the Office of the Governor."~~

**SECTION 19.1.(b)** G.S. 143B-1310 reads as rewritten:

**"§ 143B-1310. Commission established; purpose; transaction of business.**

(a) Establishment. – There is established the North Carolina Military Affairs Commission. The Commission shall be ~~established within~~ assigned to the Department of Military and Veterans Affairs. Affairs solely for purposes of G.S. 143B-14(a). As authorized by G.S. 143B-14(b), the Commission shall exercise all its powers, duties, and functions independently. Notwithstanding G.S. 143B-14(d), the Secretary of Military and Veterans Affairs shall not perform any of the Commission's management functions. Consistent with G.S. 143B-14(a), the Department of Military and Veterans Affairs shall provide the following administrative services to the Commission:

- (1) Noticing and providing space for meetings of the Commission and its committees.
- (2) Taking minutes of the Commission's meetings.
- (3) Reimbursing per diem, subsistence, and travel expenses pursuant to G.S. 143B-1311(h).
- (4) Serving as a liaison among the committees of the Commission.
- (5) Any other administrative services requested by the Commission.

(b) Purpose. – The Commission shall provide advice, counsel, and recommendations to the General Assembly, the Secretary of Military and Veterans Affairs, and other State agencies on initiatives, programs, and legislation that will continue and increase the role that North Carolina's military installations, the National Guard, and Reserves play in America's defense strategy and the economic health and vitality of the State. The Commission is authorized to do all of the following, ~~as delegated by the Secretary of Military and Veterans Affairs:~~ following:

...."



1           **SECTION 19.1.(c)** G.S. 143B-1211 reads as rewritten:

2   "**§ 143B-1211. Powers and duties of the Department of Military and Veterans Affairs.**

3       It shall be the duty of the Department of Military and Veterans Affairs to do all of the  
4 following:

5       ...

6       (12) Provide administrative, organizational, and funding support to ~~the NC~~  
7 ~~Military Affairs Commission~~ and the Governor's Working Group for  
8 Veterans.

9       (12a) Provide administrative services to the North Carolina Military Affairs  
10 Commission pursuant to G.S. 143B-1310(a).

11       ...."

12           **SECTION 19.1(d)** G.S. 143B-1217 reads as rewritten:

13   "**§ 143B-1217. Military Presence Stabilization Fund.**

14       The Military Presence Stabilization Fund is established as a special fund in the Department  
15 of Military and Veterans Affairs. Funds in the Military Presence Stabilization Fund shall be  
16 used to fund actions designed to make the State less vulnerable to closure pursuant to federal  
17 Base Realignment and Closure and related initiatives. The Secretary of Military and Veterans  
18 ~~Affairs may~~Affairs, in consultation with the North Carolina Military Affairs Commission, shall  
19 allocate funds in the Fund for this purpose."

20           **SECTION 19.1.(e)** Notwithstanding G.S. 143B-1214 and G.S. 143B-1217, the  
21 funds appropriated in this act to the Military Presence Stabilization Fund for the 2017-2018  
22 fiscal year may be used for the following purposes:

- 23       (1) Up to the sum of two hundred thousand dollars (\$200,000) may be used to  
24 provide grants to local communities or military installations. These funds  
25 shall only be used for actual project expenses and shall not be used to pay  
26 for lobbying the North Carolina General Assembly, salaries, travel, or other  
27 administrative costs. The North Carolina Military Affairs Commission shall  
28 establish the guidelines for applying for these grants.
- 29       (2) Administrative expenses and reimbursements for members of the North  
30 Carolina Military Affairs Commission.
- 31       (3) Federal advocacy and lobbying support.
- 32       (4) Updates to strategic planning analysis and strategic plan.
- 33       (5) Economic impact analyses.
- 34       (6) Public-public/public-private (P4) initiatives.
- 35       (7) Identification and implementation of innovated measures to increase the  
36 military value of installations.
- 37       (8) Fully fund the position at the North Carolina Economic Development  
38 Center.

## 39   **SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS**

40           **SECTION 19.2.(a)** G.S. 143B-1224 reads as rewritten:

41   "**§ 143B-1224. Definitions.**

42       As used in this Part the terms defined in this section shall have the following meaning:

43       ...

- 44       (7) "Veteran" means a person who served as a member of the Armed Forces in  
45 active federal service during a period of war and who was either separated  
46 from the Armed Forces under honorable conditions ~~other than~~  
47 ~~dishonorable~~ or who is currently serving in a second or subsequent  
48 enlistment. A person who was separated from the Armed Forces under  
49 honorable conditions ~~other than dishonorable~~ and whose death or disability  
50 was incurred (i) as a direct result of armed conflict or (ii) while engaged in  
51

1 extra-hazardous service, including such service under conditions simulating  
2 war, ~~shall also be deemed is also~~ a "veteran" and ~~such the~~ death or disability  
3 ~~shall be considered is~~ wartime service-connected."

4 **SECTION 19.2.(b)** G.S. 143B-1226 reads as rewritten:

5 "**§ 143B-1226. Classes or categories of eligibility under which scholarships may be**  
6 **awarded.**

7 (a) Scholarship Consideration. – A child, as defined in this Part, who falls within the  
8 provisions of any eligibility class described ~~below in subsection (b) of this section~~ shall, upon  
9 proper ~~application~~ application, be considered for a scholarship, subject to the provisions and  
10 limitations set forth for the class under which the child is ~~considered~~ considered. A child may  
11 be considered for a scholarship under more than one eligibility class as long as the child falls  
12 within the provisions, and is subject to the limitations, of each class for which the child is being  
13 considered. A child may be awarded only one scholarship as provided in G.S. 143B-1225(a)(3).

14 (b) Scholarship Eligibility Classes. –

15 (1) Class I-A: Under this class a scholarship shall be awarded to any child  
16 whose veteran parent

17 ...."

18 **SECTION 19.2.(c)** Of the funds appropriated in this act to the Department of  
19 Military and Veterans Affairs for the 2017-2019 fiscal biennium, the sum of one million four  
20 hundred thousand dollars (\$1,400,000) in recurring funds shall be used to increase the  
21 allowances for room and board at State educational institutions for all eligible classes or  
22 categories under which scholarships may be awarded under G.S. 143B-1226. These funds shall  
23 not be used to supplant any other funds and may only be used to increase the allowances for  
24 room and board at State educational institutions.

## 25 GRANT MANAGEMENT SYSTEM

26 **SECTION 19.3.** The Department of Military and Veterans Affairs shall coordinate  
27 with the Department of Information Technology to acquire a grant management system to  
28 facilitate the management of grant programs by monitoring the receiving, processing, and  
29 awarding of grants.  
30

## 31 PART XX. OFFICE OF ADMINISTRATIVE HEARINGS

### 32 OAH/LAWSUIT FUNDS

33 **SECTION 20.1.** The Department of Public Instruction shall transfer the sum of  
34 fifty thousand dollars (\$50,000) to the Office of Administrative Hearings to be allocated to the  
35 Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred  
36 in the defense of *North Carolina State Board of Education v. The State of North Carolina and*  
37 *The Rules Review Commission*, Wake County Superior Court, File No. 14 CVS 14791 (filed  
38 November 7, 2014). These funds shall not revert at the end of the 2017-2018 fiscal year but  
39 shall remain available during the 2018-2019 fiscal year for expenditure in accordance with the  
40 provisions of this section.  
41

## 42 PART XXI. TREASURER

### 43 ADD CERTAIN CANCERS AS OCCUPATIONAL DISEASES TO LINE-OF-DUTY 44 DEATH BENEFITS FOR FIREFIGHTERS

45 **SECTION 21.1.** G.S. 143-166.2(c) reads as rewritten:

46 "**§ 143-166.2. Definitions.**

47 ...  
48  
49  
50

1 (c) The term "killed in the line of duty" shall apply to any law-enforcement officer,  
2 firefighter, rescue squad worker who is killed or dies as a result of bodily injuries sustained or  
3 of extreme exercise or extreme activity experienced in the course and scope of his official  
4 duties while in the discharge of his official duty or duties. When applied to a senior member of  
5 the Civil Air Patrol as defined in this Article, "killed in the line of duty" shall mean any such  
6 senior member of the North Carolina Wing-Civil Air Patrol who is killed or dies as a result of  
7 bodily injuries sustained or of extreme exercise or extreme activity experienced in the course  
8 and scope of his official duties while engaged in a State requested and approved mission  
9 pursuant to Article 13 of Chapter 143B of the General Statutes. For purposes of this Article,  
10 when a law enforcement officer, firefighter, rescue squad worker, or senior Civil Air Patrol  
11 member dies as the direct and proximate result of a myocardial infarction suffered while on  
12 duty or within 24 hours after participating in a training exercise or responding to an emergency  
13 situation, the law enforcement officer, firefighter, rescue squad worker, or senior Civil Air  
14 Patrol member is presumed to have been killed in the line of duty. For the purposes of this  
15 Article, when a firefighter dies as a direct and proximate result of any of the following cancers  
16 that are occupationally related to firefighting, that firefighter is presumed to have been killed in  
17 the line of duty:

- 18 (1) Mesothelioma.
- 19 (2) Testicular cancer.
- 20 (3) Intestinal cancer.
- 21 (4) Rectal cancer.
- 22 (5) Oral cavity cancer.
- 23 (6) Multiple myeloma cancer."

## 24 25 **PART XXII. DEPARTMENT OF INSURANCE**

### 26 27 **INSURANCE REGULATORY CHARGE**

28 **SECTION 22.1.** The percentage rate to be used in calculating the insurance  
29 regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2018 calendar  
30 year.

### 31 32 **DEPARTMENT OF INSURANCE END SUPPORT OF EIGHT OFFICE OF STATE 33 CONSTRUCTION ENGINEER POSITIONS IN DEPARTMENT OF 34 ADMINISTRATION**

35 **SECTION 22.2.** Section 7 of S.L. 2009-474, as amended by Section 20.3 of S.L.  
36 2012-142, is repealed.

### 37 38 **ALLOW ADAPTIVE BEHAVIOR TREATMENT COVERED BY A HEALTH 39 BENEFIT PLAN TO BE PROVIDED OR SUPERVISED BY A BOARD CERTIFIED 40 BEHAVIOR ANALYST**

41 **SECTION 22.3.(a)** G.S. 58-3-192(a)(1) reads as rewritten:

#### 42 **"§ 58-3-192. Coverage for autism spectrum disorder.**

43 (a) As used in this section, the following definitions apply:

- 44 (1) Adaptive behavior treatment. – Behavioral and developmental interventions  
45 that systematically manage instructional and environmental factors or the  
46 consequences of behavior that have been shown to be clinically effective  
47 through research published in peer reviewed scientific journals and based  
48 upon randomized, quasi-experimental, or single subject designs. Both of the  
49 following requirements must be met:

- 50 a. The intervention must be necessary to (i) increase appropriate or  
51 adaptive behaviors, (ii) decrease maladaptive behaviors, or (iii)

1 develop, maintain, or restore, to the maximum extent practicable, the  
2 functioning of an individual.

3 b. The treatment must be ordered by a licensed physician or licensed  
4 psychologist and the treatment must be provided or supervised by  
5 one of the following ~~licensed~~-professionals, so long as the services or  
6 supervision provided is commensurate with the ~~licensed~~  
7 professional's training, experience, and scope of practice:

- 8 1. A licensed psychologist or psychological associate.
- 9 2. A licensed psychiatrist or developmental pediatrician.
- 10 3. A licensed speech and language pathologist.
- 11 4. A licensed occupational therapist.
- 12 5. A licensed clinical social worker.
- 13 6. A licensed professional counselor.
- 14 7. A licensed marriage and family therapist.
- 15 8. A board certified behavior analyst."

16 **SECTION 22.3.(b)** This section becomes effective July 1, 2017, and applies to  
17 insurance contracts issued, renewed, or amended on or after that date.

## 18 **ALLOW THE STATE FIRE MARSHAL TO INVESTIGATE ARSON**

19 **SECTION 22.4.(a)** G.S. 58-79-1 reads as rewritten:

20 "**§ 58-79-1. Fires investigated; reports; records.**

21 The Director of the State Bureau of Investigation, through the State Bureau of  
22 Investigation, the State Fire Marshal, and the chief of the fire department, or chief of police  
23 where there is no chief of the fire department, in municipalities and towns, and the county fire  
24 marshal and the sheriff of the county and the chief of the rural fire department where such fire  
25 occurs outside of a municipality, are hereby authorized to investigate the cause, origin, and  
26 circumstances of every fire occurring in such municipalities or counties in which property has  
27 been destroyed or damaged, and shall specially make investigation whether the fire was the  
28 result of carelessness or design. A preliminary investigation shall be made by the chief of fire  
29 department or chief of police, where there is no chief of fire department in municipalities, and  
30 by the county fire marshal and the sheriff of the county or the chief of the rural fire department  
31 where such fire occurs outside of a municipality, and must be begun within three days,  
32 exclusive of Sunday, of the occurrence of the fire, and the Director of the State Bureau of  
33 Investigation, through the State Bureau of Investigation, shall have the right to supervise and  
34 direct the investigation when he deems it expedient or necessary.

35 The officer making the investigation of fires shall forthwith notify the Director of the State  
36 Bureau of Investigation, and must within one week of the occurrence of the fire furnish to the  
37 Director of the State Bureau of Investigation a written statement of all facts relating to the  
38 cause and origin of the fire, the kind, value and ownership of the property destroyed, and such  
39 other information as is called for by the forms provided by the Director of the State Bureau of  
40 Investigation. Departments capable of submitting the required information by the utilization of  
41 computers and related equipment, by means of an approved format of standard punch cards,  
42 magnetic tapes or an approved telecommunications system, may do so in lieu of the submission  
43 of the written statement as provided for in this section. The Director of the State Bureau of  
44 Investigation shall keep in his office a record of all reports submitted pursuant to this section.  
45 These reports shall at all times be open to public inspection."

46 **SECTION 22.4.(b)** This section is effective when this act becomes law.

## 47 **PART XXIII. STATE BOARD OF ELECTIONS [RESERVED]**

## 48 **PART XXIV. GENERAL ASSEMBLY**

1  
2 **PED STUDY/MEASURABILITY ASSESSMENT OF DEPARTMENT OF**  
3 **ADMINISTRATION ADMINISTRATIVE ACTIVITIES AND PROGRAMS**

4 **SECTION 24.1.** The Program Evaluation Division (hereinafter "Division") is  
5 directed to conduct measurability assessments, as provided in Chapter 143E of the General  
6 Statutes, and efficiency evaluations of programs and administrative activities of the Department  
7 of Administration (hereinafter "Department") to improve Department accountability reporting  
8 and to recommend potential cost-savings. Prior to conducting measurability assessments and  
9 efficiency evaluations, the Division shall consult with the State Auditor, who shall recommend  
10 potential programs or potentially high-cost Department activities that, with changes, may  
11 produce cost-savings. Taking into account the recommendations of the State Auditor and the  
12 results of the measurability assessments, the Division may select a contractor through a  
13 noncompetitive bid process to assist the Division in identifying potential cost-savings. The  
14 State Auditor shall review draft findings and recommendations and shall provide a written  
15 response to be included in the Division's report. By March 30, 2018, the Division shall report  
16 its findings and recommendations to the Joint Legislative Program Evaluation Oversight  
17 Committee, Joint Legislative Education Oversight Committee, and Joint Legislative Oversight  
18 Committee on General Government and, upon request, to other committees.  
19

20 **STUDY RATES AND TRANSFERS/PUBLIC ENTERPRISES**

21 **SECTION 24.3.(a)** The General Assembly finds that the ability of a city or county  
22 to efficiently and effectively provide public enterprise services, particularly water and sewer  
23 services, is challenged by that local government opting to use revenues of the public enterprise  
24 for purposes other than:

- 25 (1) Paying the costs of operating the public enterprise.  
26 (2) Making debt service payments.  
27 (3) Investing in improvements to the infrastructure of that public enterprise.  
28 (4) Reimbursing the unit of local government for actual direct services provided  
29 to the public enterprise.

30 **SECTION 24.3.(b)** The General Assembly further finds that any excess net  
31 revenues should be used to lower rates, advance fund debt service, and fund infrastructure  
32 improvements of that public enterprise.

33 **SECTION 24.3.(c)** The Legislative Research Commission shall study the issues  
34 raised in this section and make recommendations to the General Assembly on:

- 35 (1) Fee and charge setting by units of local government in the operation of a  
36 water or sewer system, including collection rates of those fees and charges.  
37 (2) Proper accounting controls to ensure transparency in budgeting and  
38 accounting for expenditures and interfund transfers of public enterprise  
39 services by units of local government.  
40 (3) Legislation that may be necessary to ensure proper funding of infrastructure  
41 maintenance and improvements for the provision of water and sewer  
42 services, including whether regionalization could facilitate financially  
43 healthy systems with lower fees and charges to customers.  
44 (4) Legislation that may be necessary to ensure that units of local government  
45 monitor aging water and sewer infrastructure to ensure proper maintenance  
46 and repair, including how this responsibility impacts the financial health of  
47 the public enterprise.

48 **SECTION 24.3.(d)** In making the study provided by this section, the Legislative  
49 Research Commission shall consult with the Local Government Commission, the School of  
50 Government, the Department of Environmental Quality, the North Carolina League of  
51 Municipalities, the North Carolina County Commissioners Association, and others.

1           **SECTION 24.3.(e)** The Legislative Research Commission shall make an interim  
2 report to the 2017 Regular Session of the General Assembly prior to its reconvening in 2018  
3 and shall make a final report to the 2019 Regular Session of the General Assembly.

4           **SECTION 24.3.(f)** This section is effective when this act becomes law.

5  
6 **PART XXV. OFFICE OF THE GOVERNOR [RESERVED]**

7  
8 **PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT**

9  
10 **SYMPHONY CHALLENGE GRANT**

11           **SECTION 26.2.(a)** Of the funds appropriated in this act to the Office of State  
12 Budget and Management, Special Appropriations, the sum of two million dollars (\$2,000,000)  
13 in recurring funds for the 2017-2018 fiscal year and two million dollars (\$2,000,000) in  
14 recurring funds for the 2018-2019 fiscal year shall be allocated to the North Carolina  
15 Symphony in accordance with this section. It is the intent of the General Assembly that the  
16 North Carolina Symphony raise at least nine million dollars (\$9,000,000) in non-State funds  
17 each year of the 2017-2019 fiscal biennium. The North Carolina Symphony cannot use funds  
18 transferred from the organization's endowment to its operating budget to achieve the  
19 fund-raising targets set out in subsections (b) and (c) of this section.

20           **SECTION 26.2.(b)** For the 2017-2018 fiscal year, the North Carolina Symphony  
21 shall receive allocations from the Office of State Budget and Management as follows:

- 22           (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State  
23 funding, the North Carolina Symphony shall receive the sum of six hundred  
24 thousand dollars (\$600,000).  
25           (2) Upon raising an additional sum of two million dollars (\$2,000,000) in  
26 non-State funding for a total amount of six million dollars (\$6,000,000) in  
27 non-State funds, the North Carolina Symphony shall receive the sum of  
28 seven hundred thousand dollars (\$700,000).  
29           (3) Upon raising an additional sum of three million dollars (\$3,000,000) in  
30 non-State funding for a total amount of nine million dollars (\$9,000,000) in  
31 non-State funds, the North Carolina Symphony shall receive the final sum of  
32 seven hundred thousand dollars (\$700,000) in the 2017-2018 fiscal year.

33           **SECTION 26.2.(c)** For the 2018-2019 fiscal year, the North Carolina Symphony  
34 shall receive allocations from the Office of State Budget and Management as follows:

- 35           (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State  
36 funding, the North Carolina Symphony shall receive the sum of six hundred  
37 thousand dollars (\$600,000).  
38           (2) Upon raising an additional sum of two million dollars (\$2,000,000) in  
39 non-State funding for a total amount of six million dollars (\$6,000,000) in  
40 non-State funds, the North Carolina Symphony shall receive the sum of  
41 seven hundred thousand dollars (\$700,000).  
42           (3) Upon raising an additional sum of three million dollars (\$3,000,000) in  
43 non-State funding for a total amount of nine million dollars (\$9,000,000) in  
44 non-State funds, the North Carolina Symphony shall receive the final sum of  
45 seven hundred thousand dollars (\$700,000) in the 2018-2019 fiscal year.

46  
47 **RESULTS FIRST PROJECT**

48           **SECTION 26.3.(a)** The General Assembly finds and declares that a nationally  
49 recognized cost-benefit analysis model will allow the General Assembly to direct public  
50 resources to cost-effective programs that deliver the best outcomes for residents. The Office of  
51 State Budget and Management shall receive periodic updates that incorporate new research and

1 enhancements identified through work in participating states and practical technical assistance  
 2 to implement this cutting-edge approach for identifying policy and budget options. The General  
 3 Assembly also intends to provide necessary assistance for State agencies to align their  
 4 individual efforts and resources to achieve statewide priority outcomes.

5 **SECTION 26.3.(b)** The Office of State Budget and Management may consult and  
 6 work with staff from the Pew-MacArthur Results First Initiative to implement a cost-benefit  
 7 analysis model for use in crafting policy and budget decisions. The goal of the project is to  
 8 obtain a model that will help the State invest in policies and programs that can be shown to  
 9 work.

10 State agencies shall provide any information requested by the Office of State Budget  
 11 and management for purposes of implementing this project. Local government and non-State  
 12 entities that receive State funds may also be required to provide information to their funding  
 13 agency or to the Office of State Budget and Management for purposes of implementing this  
 14 project.

15 **SECTION 26.3.(c)** The Office of State Budget and Management shall file an  
 16 interim report with the Joint Legislative Commission on Governmental Operations, the Joint  
 17 Legislative Oversight Committee on General Government, and the Joint Legislative Program  
 18 Evaluation Oversight Committee by April 8, 2018, on progress in implementing the  
 19 cost-benefit analysis model and an annual report by October 1 of each year. The reports may  
 20 include recommendations for legislation.

#### 21 **OSBM INCLUDE EXISTING DOA POSITIONS IN BASE BUDGET**

22 **SECTION 26.4.** The Office of State Budget and Management shall include in the  
 23 Department of Administration's base budget for the 2019-2021 fiscal biennium on a recurring  
 24 basis the following existing positions in the Office of State Construction:

25 <u>Position</u>	<u>Title</u>
26 60013374	Engineer
27 60013375	Engineer
28 60089843	Engineer
29 60089845	Engineer
30 65009250	Engineering Technician
31 65009251	Engineering Technician
32 65009252	Engineering Technician
33 65009253	Engineering Technician

#### 34 **OSBM INCLUDE RECEIPT-SUPPORTED POSITIONS IN BASE BUDGET FOR** 35 **GENERAL ASSEMBLY**

36 **SECTION 26.5.** The Office of State Budget and Management shall include in the  
 37 base budget for the North Carolina General Assembly, Budget Code 11000, for the 2019-2021  
 38 fiscal biennium on a recurring basis the receipt-supported positions in fund codes 1120 and  
 39 1211.  
 40  
 41  
 42

#### 43 **PART XXVII. STATE AUDITOR [RESERVED]**

#### 44 **PART XXVIII. HOUSING FINANCE AGENCY**

#### 45 **HFA/WORKFORCE HOUSING LOAN PROGRAM ESTABLISHED**

46 **SECTION 28.1.** Chapter 122A of the General Statutes is amended by adding a new  
 47 section to read as follows:

48 **"§ 122A-5.15. Workforce Housing Loan Program.**  
 49  
 50

1       (a)    The North Carolina Housing Finance Agency shall establish and administer the  
2 Workforce Housing Loan Program for the purpose of making loans for qualified low-income  
3 housing development in the State. Funds appropriated to the North Carolina Housing Trust  
4 Fund for the Workforce Housing Loan Program shall be used by the Agency only as provided  
5 in this section.

6       (b)    The following definitions apply in this section:

7           (1)    Code. – As defined in G.S. 105-228.90.

8           (2)    Qualified North Carolina low-income housing development. – A qualified  
9 low-income project or building that is allocated a federal tax credit under  
10 section 42(h)(1) of the Code.

11          (3)    Qualified residential unit. – A housing unit that meets the requirements of  
12 section 42 of the Code.

13       (c)    A taxpayer allocated a federal low-income housing tax credit under section 42 of the  
14 Code to construct or substantially rehabilitate a qualified North Carolina low-income housing  
15 development is eligible for a loan under the Workforce Housing Loan Program if the taxpayer  
16 satisfies the loan criteria established by the Agency. The loan criteria shall support the  
17 financing of similar types of developments as provided in G.S. 105-129.42 and shall be  
18 developed in partnership with developers of low-income housing in the State who receive a  
19 federal low-income housing tax credit under section 42 of the Code. The Agency shall take into  
20 consideration all eligible sources of funding for each development project, including whether  
21 there are other eligible sources of funding available for the development project. No loan made  
22 to a taxpayer under this section shall exceed two million dollars (\$2,000,000) if the low-income  
23 housing development is located in a low-income county, as designated by the Agency; one  
24 million five hundred dollars (\$1,500,000) in a moderate-income county, as designated by the  
25 Agency; and two hundred fifty thousand dollars (\$250,000) in a high-income county, as  
26 designated by the Agency.

27       (d)    By February 1 of each year, the Agency shall report to the Joint Legislative  
28 Commission on Governmental Operations and the Fiscal Research Division on the number of  
29 loans made under this section, the amount of each loan, and whether the low-income housing  
30 development is located in a low-, moderate-, or high-income county, as designated by the  
31 Agency."

32  
33 **PART XXIX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]**

34  
35 **PART XXX. OFFICE OF LT. GOVERNOR [RESERVED]**

36  
37 **PART XXXI. DEPARTMENT OF ADMINISTRATION**

38  
39 **TRANSFER THE HUMAN RELATIONS COMMISSION**

40       **SECTION 31.1.(a)** The North Carolina Human Relations Commission is hereby  
41 transferred from the Department of Administration to the Civil Rights Division of the Office of  
42 Administrative Hearings. This transfer shall have all of the elements of a Type I transfer, as  
43 described in G.S. 143A-6.

44       **SECTION 31.1.(b)** The Office of State Budget and Management, the Office of  
45 Administrative Hearings, and the Department of Administration shall work together to identify  
46 unexpended and unencumbered funds from the 2016-2017 fiscal year to pay for one-time  
47 start-up costs, including office space retrofitting, directly associated with the transfer.

48       **SECTION 31.1.(c)** Article 60 of Chapter 7A of the General Statutes is amended by  
49 adding a new section, G.S. 7A-761, entitled "North Carolina Human Relations Commission,"  
50 and (i) G.S. 143B-391 is recodified as subsection (a) of G.S. 7A-761, and (ii) subsections (a)  
51 through (d) of G.S. 143B-392 are recodified as subsections (b) through (e) of G.S. 7A-761.



1           **SECTION 31.1.(d)** G.S. 7A-761, as enacted by subsection (c) of this section, reads  
2 as rewritten:

3 **"§ 7A-761. North Carolina Human Relations Commission.**

4           (a) There is hereby created the North Carolina Human Relations Commission of the  
5 ~~Department of Administration~~Civil Rights Division of the Office of Administrative Hearings.  
6 The North Carolina Human Relations Commission shall have the following functions and  
7 duties:

- 8           (1) To study problems concerning human relations;
- 9           (2) To promote equality of opportunity for all citizens;
- 10          (3) To promote understanding, respect, and goodwill among all citizens;
- 11          (4) To provide channels of communication among the races;
- 12          (5) To encourage the employment of qualified people without regard to race;
- 13          (6) To encourage youths to become better trained and qualified for employment;
- 14          (7) To receive on behalf of the ~~Department of Administration~~Civil Rights  
15 Division of the Office of Administrative Hearings and to recommend  
16 expenditure of gifts and grants from public and private donors;
- 17          (8) To enlist the cooperation and assistance of all State and local government  
18 officials in the attainment of the objectives of the Commission;
- 19          (9) To assist local good neighborhood councils and biracial human relations  
20 committees in promoting activities related to the functions of the  
21 Commission enumerated above;
- 22          (10) To advise the ~~Secretary of Administration~~Chief Administrative Law Judge  
23 upon any matter the ~~Secretary~~Chief Administrative Law Judge may refer to  
24 it;
- 25          (11) To administer the provisions of the State Fair Housing Act as outlined in  
26 Chapter 41A of the General Statutes;
- 27          (12) To administer the provisions of Chapter 99D of the General Statutes.

28           (b) The Human Relations Commission of the ~~Department of Administration~~Civil Rights  
29 Division of the Office of Administrative Hearings shall consist of 22 members. The Governor  
30 shall appoint one member from each of the 13 congressional districts, plus five members at  
31 large, including the chairperson. The Speaker of the North Carolina House of Representatives  
32 shall appoint two members to the Commission. The President Pro Tempore of the Senate shall  
33 appoint two members to the Commission. The terms of four of the members appointed by the  
34 Governor shall expire June 30, 1988. The terms of four of the members appointed by the  
35 Governor shall expire June 30, 1987. The terms of four of the members appointed by the  
36 Governor shall expire June 30, 1986. The terms of four of the members appointed by the  
37 Governor shall expire June 30, 1985. The terms of the members appointed by the Speaker of  
38 the North Carolina House of Representatives shall expire June 30, 1986. The terms of the  
39 members appointed by the Lieutenant Governor shall expire June 30, 1986. The initial term of  
40 office of the person appointed to represent the 12th Congressional District shall commence on  
41 January 3, 1993, and expire on June 30, 1996. At the end of the respective terms of office of the  
42 initial members of the Commission, the appointment of their successors shall be for terms of  
43 four years. No member of the commission shall serve more than two consecutive terms. A  
44 member having served two consecutive terms shall be eligible for reappointment one year after  
45 the expiration of his second term. Any appointment to fill a vacancy on the Commission  
46 created by the resignation, dismissal, death, or disability of a member shall be filled in the  
47 manner of the original appointment for the unexpired term.

48           (c) Members of the Commission shall receive per diem and necessary travel and  
49 subsistence expenses in accordance with the provisions of G.S. 138-5.

50           (d) A majority of the Commission shall constitute a quorum for the transaction of  
51 business.

1 (e) All clerical and support services required by the Commission shall be supplied by  
2 the ~~Secretary of the Department of Administration, Office of Administrative Hearings.~~"

3 **SECTION 31.1.(e)** G.S. 143-422.3 reads as rewritten:

4 "**§ 143-422.3. Investigations; conciliations.**

5 The Human Relations Commission in the ~~Department of Administration~~ Civil Rights  
6 Division of the Office of Administrative Hearings shall have the authority to receive charges of  
7 discrimination from the Equal Employment Opportunity Commission pursuant to an agreement  
8 under Section 709(b) of Public Law 88-352, as amended by Public Law 92-261, and investigate  
9 and conciliate charges of discrimination. Throughout this process, the agency shall use its good  
10 offices to effect an amicable resolution of the charges of discrimination."

11 **SECTION 31.1.(f)** G.S. 143-422.13 reads as rewritten:

12 "**§ 143-422.13. Investigations; conciliations.**

13 The Human Relations Commission in the ~~Department of Administration~~ Civil Rights  
14 Division of the Office of Administrative Hearings shall have the authority to receive,  
15 investigate, and conciliate complaints of discrimination in public accommodations. Throughout  
16 this process, the Human Relations Commission shall use its good offices to effect an amicable  
17 resolution of the complaints of discrimination. This Article does not create, and shall not be  
18 construed to create or support, a statutory or common law private right of action, and no person  
19 may bring any civil action based upon the public policy expressed herein."  
20

## 21 COUNCIL FOR WOMEN/DOMESTIC VIOLENCE GRANTS

22 **SECTION 31.2.(a)** G.S. 50B-9 reads as rewritten:

23 "**§ 50B-9. Domestic Violence Center Fund.**

24 (a) The Domestic Violence Center Fund is established within the State Treasury. The  
25 fund shall be administered by the Department of Administration, North Carolina Council for  
26 Women, and shall be used to make grants to centers for victims of domestic violence and to  
27 The North Carolina Coalition Against Domestic Violence, Inc. This fund shall be administered  
28 in accordance with the provisions of the Executive Budget Act. The Department of  
29 Administration shall make quarterly grants to each eligible domestic violence center and to The  
30 North Carolina Coalition Against Domestic Violence, Inc. Effective July 1, 2017, and each  
31 fiscal year thereafter, the Department of Administration shall send the contracts to grantees  
32 within 10 business days of the date the Current Operations Appropriations Act, as defined in  
33 G.S. 143C-1-1, is certified for that fiscal year.

34 (b) Each grant recipient shall receive the same amount. To be eligible to receive funds  
35 under this section, a domestic violence center must meet the following requirements:

- 36 (1) It shall have been in operation on the preceding July 1 and shall continue to  
37 be in operation.  
38 (2) It shall offer all of the following services: a hotline, transportation services,  
39 community education programs, daytime services, and call forwarding  
40 during the night and it shall fulfill other criteria established by the  
41 Department of Administration.  
42 (3) It shall be a nonprofit corporation or a local governmental entity.

43 (c) The North Carolina Council for Women shall report on the quarterly distributions of  
44 the grants from the Domestic Violence Center Fund to the House and Senate chairs of the  
45 General Government Appropriations Committee within five business days of distribution. The  
46 report shall include the date, amount, and recipients of the fund disbursements. The report shall  
47 also include any eligible programs which are ineligible to receive funding during the relative  
48 reporting cycle as well as the reason of the ineligibility for that relative reporting cycle."

49 **SECTION 31.2.(b)** The Department of Information Technology shall review the  
50 grants management process of the North Carolina Council for Women and Youth Involvement  
51 Office and provide a report on online grants management options for the Domestic Violence

1 and Sexual Assault grants programs to the chairs of the Joint Legislative Oversight Committee  
2 on General Government prior to or on April 1, 2018.

## 3 4 **PART XXXII. DEPARTMENT OF REVENUE**

### 5 6 **CRIMINAL RECORD CHECKS FOR THE DEPARTMENT OF REVENUE**

7 **SECTION 32.1.** Subpart D of Part 4 of Article 13 of Chapter 143B of the General  
8 Statutes is amended by adding a new section to read as follows:

9 **"§ 143B-967. Criminal record checks for the Department of Revenue.**

10 (a) The Department of Public Safety shall, upon request, provide to the Department of  
11 Revenue from the State and National Repositories of Criminal Histories the criminal history of  
12 any of the following individuals:

13 (1) A current or prospective permanent or temporary employee.

14 (2) A contractor with the Department.

15 (3) An employee or agent of a contractor with the Department.

16 (4) Any other individual otherwise engaged by the Department who will have  
17 access to federal tax information.

18 (b) Along with the request, the Department of Revenue shall provide to the Department  
19 of Public Safety the fingerprints of the individual whose record is being sought, a form signed  
20 by the individual consenting to the criminal record check and use of fingerprints and other  
21 identifying information required by the State and National Repositories, and any additional  
22 information required by the Department of Public Safety. The individual's fingerprints shall be  
23 forwarded to the State Bureau of Investigation for a search of the State's criminal history record  
24 file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal  
25 Bureau of Investigation for a national criminal history record check. The Department of  
26 Revenue shall keep all information obtained pursuant to this section confidential.

27 (c) The Department of Public Safety may charge a fee to offset the cost incurred by it to  
28 conduct a criminal record check under this section. The fee shall not exceed the actual cost of  
29 locating, editing, researching, and retrieving the information."

## 30 31 **DOR TAX FRAUD ANALYTICS**

32 **SECTION 32.2.(a)** Of the funds appropriated in this act to the Department of  
33 Revenue, the sum of four million four hundred thousand dollars (\$4,400,000) in nonrecurring  
34 funds for the 2017-2018 fiscal year shall be used to continue and expand the Department's tax  
35 fraud analysis contract. These funds shall be used as follows:

36 (1) \$1,300,000 to expand and enhance eNC3.

37 (2) \$2,000,000 to pay for fraud detection analytics.

38 (3) \$1,100,000 for hosting infrastructure.

39 **SECTION 32.2.(b)** The Department of Revenue shall continue to coordinate with  
40 the Government Data Analytics Center (GDAC) and utilize the subject matter expertise and  
41 technical infrastructure available through existing GDAC public-private partnerships for fraud  
42 detection analytics and infrastructure.

## 43 44 **PART XXXIII. OFFICE OF STATE CONTROLLER**

### 45 46 **OVERPAYMENTS AUDIT**

47 **SECTION 33.1.(a)** During the 2017-2019 fiscal biennium, receipts generated by  
48 the collection of inadvertent overpayments by State agencies to vendors as a result of pricing  
49 errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds,  
50 erroneously paid excise taxes, and related errors shall be deposited in Special Reserve Account  
51 24172 as required by G.S. 147-86.22(c).

1           **SECTION 33.1.(b)** Of the funds appropriated in this act from the Special Reserve  
2 Account 24172, and for each year of the 2017-2019 fiscal biennium, five hundred thousand  
3 dollars (\$500,000) of the funds shall be used by the Office of the State Controller for data  
4 processing, debt collection, or e-commerce costs.

5           **SECTION 33.1.(c)** All funds available in Special Reserve Account 24172 on June  
6 30 of each year of the 2017-2019 fiscal biennium shall revert to the General Fund on that date.

7           **SECTION 33.1.(d)** The State Controller shall report quarterly to the Joint  
8 Legislative Commission on Governmental Operations and the Fiscal Research Division on the  
9 revenue deposited in Special Reserve Account 24172 and the disbursement of that revenue.

## 10 11 **PART XXXIV. DEPARTMENT OF TRANSPORTATION**

### 12 13 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS**

14           **SECTION 34.1.(a)** Subsections (b) and (c) of Section 35.2 of S.L. 2016-94 are  
15 repealed.

16           **SECTION 34.1.(b)** The General Assembly authorizes and certifies anticipated  
17 revenues for the Highway Fund as follows:

18	For Fiscal Year 2019-2020	\$ 2,277.7 million
19	For Fiscal Year 2020-2021	\$ 2,374.9 million
20	For Fiscal Year 2021-2022	\$ 2,403.4 million
21	For Fiscal Year 2022-2023	\$ 2,427.3 million

22           **SECTION 34.1.(c)** The General Assembly authorizes and certifies anticipated  
23 revenues for the Highway Trust Fund as follows:

24	For Fiscal Year 2019-2020	\$ 1,619.9 million
25	For Fiscal Year 2020-2021	\$ 1,654.6 million
26	For Fiscal Year 2021-2022	\$ 1,675.6 million
27	For Fiscal Year 2022-2023	\$ 1,701.8 million

28           **SECTION 34.1.(d)** The Department of Transportation, in collaboration with the  
29 Office of State Budget and Management, shall develop a four-year revenue forecast. The first  
30 fiscal year in the four-year revenue forecast shall be the 2023-2024 fiscal year. The four-year  
31 revenue forecast developed under this subsection shall be used (i) to develop the four-year cash  
32 flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation  
33 Improvement Program, and (iii) by the Department of the State Treasurer to compute  
34 transportation debt capacity.

### 35 36 **CONTINGENCY FUNDS**

37           **SECTION 34.2.(a)** Section 29.2(a)(1) of S.L. 2015-241, as amended by Section  
38 35.19 of S.L. 2016-94, is repealed.

39           **SECTION 34.2.(b)** Of the funds appropriated in this act to the Department of  
40 Transportation, twelve million dollars (\$12,000,000) for each fiscal year of the 2017-2019  
41 fiscal biennium shall be allocated statewide for rural or small urban highway improvements and  
42 related transportation enhancements to public roads and public facilities, industrial access  
43 roads, railroad infrastructure, and spot safety projects, including pedestrian walkways that  
44 enhance highway safety. Projects funded pursuant to this subsection shall be approved by the  
45 Secretary of Transportation.

46           **SECTION 34.2.(c)** The Department of Transportation shall report to the members  
47 of the General Assembly on projects funded pursuant to subsection (b) of this section in each  
48 member's district prior to construction. The Department shall make a quarterly comprehensive  
49 report on the use of these funds to the Joint Legislative Transportation Oversight Committee  
50 and the Fiscal Research Division.

**REPAIRS AND RENOVATIONS**

**SECTION 34.3.** There is appropriated from the Highway Fund to the Department of Transportation for the 2017-2019 fiscal biennium the following amounts for repairs and renovations:

<b>Repairs and Renovations – Highway Fund</b>	<b>2017-2018</b>	<b>2018-2019</b>
Chilled Water Piping and Insulation Replacement	\$612,700	\$0
Statewide: Small Office Renovations/Additions	700,000	700,000
Statewide: Roof Repairs and Replacements	1,500,000	1,500,000
Statewide: Demolition of Obsolete or Condemned Buildings	500,000	500,000
Update Ductwork in Transportation Main Building	300,000	0
New Chiller for the Highway Building Complex	0	325,000
Statewide: Water and Sewer Upgrades	1,500,000	1,500,000
Upfit First Floor of Highway Building and Annex With Generator	0	825,000
<b>TOTAL REPAIRS AND RENOVATIONS – HIGHWAY FUND</b>	<b>\$5,112,700</b>	<b>\$5,350,000</b>

**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~~ affected party to express its views within the time provided shall not prevent the Department or the Board from taking

1 action. The Department shall not be required to send notice under this section if it has already  
2 received a written resolution from the affected ~~county or municipality~~ party on the planned  
3 transportation project. "Action of the Board", as used in this section, means approval by the  
4 Board of: the Transportation Improvement Program and amendments to the Transportation  
5 Improvement Program; the Secondary Roads Paving Program and amendments to the  
6 Secondary Roads Paving Program; and individual applications for access and public service  
7 road projects, contingency projects, small urban projects, and spot safety projects that exceed  
8 two hundred fifty thousand dollars (\$250,000). The 45-day notification provision may be  
9 waived upon a finding by the Secretary of Transportation that emergency action is required.  
10 Such findings must be reported to the Joint Legislative Transportation Oversight Committee."

11 **SECTION 34.4A.(b)** This section is effective when it becomes law and applies to  
12 transportation projects planned on or after that date.

### 13 **DOT PROPERTY ACQUISITIONS/APPRaisal WAIVER VALUATION**

14 **SECTION 34.5.(a)** Article 2 of Chapter 136 of the General Statutes is amended by  
15 adding a new section to read:

#### 16 **"§ 136-19.6. Appraisal waiver valuation.**

17 (a) Intent. – It is the intent of the General Assembly to provide the Department of  
18 Transportation with the resources and flexibility necessary to accelerate the time in which  
19 projects are completed while maintaining fairness to affected property owners and other  
20 citizens of this State. It is the belief of the General Assembly that providing the Department  
21 with the flexibility allowed under subsection (b) of this section will help toward achieving this  
22 intent. Therefore, the Department is encouraged to utilize the flexibility provided in subsection  
23 (b) of this section for all acquisitions of land in which the value of the acquisition is estimated  
24 at ten thousand dollars (\$10,000) or less.

25 (b) Permissive Exception to Appraisal. – When the Department acquires land, and  
26 except as otherwise required by federal law, an appraisal is not required if the Department  
27 determines that the anticipated value of the proposed acquisition is estimated at forty thousand  
28 dollars (\$40,000) or less, based on a review of data available to the Department at the time the  
29 Department begins the acquisition process. If the Department determines that an appraisal is  
30 unnecessary, the Department may prepare an appraisal waiver valuation instead of an appraisal.  
31 The Department may contract with a qualified third party to prepare an appraisal waiver  
32 valuation. Any person performing an appraisal waiver valuation must have a sufficient  
33 understanding of the local real estate market to be qualified to perform the appraisal waiver  
34 valuation.

35 (c) Construction. – Nothing in subsection (b) of this section shall be construed as  
36 superseding or altering any provision of federal law requiring the Department to obtain an  
37 appraisal of a property the Department is attempting to acquire."

38 **SECTION 34.5.(b)** G.S. 146-22.2 reads as rewritten:

#### 39 **"§ 146-22.2. Appraisal of property to be acquired by State.**

40 (a) ~~Where~~ Except as otherwise provided in G.S. 136-19.6, where an appraisal of real  
41 estate or an interest in real estate is required by law to be made before acquisition of the  
42 property by the State or an agency of the State, the appraisal shall be made by a real estate  
43 appraiser licensed or certified by the State under Article 5 of Chapter 93A of the General  
44 Statutes.

45 (b) ~~The provisions of subsection (a) of this section shall not apply to appraisals of real~~  
46 ~~estate or an interest in real estate made by personnel within the Department of Transportation~~  
47 ~~when the appraisal is anticipated to be less than ten thousand dollars (\$10,000). In the event~~  
48 ~~that the real estate or interest in real estate is in fact appraised at ten thousand dollars (\$10,000)~~  
49 ~~or more, the Department of Transportation must comply with the provisions of subsection (a)~~  
50 ~~of this section."~~  
51

1           **SECTION 34.5.(c)** The Department of Transportation, in consultation with the  
2 North Carolina Appraisal Board, the North Carolina Chapter of the Appraisal Institute, and the  
3 North Carolina Association of Realtors, shall develop a process for performing appraisal  
4 waiver valuations authorized under G.S. 136-19.6, as enacted by subsection (a) of this section.  
5 By December 31, 2017, the Department shall submit a report to the Joint Legislative  
6 Transportation Oversight Committee on the development of the appraisal waiver valuation  
7 process. The report required under this subsection shall include an explanation of how the  
8 appraisal waiver valuation process developed by the Department conforms with the provisions  
9 of Chapter 93E of the General Statutes.

10           **SECTION 34.5.(d)** This section becomes effective May 15, 2018, and applies to  
11 acquisitions on or after that date.

### 12           **ESTABLISHMENT OF ADVANCE RIGHT-OF-WAY ACQUISITION ACCOUNT**

13           **SECTION 34.6.(a)** Article 14 of Chapter 136 of the General Statutes is amended  
14 by adding a new section to read:

#### 15           "§ 136-186. Use of credit reserve; Advance Right-of-Way Acquisition Account.

16           (a) Definitions. – For purposes of this section, the following definitions apply:

17           (1) Credit reserve in the Highway Trust Fund. – Consists of all of the following:

18           a. The unreserved credit balance in the Highway Trust Fund on the last  
19           day of the fiscal year to the extent the balances exceed the amount  
20           estimated for that date in the Current Operations Appropriations Act  
21           for the following fiscal year.

22           b. The unencumbered and unexpended balances on the last day of the  
23           fiscal year for the Central and program administration.

24           c. The remaining balance for (i) any open project that has been inactive  
25           for two or more years after construction of the project has been  
26           completed or (ii) any project that is not obligated during the first two  
27           fiscal years in which funds are appropriated.

28           (2) Protective purchase. – Occurs when there is an imminent threat of  
29           development of property located within a planned transportation project area  
30           established by the Department and the development could affect the  
31           Department's ability to construct the project by significantly increasing  
32           future right-of-way costs, relocations, and disruption of persons and  
33           businesses in the planned transportation project area.

34           (3) Undue hardship. – Occurs when a planned transportation project area  
35           established by the Department causes a property owner remaining on a  
36           property located within the planned transportation project area to experience  
37           a hardship based on health, safety, or financial reasons beyond what is  
38           experienced by other property owners within the planned transportation  
39           project area and the property owner is unable to sell the property at fair  
40           market value within a time period that is typical for properties not impacted  
41           by the planned project.

42           (b) Establishment of Account. – There is established within the Highway Trust Fund an  
43           Advance Right-of-Way Acquisition Account. The Account shall be under the control and  
44           direction of the Department of Transportation. The Account shall consist of both of the  
45           following:

46           (1) The credit reserve in the Highway Trust Fund on the last day of the fiscal  
47           year to the extent the balance in the Account does not exceed twenty-five  
48           million dollars (\$25,000,000).

49           (2) Any State or federal funds appropriated, allocated, or otherwise transferred  
50           to the Account.  
51

1       (c) Uses. – The funds in the Account shall be used only to advance funds to a project  
 2 for the acquisition of right-of-way prior to the project being programmed in the State  
 3 Transportation Improvement Program. Funds advanced pursuant to this subsection may be used  
 4 for the cost of the right-of-way and any costs incurred in acquiring the right-of-way. Funds  
 5 advanced pursuant to this subdivision, including any fees or interest, shall be repaid in the first  
 6 year the project utilizing the acquired right-of-way is programmed for right-of-way in the State  
 7 Transportation Improvement Program. Funds shall not be advanced to a project pursuant to this  
 8 subsection unless the project meets all of the following requirements:

9           (1) The right-of-way must be identified as a future right-of-way in (i) a corridor  
 10 protection map adopted pursuant to Article 2E of this Chapter, (ii) the most  
 11 recently adopted State Transportation Improvement Program, or (iii) both a  
 12 corridor protection map adopted pursuant to Article 2E of this Chapter and  
 13 the most recently adopted State Transportation Improvement Program.

14           (2) The Department determines it is in the best interest of the public to acquire  
 15 the right-of-way (i) as a protective purchase or (ii) to remove an undue  
 16 hardship.

17           (3) For Turnpike projects only, a Record of Decision or a Finding of No  
 18 Significant Impact must have been issued.

19       (d) Fees and Interest. – Except for Turnpike projects, the Department shall not charge  
 20 fees or interest on funds advanced pursuant to subsection (c) of this section. For Turnpike  
 21 projects, the Department shall condition the advancement of funds pursuant to subsection (c) of  
 22 this section on the establishment of any security and the payment of any fees and interest rates  
 23 the Department may deem necessary.

24       (e) Repayment. – Funds advanced pursuant to subsection (c) of this section, including  
 25 any fees or interest, shall be repaid in the first year the project utilizing the acquired  
 26 right-of-way is programmed for right-of-way in the State Transportation Improvement  
 27 Program.

28       (f) Remaining Credit Reserve. – The Director of the Budget shall allocate any portion  
 29 of the credit reserve in the Highway Trust Fund not used in accordance with subdivision (1) of  
 30 subsection (b) of this section to the Strategic Transportation Investments fund in the Highway  
 31 Trust Fund. The funds shall be used only to accelerate the completion of projects with sections  
 32 included in the most recently adopted State Transportation Improvement Program. The use of  
 33 the funds described in this subsection shall be subject to the requirements of Article 14B of this  
 34 Chapter. To the extent the funds described in this subsection are not already appropriated, they  
 35 are hereby appropriated to be used for the purpose set forth in this subsection."

36       **SECTION 34.6.(b)** G.S. 136-189.11 reads as rewritten:

37       **"§ 136-189.11. Transportation Investment Strategy Formula.**

38       ...

39       (b) Funds Excluded From Formula. – The following funds are not subject to this  
 40 section:

41       ...

42           (12) Funds advanced pursuant to G.S. 136-186.

43       ...

44       (e) Authorized Formula Variance. – The Department may vary from the Formula set  
 45 forth in this section if it complies with the following:

46       ...

47           (2) Calculation of variance. – Each year the Secretary shall calculate the amount  
 48 of Regional Impact and Division Need funds allocated in that year to each  
 49 division and region, the amount of funds obligated, and the amount the  
 50 obligations exceeded or were below the allocation. In calculating the amount  
 51 of funds obligated, the Secretary shall include any amount used as



1            repayment for funds advanced pursuant to G.S. 136-186. In the first variance  
2 calculation under this subdivision following the end of fiscal year  
3 2015-2016, the target amounts obtained according to the Formula set forth in  
4 this section shall be adjusted to account for any differences between  
5 allocations and obligations reported for the previous year. In the first  
6 variance calculation under this subdivision following the end of fiscal year  
7 2016-2017, the target amounts obtained according to the Formula set forth in  
8 this section shall be adjusted to account for any differences between  
9 allocations and obligations reported for the previous two fiscal years. In the  
10 first variance calculation under this subdivision following the end of fiscal  
11 year 2017-2018, the target amounts obtained according to the Formula set  
12 forth in this section shall be adjusted to account for any differences between  
13 allocations and obligations reported for the previous three fiscal years. In the  
14 first variance calculation under this subdivision following the end of fiscal  
15 year 2018-2019, the target amounts obtained according to the Formula set  
16 forth in this section shall be adjusted to account for any differences between  
17 allocations and obligations reported for the previous four fiscal years. The  
18 new target amounts shall be used to fulfill the requirements of subdivision  
19 (1) of this subsection for the next update of the Transportation Improvement  
20 Program. The adjustment to the target amount shall be allocated by  
21 Distribution Region or Division, as applicable.

22        ...."

## 23 24 **ROAD IMPROVEMENTS ADJACENT TO SCHOOLS**

25        **SECTION 34.6A.(a)** G.S. 136-18(29a) reads as rewritten:

26        "(29a) To coordinate with all public and private entities planning schools to provide  
27 written recommendations and evaluations of driveway access and traffic  
28 operational and safety impacts on the State highway system resulting from  
29 the development of the proposed sites. All public and private entities shall,  
30 upon acquiring land for a new school or prior to beginning construction of a  
31 new school, relocating a school, or expanding an existing school, request  
32 from the Department a written evaluation and written recommendations to  
33 ensure that all proposed access points comply with the criteria in the current  
34 North Carolina Department of Transportation "Policy on Street and  
35 Driveway Access". The Department shall provide the written evaluation and  
36 recommendations within a reasonable time, which shall not exceed 60 days.  
37 This subdivision applies to improvements that are not located on the school  
38 property. The Department shall have the power to grant final approval of any  
39 project design under this subdivision. To facilitate completion of the  
40 evaluation and recommendations within the required 60 days, in lieu of the  
41 evaluation by the Department, schools may engage their own independent  
42 traffic engineer. The resulting evaluation and recommendations from the  
43 independent traffic engineer shall also fulfill any similar requirements  
44 imposed by a unit of local government. This subdivision shall not be  
45 construed to require the public or private entities planning schools to meet  
46 the recommendations made by the ~~Department,~~ Department or the  
47 independent traffic engineer, except those highway improvements that are  
48 required for safe ingress and egress to the State highway system.  
49 pursuant to subdivision (29) of this section, and that are physically  
50 connected to a driveway on the school property. The total cost of any  
51 improvements to the State highway system provided by a school pursuant to

1 this subdivision, including those improvements pursuant to subdivision (29)  
2 of this section, shall be reimbursed by the Department. Any agreement  
3 between a school and the Department to make improvements to the State  
4 highway system shall not include a requirement for acquisition of  
5 right-of-way by the school, unless the school is owned by an entity that has  
6 eminent domain power. Nothing in this subdivision shall preclude the  
7 Department from entering into an agreement with the school whereby the  
8 school installs the agreed upon improvements and the Department provides  
9 full reimbursement for the associated costs incurred by the school, including  
10 design fees and any costs of right-of-way or easements. The term "school,"  
11 as used in this subdivision, means any facility engaged in the educational  
12 instruction of children in any grade or combination of grades from  
13 kindergarten through the twelfth grade at which attendance satisfies the  
14 compulsory attendance law and includes charter schools authorized under  
15 G.S. 115C-218.5. The term "improvements," as used in this subdivision,  
16 refers to all facilities within the right-of-way required to be installed to  
17 satisfy the road cross-section requirements depicted upon the approved  
18 plans. These facilities shall include roadway construction, including  
19 pavement installation and medians; ditches and shoulders; storm drainage  
20 pipes, culverts, and related appurtenances; and, where required, curb and  
21 gutter; signals, including pedestrian safety signals; street lights; sidewalks;  
22 and design fees. Improvements shall not include any costs for public  
23 utilities."

24 **SECTION 34.6A.(b)** Chapter 160A of the General Statutes is amended by adding  
25 a new section to read:

26 **"§ 160A-307.1. Limitation on city requirements for street improvements related to**  
27 **schools.**

28 A city may only require street improvements related to schools that are required for safe  
29 ingress and egress to the municipal street system and that are physically connected to a  
30 driveway on the school site. The required improvements shall not exceed those required  
31 pursuant to G.S. 136-18(29). G.S. 160A-307 shall not apply to schools. A city may only require  
32 street improvements related to schools as provided in G.S. 160A-372. The cost of any  
33 improvements to the municipal street system shall be reimbursed by the Department of  
34 Transportation. For purposes of this section, the Department of Transportation shall have the  
35 power to grant final approval of any project design for which it provides reimbursement. Any  
36 agreement between a school and a city to make improvements to the municipal street system  
37 shall not include a requirement for acquisition of right-of-way by the school, unless the school  
38 is owned by an entity that has eminent domain power. Any right-of-way costs incurred by a  
39 school for required improvements pursuant to this section shall be reimbursed by the  
40 Department of Transportation. The term "school," as used in this section, means any facility  
41 engaged in the educational instruction of children in any grade or combination of grades from  
42 kindergarten through the twelfth grade at which attendance satisfies the compulsory attendance  
43 law and includes charter schools authorized under G.S. 115C-218.5."

44 **SECTION 34.6A.(c)** Any rule or policy adopted by the Department of  
45 Transportation that does not comply with the provisions of this section shall be null, void, and  
46 without effect.

47 **SECTION 34.6A.(d)** The Department of Transportation may adopt temporary  
48 rules to implement the provisions of this section. Any temporary rules adopted in accordance  
49 with this section shall remain in effect until permanent rules that replace the temporary rules  
50 become effective.  
51

**CHARTER SCHOOL TRANSPORTATION GRANT PILOT PROGRAM**

**SECTION 34.6B.(a)** Purpose. – The Department of Transportation, in consultation with the Department of Public Instruction, shall establish the Charter School Transportation Grant Pilot Program (Program). The purpose of the Program shall be to award grant funds to a charter school meeting the requirements of subsection (b) of this section for the reimbursement of sixty-five percent (65%) of the eligible student transportation costs incurred by the school in accordance with the provisions of this section. Of the funds appropriated in this act from the Highway Fund for other State agencies, reserves, and transfers, the Department of Transportation shall use two million five hundred thousand dollars (\$2,500,000) in nonrecurring funds for the 2017-2018 fiscal year to award as grant funds in accordance with this section.

**SECTION 34.6B.(b)** Program Eligibility. – If a charter school has a student enrollment of at least fifty percent (50%) of its students residing in households with an income level not in excess of the amount required for a student to qualify for the federal free or reduced price lunch program in a semester of the school year, the charter school may apply to the Department of Transportation for grant funds under the Program for reimbursement of sixty-five percent (65%) of the eligible student transportation costs incurred by the school for that semester.

**SECTION 34.6B.(c)** Applications. – By August 1, 2017, the Department of Transportation shall establish the criteria and guidelines for the grant application process for the upcoming school year, including criteria for eligible student transportation costs to be covered under the Program and any documentation required to be submitted with the application. The Department of Transportation shall accept applications until December 31, 2017, for eligible student transportation costs incurred during the fall semester of the school year and until May 30, 2018, for eligible student transportation costs incurred during the spring semester of the school year.

**SECTION 34.6B.(d)** Award of Funds. – The Department of Public Instruction shall select the charter schools eligible to receive grant funds under the Program and shall provide the list of recipients to the Department of Transportation. From funds available made for the Program, the Department of Transportation shall award grant funds under the Program to the selected charter schools by January 15, 2017, for eligible costs incurred during the fall semester of the school year and by June 15, 2018, for eligible costs incurred during the spring semester of the prior school year.

**SECTION 34.6B.(e)** Reporting. – The Department of Transportation shall provide an interim report by February 15, 2018, and a final report by August 15, 2018, to the Fiscal Research Division, the Joint Legislative Transportation Oversight Committee, and the Joint Legislative Education Oversight Committee on the administration of the Program, including (i) the number of charter schools that received grants, (ii) the amount of grant funds awarded to those charter schools, (iii) the types of student transportation costs eligible for reimbursement under the Program, and (iv) whether implementing the Program has led to an increase in charter schools offering lunch and transportation to its students.

**ECONOMIC DEVELOPMENT & SMALL CONSTRUCTION**

**SECTION 34.7.(a)** Economic Development. – Of the funds appropriated in this act to the Department of Transportation, and beginning in the 2017-2018 fiscal year, the sum of six million dollars (\$6,000,000) in recurring funds shall be used for prioritized transportation improvements and infrastructure that expedite commercial growth as well as either job creation or job retention. Projects funded under this subsection shall be jointly approved by the Secretary of Transportation and the Secretary of Commerce in accordance with the guidelines and procedures developed under subsection (c) of Section 34.7 of S.L. 2013-360, as amended by Section 34.29 of S.L. 2014-100.

1           **SECTION 34.7.(b)** Small Construction Projects. – Of the funds appropriated in  
2 this act to the Department of Transportation, and beginning in the 2017-2018 fiscal year, the  
3 sum of twenty-four million dollars (\$24,000,000) in recurring funds shall be used for  
4 construction projects that are high impact and low cost. The funds shall be allocated equally  
5 among the 14 Highway Divisions. Members of the Board of Transportation are prohibited from  
6 accessing and using the funds allocated under this subsection. Projects funded under this  
7 subsection include intersection improvement projects, minor widening projects, and operational  
8 improvement projects. The Department shall develop a quantitative, evidence-based formula to  
9 use in selecting projects to receive funding under this subsection. At a minimum, the  
10 Department shall consider all of the following in developing the formula required by this  
11 subsection:

- 12           (1) The average daily traffic volume of a roadway and whether the proposed  
13 project will generate additional traffic.
- 14           (2) Any restrictions on a roadway.
- 15           (3) Any safety issues with a roadway.
- 16           (4) The condition of the lanes, shoulders, and pavement on a roadway.
- 17           (5) The site distance and radius of any intersection on a roadway.

18           **SECTION 34.7.(c)** Report. – The Department shall develop a report detailing (i)  
19 the formula developed under subsection (b) of this section, (ii) the types of projects funded  
20 under this section, and (iii) the total amount of funding allocated to each project funded under  
21 this section. The Department shall submit the report required under this subsection to the Joint  
22 Legislative Transportation Oversight Committee by March 1, 2018.

23           **SECTION 34.7.(d)** Conforming Repeal. – Section 29.2(a)(1) of S.L. 2015-241, as  
24 amended by Section 35.19 of S.L. 2016-94, is repealed.

## 25 26 **DOT/DISPOSITION OF SETTLEMENT FUNDS**

27           **SECTION 34.7A.** G.S. 114-2.4A(c) reads as rewritten:

28           "(c) Exception. – Subsections (b) and (e) of this section shall not apply to:

- 29           (1) Funds received by the Department of Health and Human Services to the  
30 extent those funds represent the recovery of previously expended Medicaid  
31 funds.
- 32           (2) Funds received by the Escheat Fund and benefit plans administered by the  
33 Department of State Treasurer.
- 34           (3) Funds received by the Department of Transportation to the extent those  
35 funds represent the recovery of funds previously expended by the  
36 Department of Transportation."

## 37 38 **RURAL PROJECT DEVELOPMENT**

39           **SECTION 34.8.(a)** Matching Funds for Certain MPOs and RPOs. – Article 17 of  
40 Chapter 136 of the General Statutes is amended by adding a new section to read:

41 **"§ 136-214. Matching funds for federal State Planning and Research Program Grants.**

42 The Department of Transportation shall annually allocate funds to qualifying Metropolitan  
43 Planning Organizations and Rural Transportation Planning Organizations to be used to fund a  
44 portion of the local match required for federal State Planning and Research Program funds  
45 under 23 U.S.C. § 505. A Metropolitan Planning Organization is only eligible for funding  
46 under this section if it has a population of 500,000 or less, as determined by the most recent  
47 census. The funds shall be allocated as follows:

- 48           (1) For a Metropolitan Planning Organization or Rural Transportation Planning  
49 Organization that includes at least one representative from a development  
50 tier one area, as determined under G.S. 143B-437.08, the Department shall

1 allocate an amount equal to fifteen percent (15%) of the total local match  
 2 required.

3 (2) For a Metropolitan Planning Organization or Rural Transportation Planning  
 4 Organization that does not qualify under subdivision (1) of this section, but  
 5 includes at least one representative from a development tier two area, as  
 6 determined under G.S. 143B-437.08, the Department shall allocate an  
 7 amount equal to ten percent (10%) of the total local match required.

8 (3) The Department shall not allocate any funds under this section to a  
 9 Metropolitan Planning Organization or Rural Transportation Planning  
 10 Organization that does not qualify under this section."

11 **SECTION 34.8.(b)** Establish Corridor Development Unit. – The Department shall  
 12 establish a Corridor Development Unit within, and under the direction of, the Division of  
 13 Planning and Programming of the Department. The Corridor Development Unit shall work  
 14 with organizations that receive funding under subsection (a) of this section to develop detailed  
 15 corridor studies on highway projects prior to submitting the project for inclusion and  
 16 prioritization in a long-term transportation planning document. The studies required under this  
 17 subsection shall include an identification of each segment of a highway project, cost estimates  
 18 for each segment, and an identification of logical termini for each segment.

19 **SECTION 34.8.(c)** Report. – The Department shall develop a report for each fiscal  
 20 year of the 2017-2019 fiscal biennium on the usage of federal State Planning and Research  
 21 Program funds allocated in accordance with G.S. 136-214, as enacted by subsection (a) of this  
 22 section, for that fiscal year. The Department shall submit the reports, including any legislative  
 23 recommendations for improving the development of rural transportation projects, to the Joint  
 24 Legislative Transportation Oversight Committee by (i) April 1, 2018, for the first report and (ii)  
 25 April 1, 2019, for the second report.

## 26 **EXPAND USE OF PAVEMENT PRESERVATION PROGRAM FUNDS**

27 **SECTION 34.9.** G.S. 136-44.17(b) reads as rewritten:

28 "(b) Eligible Activities or Treatments. – Applications eligible for funding under the  
 29 pavement preservation program include the following preservation activities or treatments for  
 30 asphalt pavement structures:

31 ...  
 32 (14) Pavement markers and markings."

## 33 **USE OF SINGLE CHIP SEAL TREATMENT ON SECONDARY ROADS**

34 **SECTION 34.9A.** G.S. 136-44.3A(f) reads as rewritten:

35 "(f) Authorized Use of Single Chip Seal Treatment on Secondary ~~Roads~~. – The  
 36 Department may use single chip seal treatments on secondary roads only under any of the  
 37 following conditions:

- 38 (1) The secondary road has a daily traffic volume of less than ~~15,000~~10,000  
 39 vehicles. Single chip treatments used under this subdivision shall be capped  
 40 with a final riding surface of sand or material of equivalent size to fill voids  
 41 to create a smooth riding surface.  
 42 (2) The single chip seal treatment is used in combination with a slurry seal,  
 43 microsurfacing, or resurfacing treatment.  
 44 (3) The condition of the secondary road requires a rough surface to improve  
 45 traction, such as a secondary road in a mountainous community or another  
 46 area with low skid resistance."  
 47  
 48  
 49

## 50 **CODIFY BRIDGE PROGRAM LAW**

1           **SECTION 34.10.(a)** Subsection (a) of Section 34.18 of S.L. 2014-100, as amended  
2 by Section 29.6 of S.L. 2015-241, is repealed.

3           **SECTION 34.10.(b)** Article 5 of Chapter 136 of the General Statutes is amended  
4 by adding a new section to read:

5 **"§ 136-76.2. Bridge program.**

6           (a) Establishment. – The Department of Transportation shall rename the "system  
7 preservation program" the "bridge program."

8           (b) Permissible Uses. – Funds appropriated, allocated, credited, or otherwise transferred  
9 to the bridge program established under subsection (a) of this section may only be used for  
10 improvements to culverts associated with a component of the State highway system, bridge  
11 preservation, and improvements to structurally deficient and functionally obsolete bridges. No  
12 more than ten percent (10%) of the funds described in this subsection may be used for  
13 improvements to culverts associated with a component of the State highway system, and the  
14 funds may only be used for culverts that are 54 inches or greater in size and rated by the  
15 Department as in poor condition.

16           (c) Outsourcing. – All projects funded under the bridge program established under  
17 subsection (a) of this section, with the exception of inspection, pre-engineering, contract  
18 preparation, contract administration and oversight, and planning activities, shall be outsourced  
19 to private contractors."

20           **SECTION 34.10.(c)** G.S. 119-18(b) reads as rewritten:

21           (b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied  
22 first to the costs of administering this Article and Subchapter V of Chapter 105 of the General  
23 Statutes. The remainder of the proceeds shall be credited on a monthly basis to the Highway  
24 Fund to be used for the bridge program under the Department of Transportation in the highway  
25 maintenance program program established under G.S. 136-76.2."

26  
27 **HIGHWAY MAINTENANCE IMPROVEMENT PROGRAM/REVISE PERIODS AND**  
28 **CONSOLIDATE WITH OTHER IMPROVEMENT PROGRAMS**

29           **SECTION 34.11.(a)** G.S. 136-44.3A reads as rewritten:

30 **"§ 136-44.3A. Highway Maintenance Improvement Program.**

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

32           ...  
33           (4) Highway Maintenance Improvement Program Needs Assessment. – A report  
34 of the amount of funds needed, the number of affected lane miles, and the  
35 percentage of the primary and secondary system roads that are rated to need  
36 a resurfacing or pavement preservation treatment within the Highway  
37 Maintenance Improvement Program's ~~three-year~~ five-year time period but  
38 are not programmed due to funding constraints.

39           ...  
40           (c) Highway Maintenance Improvement Program. – After the annual inspection of  
41 roads within the State highway system, each highway division shall determine and report to the  
42 Chief Engineer on the need for rehabilitation, resurfacing, or pavement preservation treatments.  
43 The Chief Engineer shall establish a ~~three-year~~ five-year priority list for each highway division  
44 based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall establish a  
45 ~~three-year~~ five-year improvement schedule, sorted by county, for rehabilitation, resurfacing,  
46 and pavement preservation treatment activities. The schedule shall be based on the amount of  
47 funds appropriated to the contract resurfacing program and the pavement preservation program  
48 in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program  
49 for all ~~three~~ five years of the Highway Maintenance Improvement Program. State funding for  
50 the Highway Maintenance Improvement Program shall be limited to funds appropriated from  
51 the State Highway Fund.

1 ...."

2 **SECTION 34.11.(b)** G.S. 136-44.3A(c), as amended by subsection (a) of this  
3 section, reads as rewritten:

4 "(c) Highway Maintenance Improvement Program. – After the annual inspection of  
5 roads within the State highway system, each highway division shall determine and report to the  
6 Chief Engineer on (i) the need for rehabilitation, resurfacing, or pavement preservation  
7 treatments, (ii) the need for bridge and general maintenance, and (iii) projected  
8 changes to the condition of pavement on primary and secondary roads for each year over a  
9 five-year period. The Chief Engineer shall establish a five-year priority list for each highway  
10 division based on the Chief Engineer's estimate of need. In addition, the Chief Engineer shall  
11 establish a five-year improvement schedule, sorted by county, for rehabilitation, resurfacing,  
12 and pavement preservation treatment activities. The schedule shall be based on the amount of  
13 funds appropriated to the contract resurfacing program and the pavement preservation program  
14 in the fiscal year preceding the issuance of the Highway Maintenance Improvement Program  
15 for all five years of the Highway Maintenance Improvement Program. State funding for the  
16 Highway Maintenance Improvement Program shall be limited to funds appropriated from the  
17 State Highway Fund."

18 **SECTION 34.11.(c)** By January 1, 2020, and for the purpose of forming a  
19 consolidated report of all maintenance activities, the Department of Transportation shall merge  
20 the Bridge Maintenance Improvement Program and the General Maintenance Improvement  
21 Program into the Highway Maintenance Improvement Program established under  
22 G.S. 136-44.3A.

23 **SECTION 34.11.(d)** Subsection (b) of this section becomes effective January 1,  
24 2020, and applies beginning with the report due April 1, 2020. Subsection (a) of this section  
25 becomes effective July 1, 2017, and applies to priority lists and improvement schedules  
26 submitted on or after that date. The remainder of this section becomes effective July 1, 2017.  
27

## 28 **REVISE CONTENT OF TRANSPORTATION IMPROVEMENT PROGRAM** 29 **SCHEDULE**

30 **SECTION 34.12.** G.S. 143B-350(f)(4) reads as rewritten:

31 "(4) To approve a schedule of all major transportation improvement projects and  
32 their anticipated cost. This schedule is designated the Transportation  
33 Improvement Program. The Board shall publish the schedule in a format that  
34 is easily reproducible for distribution and make copies available for  
35 distribution in accordance with the process established for public records in  
36 Chapter 132 of the General Statutes. ~~The document that contains the~~  
37 ~~Transportation Improvement Program, or a separate document that is~~  
38 ~~published at the same time as the Transportation Improvement Program,~~  
39 ~~shall include the anticipated funding sources for the improvement projects~~  
40 ~~included in the Program and a list of any changes made from the previous~~  
41 ~~year's Program, and the reasons for the changes."~~  
42

## 43 **STI/REGIONAL AND DIVISION WEIGHTING**

44 **SECTION 34.12A.(a)** G.S. 136-189.11(d)(2)a. reads as rewritten:

45 "(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this  
46 section shall be used for Regional Impact Projects and allocated by  
47 population of Distribution Regions based on the most recent estimates  
48 certified by the Office of State Budget and Management:

- 49 a. Criteria. – A combination of transportation-related quantitative  
50 criteria, qualitative criteria, and local input shall be used to rank  
51 Regional Impact Projects involving highways that address

1 cost-effective needs from a region-wide perspective and promote  
 2 economic growth. Local input is defined as the rankings identified by  
 3 the Department's ~~Transportation~~ Division Engineers, Metropolitan  
 4 Planning Organizations, and Rural Transportation Planning  
 5 Organizations. ~~Transportation~~ Division Engineer local input scoring  
 6 shall take into account public comments. The Department shall  
 7 ensure that the public has a full opportunity to submit public  
 8 comments, by widely available notice to the public, an adequate time  
 9 period for input, and public hearings. Board of Transportation input  
 10 shall be in accordance with G.S. 136-189.11(g)(1) and  
 11 G.S. 143B-350(g). The criteria utilized for selection of Regional  
 12 Impact Projects shall be based ~~thirty percent (30%) on local input ten~~  
 13 percent (10%) on the rankings identified by the Division Engineers,  
 14 twenty percent (20%) on the rankings identified by the Metropolitan  
 15 Planning Organizations and the Rural Transportation Planning  
 16 Organizations, and seventy percent (70%) on consideration of a  
 17 numeric scale of 100 points based on the following quantitative  
 18 criteria:

19 "...."

20 **SECTION 34.12A.(b)** G.S. 136-189.11(d)(3)a. reads as rewritten:

21 "(3) Division Need Projects. – Thirty percent (30%) of the funds subject to this  
 22 section shall be allocated in equal share to each of the Department divisions,  
 23 as defined in G.S. 136-14.1, and used for Division Need Projects.

24 a. Criteria. – A combination of transportation-related quantitative  
 25 criteria, qualitative criteria, and local input shall be used to rank  
 26 Division Need Projects involving highways that address  
 27 cost-effective needs from a Division-wide perspective, provide  
 28 access, and address safety-related needs of local communities. Local  
 29 input is defined as the rankings identified by the Department's  
 30 ~~Transportation~~ Division Engineers, Metropolitan Planning  
 31 Organizations, and Rural Transportation Planning Organizations.  
 32 ~~Transportation~~ Division Engineer local input scoring shall take into  
 33 account public comments. The Department shall ensure that the  
 34 public has a full opportunity to submit public comments, by widely  
 35 available notice to the public, an adequate time period for input, and  
 36 public hearings. Board of Transportation input shall be in accordance  
 37 with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria  
 38 utilized for selection of Division Need Projects shall be based ~~fifty~~  
 39 percent (50%) on local input fifteen percent (15%) on the rankings  
 40 identified by the Department's Division Engineers, thirty-five percent  
 41 (35%) on the rankings identified by the Metropolitan Planning  
 42 Organizations and the Rural Transportation Planning Organizations,  
 43 and fifty percent (50%) on consideration of a numeric scale of 100  
 44 points based on the following quantitative criteria, except as provided  
 45 in sub-subdivision b. of this subdivision:

46 "...."

47 **SECTION 34.12A.(c)** G.S. 136-189.11(d)(4)b. reads as rewritten:

48 "(4) Criteria for nonhighway projects. – Nonhighway projects subject to this  
 49 subsection shall be evaluated through a separate prioritization process  
 50 established by the Department that complies with all of the following:

51 ...



- 1           b. Local input shall include rankings of projects identified by the  
2 Department's ~~Transportation~~—Division Engineers, Metropolitan  
3 Planning Organizations, and Rural Transportation Planning  
4 Organizations. ~~Transportation~~—Division Engineer local input scoring  
5 shall take into account public comments. The Department shall  
6 ensure that the public has a full opportunity to submit public  
7 comments, by widely available notice to the public, an adequate time  
8 period for input, and public hearings. Board of Transportation input  
9 shall be in accordance with G.S. 136-189.11(g)(1) and  
10 G.S. 143B-350(g)."  
11

12 **TRANSPORTATION MEGAPROJECT FUNDING/BLUE RIBBON COMMITTEE ON**  
13 **TRANSPORTATION INFRASTRUCTURE FUNDING**

14  
15 **TRANSPORTATION MEGAPROJECT FUNDING**

16 **SECTION 34.12B.(a)** Establishment of the Megaproject Fund. – Chapter 136 of  
17 the General Statutes is amended by adding a new Article to read:

18 "Article 14C.

19 "Megaproject Fund.

20 "**§ 136-189.12. Creation of the Megaproject Fund.**

21 (a) An account designated as the Megaproject Fund is hereby created within the  
22 Highway Trust Fund. The Megaproject Fund shall not be funded using (i) the proceeds of any  
23 fee charged by the Division of Motor Vehicles, (ii) the proceeds of any tax imposed under  
24 Article 5A of Chapter 105 of the General Statutes, or (iii) the proceeds of any tax imposed  
25 under Part 3 of Article 36C of Chapter 105 of the General Statutes.

26 (b) The amounts deposited to the Megaproject Fund shall be used as provided in this  
27 Article, notwithstanding any provision of Article 14B of this Chapter to the contrary. The  
28 provisions of Article 14B of this Chapter shall not apply to the application of the Megaproject  
29 Fund.

30 "**§ 136-189.13. Use of the Megaproject Fund.**

31 The Department of Transportation shall use the Megaproject Fund to fund transportation  
32 projects, selected by a workgroup overseen by the Department, of statewide or regional  
33 significance that exceed two hundred million dollars (\$200,000,000) in total project cost. The  
34 workgroup selecting projects under this section shall establish project selection criteria based  
35 on the provisions of this Article.

36 "**§ 136-189.14. Reports by the Department of Transportation.**

37 The Department of Transportation shall develop, and update annually, a report containing a  
38 completion schedule for all projects to be funded from the Megaproject Fund, including the  
39 selection criteria and reasoning used for each project. The annual update shall indicate the  
40 projects, or portions thereof, that were completed during the preceding fiscal year, any changes  
41 in the original completion schedules, and the reasons for the changes. The report shall also  
42 include the Department's anticipated schedule for future projects. The Department shall submit  
43 the report and the annual updates to the Joint Legislative Transportation Oversight Committee  
44 by November 1 of each year."

45 **SECTION 34.12B.(b)** Exclusion from Transportation Investment Strategy  
46 Formula. – G.S. 136-189.11(b) is amended by adding a new subdivision to read:

47 "(b) Funds Excluded From Formula. – The following funds are not subject to this  
48 section:

49 ...

50 (11) Funds appropriated or transferred to the Megaproject Fund, in accordance  
51 with Article 14C of this Chapter."

1           **SECTION 34.12B.(c)** Establishment of Workgroup and Megaproject Selection  
2 Criteria. – The Department of Transportation shall establish a workgroup for the purposes of  
3 developing megaproject selection criteria and selecting projects in accordance with  
4 G.S. 136-189.13, as enacted by subsection (a) of this section. The megaproject selection criteria  
5 shall:

- 6           (1) Address large-scale, significant transportation needs of the State.
- 7           (2) Provide for interstate and intrastate connectivity between urban and rural  
8 areas and between rural areas.
- 9           (3) Encourage economic development in both urban and rural areas of the State.
- 10          (4) Improve existing major highway corridors by increasing capacity and  
11 relieving congestion.
- 12          (5) Provide for infrastructure improvements and rail and highway connectivity  
13 to the State ports.
- 14          (6) Encourage delivery of projects in the most effective, efficient, and  
15 expeditious manner.

16           **SECTION 34.12B.(d)** Membership. – The workgroup shall consist of the  
17 following members:

- 18          (1) A representative from the workgroup established under G.S. 136-189.11(h).
- 19          (2) A representative from the North Carolina Association of Municipal Planning  
20 Organizations.
- 21          (3) A representative from the North Carolina Association of Rural Planning  
22 Organizations.
- 23          (4) A representative from the North Carolina League of Municipalities.
- 24          (5) A representative from the North Carolina Association of County  
25 Commissioners.
- 26          (6) A representative from the North Carolina Metropolitan Mayors Coalition.
- 27          (7) A representative from the North Carolina Council of Regional Governments.

28           **SECTION 34.12B.(e)** Selection of Members; Cochairs. – The Department of  
29 Transportation shall select the members listed in subsection (d) of this section. The cochairs of  
30 the workgroup shall be the members listed in subdivisions (2) and (3) of subsection (d) of this  
31 section.

32           **SECTION 34.12B.(f)** Meetings. – The Department of Transportation shall  
33 establish and convene the workgroup required under this section within 30 days of the effective  
34 date of this section. Within the three-month period from the date the workgroup is convened,  
35 the workgroup shall hold at least three meetings. One meeting shall set forth the goals and  
36 objectives of the workgroup, a second meeting shall discuss the progress made in meeting its  
37 goals and objectives, and a third meeting shall present the outcomes achieved from the  
38 workgroup process, including a presentation on the selection criteria established by the  
39 workgroup. Additional meetings shall be on the call of the cochairs. Each member may be  
40 represented by a designee, who shall have the same voting powers as the member. The  
41 workgroup shall meet in offices provided by the Department of Transportation. In addition, the  
42 Department of Transportation shall provide the necessary secretarial and clerical staff and  
43 supplies to help the workgroup accomplish its goals and objectives.

44           **SECTION 34.12B.(g)** Quorum. – A quorum of the workgroup shall consist of a  
45 majority of the workgroup's total membership.

46           **SECTION 34.12B.(h)** Reports. – No later than 45 days from the date the  
47 workgroup is convened, the workgroup shall provide a report to the Joint Legislative  
48 Transportation Oversight Committee on its progress in creating the megaproject selection  
49 criteria. Prior to the end of the three-month period from the date the workgroup is convened,  
50 the workgroup shall provide a report to the Joint Legislative Transportation Oversight  
51 Committee on the megaproject selection criteria created by the workgroup.

1  
2 **BLUE RIBBON COMMITTEE ON TRANSPORTATION INFRASTRUCTURE**  
3 **FUNDING**

4 **SECTION 34.12B.(i)** Establishment. – There is established a Blue Ribbon  
5 Committee on Transportation Infrastructure Funding.

6 **SECTION 34.12B.(j)** Membership. – The Committee shall be composed of 20  
7 members, as follows:

8 (1) Ten members appointed by the Speaker of the House of Representatives, as  
9 follows:

- 10 a. Six members of the House of Representatives.  
11 b. Two members representing the public.  
12 c. One member representing small business in the State.  
13 d. One member representing large business in the State.

14 (2) Ten members appointed by the President Pro Tempore of the Senate, as  
15 follows:

- 16 a. Six members of the Senate.  
17 b. Two members representing the public.  
18 c. One member representing small business in the State.  
19 d. One member representing large business in the State.

20 **SECTION 34.12B.(k)** Finding and Purpose. – The General Assembly finds that the  
21 State has significant transportation infrastructure needs and insufficient revenue to meet those  
22 needs. Therefore, the Committee shall study all of the following:

- 23 (1) Options available, including debt instruments, revenue changes, local  
24 government participation, and tolling, to increase funding for the  
25 transportation infrastructure needs of the State.  
26 (2) New revenue sources available to fund the Megaproject Fund established  
27 under G.S. 136-189.12, as enacted by subsection (a) of this section.  
28 (3) Any other matters the Committee deems relevant to accomplishing the  
29 purpose set forth in this subsection.

30 **SECTION 34.12B.(l)** Officers; Vacancies. – The Speaker of the House of  
31 Representatives shall designate one Representative as cochair and the President Pro Tempore of  
32 the Senate shall designate one Senator as cochair. Any vacancy on the Committee shall be  
33 filled by the appointing authority.

34 **SECTION 34.12B.(m)** Compensation; Powers; Meeting. – Members of the  
35 Committee shall receive per diem, subsistence, and travel allowances in accordance with  
36 G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee, while in the discharge of its  
37 official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.4. The  
38 Committee shall meet upon the call of the cochairs. A quorum of the Committee shall be 10  
39 members. The Committee may meet in the Legislative Building or the Legislative Office  
40 Building. With approval of the Legislative Services Commission, the Legislative Services  
41 Officer shall assign professional staff to assist the Committee in its work. The House of  
42 Representatives' and the Senate's Directors of Legislative Assistants shall assign clerical staff to  
43 the Committee, and the expenses relating to the clerical employees shall be borne by the  
44 Committee.

45 **SECTION 34.12B.(n)** Report; Termination. – The Committee may make an  
46 interim report of its findings and recommendations to the 2018 Regular Session of the 2017  
47 General Assembly and shall make a final report of its findings and recommendations to the  
48 2019 General Assembly prior to its convening. The Committee shall terminate on the  
49 convening of the 2019 General Assembly or upon the filing of its final report, whichever occurs  
50 first.  
51

**DOT/FUNDING FOR PRELIMINARY ENGINEERING**

**SECTION 34.12C.** G.S. 136-66.8 reads as rewritten:

**"§ 136-66.8. Agreements with units of local government to expedite projects.**

(a) Agreements Authorized. – The Department of Transportation may enter into agreements with units of local government for either of the purpose of expediting following purposes:

(1) Expediting transportation projects currently programmed in the Transportation Improvement Plan-Program.

(2) Funding preliminary engineering for projects not currently programmed in the Transportation Improvement Program but programmed in the immediately preceding Transportation Improvement Program.

(b) Form of Project Agreements. – The agreements ~~affected-authorized~~ by subdivision (1) of subsection (a) of this section shall be between the Department of Transportation and units of local government. The agreements may authorize units of local government to construct projects scheduled in the Transportation Improvement ~~Plan-Program~~ more than two years from the date of the agreement. The units of local government shall fund one hundred percent (100%) of the project at current prices. In a future year, when the project is funded from State and federal sources, the units of local government shall be reimbursed an appropriate share of the funds, at the future programmed project funding amount, as identified and scheduled in the Transportation Improvement ~~Plan-Program~~.

(b1) Form of Preliminary Engineering Agreement. – The agreements authorized by subdivision (2) of subsection (a) of this section shall be between the Department of Transportation and units of local government. The units of local government shall fund one hundred percent (100%) of the preliminary engineering funding at current prices. In a future year, when the project is funded from State and federal sources, the units of local government shall be reimbursed for the amount expended in accordance with the agreement.

(c) Report. – The Department of Transportation shall annually report to the Joint Legislative Transportation Oversight Committee by December ~~1, 2006,~~1 on any agreements executed with units of local government pursuant to this section."

**REMOVE LIMITS ON LIGHT RAIL FUNDING**

**SECTION 34.12D.(a)** Section 35.12(b) of S.L. 2016-94 is repealed.

**SECTION 34.12D.(b)** G.S. 136-189.10 reads as rewritten:

**"§ 136-189.10. Definitions.**

The following definitions apply in this Article:

...

(2) Division needs projects. – Includes only the following:

...

e. Public transportation service not included in subdivision (3) or (4) of this section. This sub-subdivision includes commuter rail, intercity rail, and light rail. ~~Nothing in this sub-subdivision shall be construed as authorizing total State funding in excess of the maximum established in sub-subdivision g. of subdivision (3) of this section for commuter rail and light rail projects.~~

...

(3) Regional impact projects. – Includes only the following:

...

g. Public transportation service that spans two or more counties and that serves more than one municipality. Programmed funds pursuant to this sub-subdivision shall not exceed ten percent (10%) of any distribution region allocation. This sub-subdivision includes

1 commuter rail, intercity rail, and light rail. ~~Total State funding for a~~  
2 ~~commuter rail or light rail project shall not exceed ten percent (10%)~~  
3 ~~of the estimated total project costs used during the prioritization~~  
4 ~~scoring process. The State shall not be responsible or liable for any~~  
5 ~~project costs in excess of the maximum established under this~~  
6 ~~sub-subdivision. Any agreement entered into by the State to fund a~~  
7 ~~commuter rail or light rail project shall include language setting out~~  
8 ~~the limitations set forth in this sub-subdivision.~~

9 ...."

## 10 11 DOT/OUTSOURCING AND PROJECT DELIVERY REPORTS

12 SECTION 34.13. Article 1 of Chapter 136 of the General Statutes is amended by  
13 adding a new section to read:

### 14 "§ 136-12.3. Outsourcing and project delivery reports.

15 (a) Intent. – It is the intent of the General Assembly to take all steps necessary to assist  
16 the Department of Transportation in accelerating project delivery and reducing costs incurred  
17 by the State. The General Assembly finds that shifting more control over projects to each of the  
18 Highway Divisions can assist in achieving this intent. Further, the General Assembly  
19 encourages each Highway Division to increase its outsourcing of preconstruction activities to  
20 private contractors to sixty percent (60%) of the total cost of preconstruction activities  
21 performed by the Highway Division, with the belief that increased outsourcing will also assist  
22 in achieving this intent. Therefore, in order to assess the results from shifting project control  
23 and increasing the use of outsourcing, and to determine what adjustments may be necessary to  
24 improve upon the results, the General Assembly finds that reports are necessary to collect  
25 baseline data to establish appropriate targets.

26 (b) Outsourcing Report. – For each Highway Division, the Department shall provide a  
27 detailed biannual report on all payments made to private contractors for preconstruction  
28 activities. In order to compare internal costs incurred with payments made to private  
29 contractors, and except as otherwise provided in this subsection, the Department shall include  
30 project-specific expenses incurred by division, regional, or central staff. The Department shall  
31 not include expenses incurred for central business units that support and oversee outsourcing  
32 functions. The information in the first report submitted under this subsection shall be used to  
33 establish a baseline to use for setting future preconstruction outsourcing targets. The  
34 Department shall submit the reports required under this subsection to the Joint Legislative  
35 Transportation Oversight Committee by September 1 and March 1 of each year.

36 (c) Project Delivery Report. – For each Highway Division, the Department shall  
37 provide a detailed annual report in accordance with the following requirements:

38 (1) The report shall detail the progress of the following types of projects in the  
39 State Transportation Improvement Program current for the period covered  
40 by the report:

- 41 a. Bridge projects with a cost in excess of ten million dollars  
42 (\$10,000,000).
- 43 b. Interstate highway projects.
- 44 c. Rural highway projects.
- 45 d. Urban highway projects.

46 (2) For each project, the report shall indicate the status of all of the following  
47 phases:

- 48 a. Planning a design in progress.
- 49 b. Right-of-way acquisition in progress.
- 50 c. Project let for construction.
- 51 d. Construction substantially complete and traffic using facility.

1           (3)    For each project, and as applicable, the report shall include an indication and  
2           explanation for project stages that are delayed during the period covered by  
3           the report and the delay has been for more than one year.

4           (4)    For each project, the report shall include the planned and actual completion  
5           date for any required environmental documentation.

6           (5)    The Department shall submit the report required under this subsection to the  
7           Joint Legislative Transportation Oversight Committee by March 1 of each  
8           year.

9           (d)    Combined Report. – The Department may combine the reports required to be  
10          submitted by March 1 under subsections (b) and (c) of this section into a single report.

11          (e)    Consultation Required. – If a Highway Division fails to meet the established  
12          preconstruction outsourcing target in two consecutive reports submitted under subsection (b) of  
13          this section, or if a report submitted under subsection (c) of this section identifies a Highway  
14          Division as having three or more project stages delayed for more than one year, the Division  
15          Engineer of the Highway Division identified in the report shall consult with the Joint  
16          Legislative Transportation Oversight Committee. The Division Engineer shall submit a request  
17          for consultation to (i) all members of the Committee, (ii) the chairs of the House of  
18          Representatives Appropriations Committee on Transportation if the General Assembly is in  
19          session at the time consultation is required under this subsection, (iii) the chairs of the Senate  
20          Appropriations Committee on the Department of Transportation if the General Assembly is in  
21          session at the time consultation is required under this subsection, and (iv) the Fiscal Research  
22          Division of the General Assembly. The request for consultation shall consist of a written report  
23          providing an explanation for the failure or delay and a plan for remedying the failure or delay.  
24          If the Committee does not hold a meeting to hear the consultation required by this subsection  
25          within 90 days after the consultation request has been submitted, the consultation requirement  
26          is satisfied."

## 27

### 28    **BOARD OF TRANSPORTATION/STUDY FEE STRUCTURE FOR SERVICES** 29    **PERFORMED BY THE HIGHWAY DIVISION**

30          **SECTION 34.14.(a)** Study. – The Board of Transportation shall study the existing  
31 fee structure for services performed by Highway Division personnel. For each type of service  
32 performed by Highway Division personnel, the Board shall identify, for each of the three fiscal  
33 years immediately preceding the effective date of this section, (i) the number of times a fee was  
34 charged for a service performed and (ii) the number of times a fee could have been charged for  
35 a service performed. The study shall identify the service performed, the amount of the fee that  
36 was or could have been charged, the cost incurred by the Department of Transportation from  
37 performing the service, and, if applicable, the reason for not charging the fee.

38          **SECTION 34.14.(b)** Report. – The Board shall submit its findings, including any  
39 legislative recommendations, to the Joint Legislative Transportation Oversight Committee by  
40 January 1, 2018.

### 41

### 42    **ALIGN DOT'S PROGRAM FOR PARTICIPATION BY DISADVANTAGED** 43    **MINORITY-OWNED AND WOMEN-OWNED BUSINESSES WITH FEDERAL** 44    **LAW**

45          **SECTION 34.15.(a)** G.S. 136-28.4 reads as rewritten:

46          **"§ 136-28.4. State policy concerning participation by disadvantaged minority-owned and**  
47          **women-owned businesses in transportation contracts.**

48          ...

49          (b1) Based upon the findings of the Department's 2014 study entitled "North Carolina  
50 Department of Transportation Disparity Study, 2014," hereinafter referred to as "Study", the  
51 program design shall, to the extent reasonably practicable, incorporate narrowly tailored

1 remedies identified in the Study, and the Department shall implement a comprehensive  
 2 antidiscrimination enforcement policy. As appropriate, the program design shall be modified by  
 3 rules adopted by the Department that are consistent with findings made in the Study and in  
 4 subsequent studies conducted in accordance with subsection (b) of this section. As part of this  
 5 program, the Department shall review its budget and establish ~~aspirational goals~~ a combined  
 6 aspirational goal every three years, not ~~a mandatory goal, goal, in percentages,~~ the form of a  
 7 percentage, for the overall participation in contracts by disadvantaged minority-owned and  
 8 women-owned businesses. ~~These aspirational goals~~ This aspirational goal for disadvantaged  
 9 minority-owned and women-owned businesses shall be established consistent with federal  
 10 ~~methodology, methodology~~ and they shall not be applied rigidly on specific contracts or  
 11 projects. Instead, the Department shall establish ~~contract specific goals or project specific goals~~  
 12 a contract-specific goal or project-specific goal for the participation of such firms in a manner  
 13 consistent with availability of disadvantaged minority-owned and women-owned businesses, as  
 14 appropriately defined by its most recent Study, ~~for each disadvantaged minority-owned and~~  
 15 ~~women-owned business category that has demonstrated significant disparity in contract~~  
 16 ~~utilization.~~ Study. Nothing in this section shall authorize the use of quotas. Any program  
 17 implemented as a result of the Study conducted in accordance with this section shall be  
 18 narrowly tailored to eliminate the effects of historical and continuing discrimination and its  
 19 impacts on such disadvantaged minority-owned and women-owned businesses without any  
 20 undue burden on other contractors. The Department shall give equal opportunity for contracts it  
 21 lets without regard to race, religion, color, creed, national origin, sex, age, or handicapping  
 22 condition, as defined in G.S. 168A-3, to all contractors and businesses otherwise qualified.

23 ...

24 (e) ~~This section expires August 31, 2017."~~

25 **SECTION 34.15.(b)** The Department of Transportation shall develop a plan to  
 26 establish and implement the combined goal required under subsection (a) of this section. The  
 27 Department shall submit its plan, including any legislative recommendations, to the Joint  
 28 Legislative Transportation Oversight Committee by February 1, 2018. The Department shall  
 29 implement its plan developed under this subsection by April 1, 2018.

30 **SECTION 34.15.(c)** G.S. 136-28.4(b1), as amended by subsection (a) of this  
 31 section, becomes effective April 1, 2018. The remainder of this section is effective when it  
 32 becomes law.

### 33 34 **"DOT REPORT" PROGRAM REVISIONS**

35 **SECTION 34.16.(a)** G.S. 136-18.05 reads as rewritten:

#### 36 **"§ 136-18.05. Establishment of "DOT Report" Program.**

37 ...

38 (b) Establishment and Components. – To achieve the intent set forth in subsection (a) of  
 39 this section, the Department shall establish and implement the "DOT Report" Program  
 40 (Program). The Program shall include the following components:

- 41 (1) Responsiveness. – The Department shall structure the Program to gather  
 42 citizen input and shall commit to quickly addressing structural problems and  
 43 other road hazards on State-maintained roads. Citizens may report potholes,  
 44 drainage issues, culvert blockages, guardrail repairs, damaged or missing  
 45 signs, malfunctioning traffic lights, highway debris, or shoulder damage to  
 46 the Department of Transportation by calling a toll-free telephone number  
 47 designated by the Department or submitting an online work request through  
 48 a Web site link designated by the Department. Beginning January 1, 2016,  
 49 upon receiving a citizen report in accordance with this subdivision, the  
 50 Department shall either address the reported problem or identify a solution  
 51 to the reported problem. Excluding potholes, which shall be repaired within

1 two business days of the date the report is received, the Department of  
2 Transportation shall properly address (i) safety-related citizen reports no  
3 later than 10 business days after the date the report is received and (ii)  
4 non-safety-related citizen reports no later than 15 business days after the  
5 date the report is received. The Department shall determine, in its discretion,  
6 whether a citizen report is safety-related or non-safety-related. The  
7 Department shall transmit information received about potholes or other  
8 problems on roads not maintained by the State to the appropriate locality  
9 within two business days of receiving the citizen report. The Department  
10 shall provide a monthly report to all of the following on the number of  
11 citizen reports received under this subdivision for the month immediately  
12 preceding the monthly report, the number of citizen reports fully addressed  
13 within the time frames set forth in this subdivision for the month  
14 immediately preceding the monthly report, the number of citizen reports  
15 addressed outside of the time frames set forth in this subdivision for the  
16 month immediately preceding the monthly report, and the number of citizen  
17 reports not fully addressed for the month immediately preceding the report:

18 a. The Joint Legislative Transportation Oversight Committee.

19 b. The Fiscal Research Division of the General Assembly.

20 c. The chairs of the House of Representatives Appropriations  
21 Committee on Transportation.

22 d. The chairs of the Senate Appropriations Committee on the  
23 Department of Transportation.

24 (1a) Efficiency. – The Department shall adopt procedures in all stages of the  
25 construction process to streamline project delivery, including consolidating  
26 environmental review processes, expediting multiagency reviews,  
27 accelerating right-of-way acquisitions, and pursuing design build and other  
28 processes to collapse project stages. By December 1, 2015, the Department  
29 shall establish a baseline unit pricing structure for transportation goods used  
30 in highway maintenance and construction projects and set annual targets for  
31 three years based on its unit pricing. In forming the baseline unit prices and  
32 future targets, the Department shall collect data from each Highway Division  
33 on its expenditures on transportation goods during the 2015-2016 fiscal year.  
34 Beginning January 1, 2016, no Highway Division shall exceed a ten percent  
35 (10%) variance over a baseline unit price set for that year in accordance with  
36 this subdivision. The Department of Transportation shall institute quarterly  
37 tracking to monitor pricing variances. The ten percent (10%) maximum  
38 variance set under this subdivision is intended to account for regional  
39 differences requiring varying product mixes. If a Highway Division exceeds  
40 the unit pricing threshold, the Department shall report to the Joint  
41 Legislative Transportation Oversight Committee, the Fiscal Research  
42 Division of the General Assembly, the chairs of the House of  
43 Representatives Appropriations Committee on Transportation, and the chairs  
44 of the Senate Appropriations Committee on the Department of  
45 Transportation no later than the fifteenth day following the end of the quarter  
46 on why the variance occurred and what steps are being taken to bring the  
47 Highway Division back into compliance. In order to drive savings, unit  
48 pricing may be reduced annually as efficiencies are achieved.

49 "...."

50 **SECTION 34.16.(b)** Section 29.14(b) of S.L. 2015-241 is repealed.

51



## 1 STATE INFRASTRUCTURE BANK

2 SECTION 34.16A.(a) Chapter 136 of the General Statutes is amended by adding a  
3 new Article to read:

4 "Article 21.

5 "State Infrastructure Bank.

6 **"§ 136-277. Creation of the State Infrastructure Bank.**

7 (a) Creation. – The Department of Transportation shall have such powers as are  
8 necessary to establish, administer, and receive federal funds for a transportation infrastructure  
9 banking program authorized by the Intermodal Surface Transportation Efficiency Act of 1991,  
10 Pub. L. 102-240, as amended, the National Highway System Designation Act of 1995, Pub. L.  
11 104-59, as amended, and any other federal law authorizing and governing the use of federal  
12 funds for a transportation infrastructure banking program.

13 (b) Federal Financial Assistance. – The Department is authorized to apply for, receive,  
14 administer, and comply with all conditions and requirements related to federal financial  
15 assistance necessary to fund the infrastructure banking program.

16 (c) Use of Funds; Conditions and Repayment. – Except as otherwise prohibited under  
17 federal law, the infrastructure banking program established under subsection (a) of this section  
18 may utilize available federal and State funds for the purpose of providing loans or other  
19 financial assistance to governmental units, including toll authorities, to finance the costs of  
20 transportation projects. Loans or other financial assistance provided under this subsection shall  
21 be subject to repayment and conditioned upon the establishment of any security and the  
22 payment of any fees and interest rates deemed necessary by the Department. Governmental  
23 units may apply for loans and execute debt instruments payable to the State in order to obtain  
24 loans or other financial assistance provided for in this subsection. The Department shall require  
25 that applicants pledge as security for the obligations revenues derived from operation of the  
26 benefited facilities or systems, other sources of revenue, or their faith and credit, or any  
27 combination thereof. The faith and credit of the governmental units shall not be pledged or be  
28 deemed to have been pledged unless the requirements of Article 4 of Chapter 159 of the  
29 General Statutes have been met. The Department is authorized to apply a municipality's share  
30 of funds allocated under G.S. 136-41.1 or G.S. 136-44.20 as necessary to ensure repayment of  
31 funds advanced under this subsection.

32 (d) Account; Nonreversion of Funds. – The Department shall establish jointly, with the  
33 State Treasurer, a separate infrastructure banking account within the Highway Fund with  
34 necessary fiscal controls and accounting procedures. Funds credited to this account shall not  
35 revert, and interest and other investment income shall accrue to the account and may be used to  
36 provide loans and other financial assistance as provided under this section.

37 (e) Rules. – The Department may establish such rules and policies as are necessary to  
38 establish and administer the infrastructure banking program.

39 (f) Debt Instruments. – The State Treasurer, with the assistance of the Local  
40 Government Commission, shall develop and adopt appropriate debt instruments for use under  
41 this section. The Local Government Commission shall develop and adopt appropriate  
42 procedures for the delivery of debt instruments to the State without any public bidding therefor.

43 (g) Review and Approval of Loans. – The State Infrastructure Bank Oversight Board  
44 established in G.S. 136-278 shall review and approve all proposed loans and other financial  
45 assistance to applicants under this section. In addition, the Local Government Commission  
46 shall review and approve proposed loans to applicants under this section pursuant to the  
47 provisions of Articles 4 and 5 of Chapter 159 of the General Statutes, as if the issuance of  
48 bonds was proposed, so far as those provisions are applicable.

49 (h) Outstanding Debt. – Loans authorized by this section shall be outstanding debt for  
50 the purpose of Article 10 of Chapter 159 of the General Statutes.

51 **"§ 136-278. Establishment of State Infrastructure Bank Oversight Board.**

1        (a) Establishment. – The State Infrastructure Bank Oversight Board (Board) is  
2 established and shall be responsible for reviewing and approving loans or other financial  
3 assistance provided under G.S. 136-277.

4        (b) Members. – The Board shall consist of the following voting members:

5            (1) The Secretary of the Department of Transportation.

6            (2) The Secretary of the Department of Commerce.

7            (3) The State Treasurer.

8            (4) The State Auditor.

9            (5) The State Budget Officer.

10        (c) Terms. – The members set forth in subsection (b) of this section shall serve terms  
11 coinciding with their respective offices.

12        (d) Officers. – The Board shall elect from its members a chair and vice-chair of the  
13 Board.

14        (e) Meetings. – The Board shall meet on the call of the chair or any two members but  
15 shall meet at least once every six months. Each member may be represented by a designee, who  
16 shall have the same voting powers as the member. The Board shall meet in offices provided by  
17 the Department of Transportation. In addition, the Department of Transportation shall provide  
18 the necessary secretarial and clerical staff and supplies to help the Board accomplish its  
19 objectives.

20        (f) Guidelines. – The Board shall develop guidelines, consistent with the requirements  
21 of G.S. 136-277, for reviewing and approving loans or other financial assistance provided  
22 under G.S. 136-277. The Board shall publish the guidelines established under this subsection  
23 on the Board's Web site, or, if the Board does not have its own Web site, on the Department of  
24 Transportation's Web site.

25        (g) Quorum. – A quorum of the Board shall consist of a majority of the Board's total  
26 membership.

27        (h) Reports. – The Board shall report on its activities quarterly to the Joint Legislative  
28 Commission on Governmental Operations and the Joint Legislative Transportation Oversight  
29 Committee.

30        (i) Compensation. – Members shall serve without compensation but may receive travel  
31 and subsistence in accordance with G.S. 138-6."

32        **SECTION 34.16A.(b)** G.S. 136-18(12a) is repealed.

33        **SECTION 34.16A.(c)** G.S. 143C-6-11(k) reads as rewritten:

34        "(k) The Department of Transportation shall do all of the following:

35            (1) Utilize cash flow financing to the extent possible to fund transportation  
36 projects with the goal of reducing the combined average daily cash balance  
37 of the Highway Fund and the Highway Trust Fund to an amount equal to  
38 between fifteen and twenty percent (15-20%) of the total appropriations for  
39 the current fiscal year from those funds. In projecting cash balances in future  
40 years, the Department shall use the estimated cash flow as specified in the  
41 Current Operations Appropriation Act. Any federal funds on ~~hand~~hand, and  
42 any funds in the infrastructure banking account established under  
43 G.S. 136-277, shall not be considered as cash for the purposes of this  
44 subsection. The target amount shall include an amount necessary to make all  
45 municipal-aid funding requirements of the Department.

46        ...."

47  
48        **STATE AID TO MUNICIPALITIES/NO FUNDS IF MUNICIPALITY FAILS TO FILE**  
49        **STATEMENT AND STUDY HOW TO ACCOUNT FOR SEASONAL**  
50        **POPULATION SHIFTS**

51        **SECTION 34.17.(a)** G.S. 136-41.3 reads as rewritten:

1 "§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds;  
2 contracts for maintenance, etc., of streets.

3 (a) Uses of Funds. – ~~The~~Except as otherwise provided in this subsection, the funds  
4 allocated to cities and towns under the provisions of G.S. 136-41.2 shall be expended by said  
5 cities and towns primarily for the resurfacing of streets within the corporate limits of the  
6 municipality but may also be used for the purposes of maintaining, repairing, constructing,  
7 reconstructing or widening of any street or public thoroughfare including bridges, drainage,  
8 curb and gutter, and other necessary appurtenances within the corporate limits of the  
9 municipality or for meeting the municipality's proportionate share of assessments levied for  
10 such purposes, or for the planning, construction and maintenance of bikeways, greenways, or  
11 sidewalks. The funds allocated to cities and towns under the provisions of G.S. 136-41.2 shall  
12 not be expended for the construction of a sidewalk into which is built a mailbox, utility pole,  
13 fire hydrant, or other similar obstruction that would impede the clear passage of pedestrians on  
14 the sidewalk.

15 ...

16 (b1) Failure to File. – A municipality that fails to timely file the statement required under  
17 subsection (b) of this section shall be ineligible to receive funds under G.S. 136-41.1 or  
18 G.S. 136-41.2 until the municipality files the statement required under subsection (b) of this  
19 section. No interest shall accrue on funds withheld in accordance with this subsection. Upon  
20 receiving the statement required under subsection (b) of this section, the Department of  
21 Transportation shall allocate to the municipality the total amount of funds withheld in  
22 accordance with this subsection. This subsection does not apply to a municipality whose failure  
23 to timely file the statement required under subsection (b) of this section is due to a natural  
24 disaster.

25 ...."

26 **SECTION 34.17.(b)** Study. – The Department of Transportation shall study how to  
27 adjust the formula in G.S. 136-41.1(a) to account for seasonal shifts in municipal populations.  
28 The Department of Transportation shall report its findings, including any legislative  
29 recommendations, to the Joint Legislative Transportation Oversight Committee by December 1,  
30 2017.

## 31 REPEAL THE MAP ACT

32 **SECTION 34.18.(a)** Article 2E of Chapter 136 of the General Statutes is repealed.

33 **SECTION 34.18.(b)** G.S. 47-30(l) reads as rewritten:

34 "(l) This section does not apply to the registration of highway right-of-way plans  
35 provided for in G.S. 136-19.4 or ~~G.S. 136-89.184, nor to the registration of roadway corridor~~  
36 ~~official maps provided for in Article 2E of Chapter 136 of the General~~  
37 ~~Statutes.~~G.S. 136-89.184."

38 **SECTION 34.18.(c)** G.S. 105-277.9 is repealed.

39 **SECTION 34.18.(d)** G.S. 105-277.9A is repealed.

40 **SECTION 34.18.(e)** Subsection (m) of G.S. 105-296 is repealed.

41 **SECTION 34.18.(f)** G.S. 160A-458.4 is repealed.

42 **SECTION 34.18.(g)** Subsection (c) of G.S. 161-14 is repealed.

43 **SECTION 34.18.(h)** Subsections (c) and (d) of this section are effective for taxes  
44 imposed for taxable years beginning on or after July 1, 2017. The remainder of this section is  
45 effective when it becomes law and applies to maps filed before, on, or after that date.  
46

## 47 DOT/INCREASE CONSOLIDATION AND COORDINATION OF PUBLIC 48 TRANSPORTATION SYSTEMS

49 **SECTION 34.18A.(a)** G.S. 136-44.20 reads as rewritten:  
50

1 "§ 136-44.20. Department of Transportation designated agency to administer and fund  
2 public transportation programs; authority of political subdivisions.  
3

4 (e) The Department of Transportation is authorized to annually allocate funds to  
5 qualifying public transportation systems to be used to consolidate or coordinate with other  
6 public transportation systems to maximize resources, gain efficiencies, and increase access to  
7 public transportation. In order to be eligible for funding under this subsection, a public  
8 transportation system must submit a plan for consolidation or coordination with another public  
9 transportation system. The plan must include a time line for completion and an estimated cost  
10 for completion. The Department is not required to provide the full amount of the estimated cost  
11 identified in the plan. The Department shall disburse the funds no later than 30 days from the  
12 date it approves the plan. The amount allocated under this subsection to a public transportation  
13 system shall not exceed two hundred thousand dollars (\$200,000) annually. Beginning  
14 December 1, 2017, the Department shall provide an annual report to the Joint Legislative  
15 Transportation Oversight Committee identifying for the year preceding the report (i) each  
16 public transportation system provided funding under this subsection, (ii) the amount of funds  
17 disbursed to each public transportation system, and (iii) the purpose or purposes for which each  
18 public transportation system has used the funds."

19 **SECTION 34.18A.(b)** By September 1, 2017, the Department of Transportation  
20 shall establish criteria for approving plans submitted to the Department under  
21 G.S. 136-44.20(e), as enacted by subsection (a) of this section. No later than 10 days from the  
22 date the Department establishes the criteria required under this subsection, the Department shall  
23 publish the criteria on the Department's Web site.

24 **SECTION 34.18A.(c)** Notwithstanding any provision of G.S. 136-44.20(e), as  
25 enacted by subsection (a) of this section, to the contrary, and for the report due under  
26 G.S. 136-44.20(e) on December 1, 2017, the Department shall provide the required information  
27 only for the period from the effective date of this section to December 1, 2017.  
28

## 29 **FUNDING FOR AIRPORT IMPROVEMENTS AND DEBT SERVICE**

30 **SECTION 34.19.(a)** 2017-2018 Allocations. – Of the funds appropriated from the  
31 Highway Fund to the Department of Transportation for capital improvements at commercial  
32 airports, the following sums in nonrecurring funds for the 2017-2018 fiscal year, which are  
33 based on the economic output of commercial airports, shall be allocated by the Department as  
34 follows:

- 35 (1) Twenty-one million two hundred eighty-two thousand one hundred  
36 thirty-one dollars (\$21,282,131) to the Raleigh-Durham International  
37 Airport.
- 38 (2) Two million two thousand five hundred thirty-eight dollars (\$2,002,538) to  
39 the Albert J. Ellis Airport.
- 40 (3) Four million six hundred ninety-two thousand six hundred eighty-nine  
41 dollars (\$4,692,689) to the Asheville Regional Airport.
- 42 (4) One million five hundred twelve thousand six hundred twenty-eight dollars  
43 (\$1,512,628) to the Coastal Carolina Regional Airport.
- 44 (5) One million three hundred fifty-nine thousand one hundred seventy-eight  
45 dollars (\$1,359,178) to the Concord Regional Airport.
- 46 (6) Two million six hundred thirty-nine thousand three hundred ten dollars  
47 (\$2,639,310) to the Fayetteville Regional Airport.
- 48 (7) Sixteen million four hundred ninety-six thousand twenty-four dollars  
49 (\$16,496,024) to the Piedmont Triad International Airport.
- 50 (8) Eight hundred seventy-three thousand two hundred thirty-nine dollars  
51 (\$873,239) to the Pitt-Greenville Airport.

1 (9) Thirteen million seven hundred seventy-two thousand two hundred sixty-two  
2 dollars (\$13,772,262) to the Wilmington International Airport.

3 (10) Twelve million five hundred thousand dollars (\$12,500,000) to the Charlotte  
4 Douglas International Airport.

5 **SECTION 34.19.(b)** 2018-2019 Allocation to RDU. – Of the funds appropriated  
6 from the Highway Fund to the Department of Transportation for capital improvements at  
7 commercial airports, and beginning in the 2018-2019 fiscal year, the sum of thirty-one million  
8 two hundred eighty-two thousand one hundred thirty-one dollars (\$31,282,131) in recurring  
9 funds shall be allocated by the Department to the Raleigh-Durham International Airport.

10 **SECTION 34.19.(c)** 2018-2019 Allocations to Other Airports. – Of the funds  
11 appropriated from the Highway Fund to the Department of Transportation for capital  
12 improvements at commercial airports, the following sums in nonrecurring funds for the  
13 2018-2019 fiscal year shall be allocated as follows:

14 (1) One million six hundred twenty-nine thousand seven hundred twenty-nine  
15 dollars (\$1,629,729) to the Albert J. Ellis Airport.

16 (2) Three million eight hundred nineteen thousand fifty-nine dollars  
17 (\$3,819,059) to the Asheville Regional Airport.

18 (3) One million two hundred thirty-one thousand twenty-five dollars  
19 (\$1,231,025) to the Coastal Carolina Regional Airport.

20 (4) One million one hundred six thousand one hundred forty-two dollars  
21 (\$1,106,142) to the Concord Regional Airport.

22 (5) Two million one hundred forty-seven thousand nine hundred fifty-four  
23 dollars (\$2,147,954) to the Fayetteville Regional Airport.

24 (6) Thirteen million four hundred twenty-four thousand nine hundred  
25 eighty-seven dollars (\$13,424,987) to the Piedmont Triad International  
26 Airport.

27 (7) Seven hundred ten thousand six hundred seventy dollars (\$710,670) to the  
28 Pitt-Greenville Airport.

29 (8) Eleven million two hundred eight thousand three hundred three dollars  
30 (\$11,208,303) to the Wilmington International Airport.

31 (9) Twelve million five hundred thousand dollars (\$12,500,000) to the Charlotte  
32 Douglas International Airport.

33 **SECTION 34.19.(d)** Permissible Uses. – Each airport receiving funds under this  
34 section may use the funds allocated to it under this section to (i) fund improvements to the  
35 airport and (ii) pay debt service or related financing costs and expenses on revenue bonds or  
36 notes issued by the airport.

37 **SECTION 34.19.(e)** Report. – The Department of Transportation shall provide a  
38 report on the use or uses by each airport of funds allocated to the airport under this section. The  
39 Department shall submit the report required under this subsection by March 1, 2019, to the  
40 Joint Legislative Transportation Oversight Committee.

41  
42 **REVISE USE OF TAXES COLLECTED ON AVIATION GASOLINE AND JET FUEL**

43 **SECTION 34.21.(a)** G.S. 105-164.44M reads as rewritten:

44 **"§ 105-164.44M. Transfer to Division of Aviation.**

45 The net proceeds of the tax collected on aviation gasoline and jet fuel under G.S. 105-164.4  
46 must be transferred within 75 days after the end of each fiscal year to the Highway Fund. This  
47 amount is annually appropriated from the Highway Fund to the Division of Aviation of the  
48 Department of Transportation for prioritized capital improvements to ~~public-general aviation~~  
49 airports ~~and for~~ time-sensitive aviation capital improvement projects for economic development  
50 purposes."

1           **SECTION 34.21.(b)** This section becomes effective January 1, 2018, and applies  
2 to sales made on or after that date.

3  
4 **AVIATION/TECHNICAL CORRECTION**

5           **SECTION 34.21A.** G.S. 63-47 reads as rewritten:

6 "**§ 63-47. Enforcement of regulations of ~~Civil Aeronautics~~ Federal Aviation**  
7 **Administration.**

8           In the general public interest and safety, the safety of persons receiving instructions  
9 concerning or operating, using or traveling in aircraft, and of persons and property on the  
10 ground, and in the interest of aeronautical progress, the public officers of the State, counties  
11 and cities shall enforce the rules and regulations of the ~~Civil Aeronautics~~ Federal Aviation  
12 Administration."

13  
14 **RAIL DIVISION/FIVE-YEAR SPENDING PLAN FOR FRRCSI**

15           **SECTION 34.23.** The Rail Division of the Department of Transportation shall  
16 develop a five-year spending plan for the funds in the Freight Rail & Rail Crossing Safety  
17 Improvement Fund within the Highway Fund. The Rail Division shall submit its five-year  
18 spending plan to the Joint Legislative Transportation Oversight Committee by December 1,  
19 2017.

20  
21 **RAIL DIVISION/REPORT REQUIRED PRIOR TO ENTERING INTO CERTAIN**  
22 **CONTRACTS**

23           **SECTION 34.24.(a)** In addition to any other requirements provided by State or  
24 federal law, the Rail Division of the Department of Transportation shall submit a report to the  
25 Joint Legislative Transportation Oversight Committee prior to entering into a contract with a  
26 duration of five or more years and requiring an estimated expenditure of State funds in an  
27 amount totaling or exceeding one million five hundred thousand dollars (\$1,500,000). The  
28 report shall (i) identify the total cost of the proposed contract, (ii) identify the duration of the  
29 proposed contract, (iii) identify the other party or parties to the proposed contract, and (iv)  
30 identify any other terms of the proposed contract that are deemed relevant by the Rail Division.

31           **SECTION 34.24.(b)** This section is effective when it becomes law and applies to  
32 contracts entered into on or after that date. This section expires June 30, 2022.

33  
34 **GLOBAL TRANSPARK/STRATEGIC PLAN AND MARKETING**

35           **SECTION 34.26.(a)** Strategic Plan; Report. – By January 1, 2018, the Global  
36 TransPark Authority shall establish and implement a strategic plan for the Global TransPark.  
37 The Global TransPark Authority may use a portion of funds appropriated to it in this act to  
38 establish and implement the strategic plan required under this subsection. The Global  
39 TransPark Authority shall submit a report to the Joint Legislative Transportation Oversight  
40 Committee by January 15, 2018, detailing the strategic report established and implemented as  
41 required by this subsection.

42           **SECTION 34.26.(b)** Marketing. – The Global TransPark Authority shall utilize  
43 and contract with an outside vendor to provide marketing services for the Global TransPark.  
44 The Global TransPark Authority shall identify and contract with an outside vendor in  
45 accordance with this subsection by February 1, 2018. The Global TransPark Authority shall  
46 submit a report to the Joint Legislative Transportation Oversight Committee by February 15,  
47 2018, providing details as to the contract entered into in accordance with this subsection,  
48 including an identification of the outside vendor and the total cost of the contract to the State.

49           **SECTION 34.26.(c)** Web Site. – The Communications Office of the Department of  
50 Transportation shall manage the Web site for the Global TransPark, including providing regular  
51 updates on the Web site as to, at a minimum, (i) achievements of the Global TransPark, (ii)

1 business opportunities available at the Global TransPark, and (iii) events held at the Global  
2 TransPark.

#### 3 4 **GLOBAL TRANSPARK/LENOIR COUNTY ECONOMIC DEVELOPMENT**

5 **SECTION 34.26A.** The Global TransPark Authority shall allow the use of  
6 available space at Global TransPark by the Lenoir County Economic Development. The Global  
7 TransPark Authority shall enter into a memorandum of understanding with the County of  
8 Lenoir setting forth the terms governing the use of the available space by the Lenoir County  
9 Economic Development. The memorandum of understanding required under this section must  
10 be in place before any upfitting or other renovations to Global TransPark may be completed to  
11 accommodate the use of available space by the Lenoir County Economic Development.  
12

#### 13 **NORTH CAROLINA STATE PORTS AUTHORITY/FUNDS FOR DEBT SERVICE** 14 **AND CAPITAL PROJECTS**

15 **SECTION 34.27.(a)** G.S. 136-176 reads as rewritten:

#### 16 **"§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust** 17 **Fund.**

18 ...

19 (b) ~~Funds~~ Except as otherwise provided in this section, funds in the Trust Fund are  
20 annually appropriated to the Department of Transportation to be allocated and used as provided  
21 in this subsection. A sum, in the amount appropriated by law, may be used each fiscal year by  
22 the Department for expenses to administer the Trust Fund. Operation and project development  
23 costs of the North Carolina Turnpike Authority are eligible administrative expenses under this  
24 subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by  
25 the Authority from its toll revenue as soon as possible, subject to any restrictions included in  
26 the agreements entered into by the Authority in connection with the issuance of the Authority's  
27 revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed  
28 Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund  
29 at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust  
30 Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited  
31 in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be  
32 necessary to meet the State matching funds requirements to receive federal-aid highway trust  
33 funds for the next fiscal year may be set aside for that purpose. The rest of the funds in the  
34 Trust Fund shall be allocated and used as specified in G.S. 136-189.11.

35 The Department must administer funds allocated under this section in a manner that ensures  
36 that sufficient funds are available to make the debt service payments on bonds issued under the  
37 State Highway Bond Act of 1996 as they become due.

38 ...

39 (b3) Funds appropriated to the North Carolina State Ports Authority from the Highway  
40 Trust Fund may only be used (i) to pay debt service or related financing costs and expenses on  
41 revenue bonds or notes issued by the State Ports Authority and (ii) for capital projects. An  
42 appropriation to the State Ports Authority from the Highway Trust Fund constitutes an  
43 agreement by the State to pay the funds appropriated to the State Ports Authority within the  
44 meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General  
45 Assembly that the appropriation of funds to the State Ports Authority, the enactment of this  
46 subsection, and the issuance of bonds or notes by the State Ports Authority in reliance thereon  
47 shall not in any manner constitute a pledge of the faith and credit and taxing power of the State,  
48 and nothing contained herein shall prohibit the General Assembly from amending an  
49 appropriation made to the State Ports Authority at any time to decrease or eliminate the amount  
50 annually appropriated to the State Ports Authority. Funds appropriated to the State Ports

1 Authority for the purposes described in this subsection are not subject to the formula set forth  
2 in G.S. 136-189.11.

3 ...."

4 **SECTION 34.27.(b)** G.S. 136-189.11(b) reads as rewritten:

5 "(b) Funds Excluded From Formula. – The following funds are not subject to this  
6 section:

7 ...

8 (11) Funds appropriated to the North Carolina State Ports Authority for the  
9 purposes described in G.S. 136-176(b3)."

## 10 **STATE PORTS AUTHORITY/ROAD AND RAIL CONNECTIVITY**

11 **SECTION 34.27A.** Consistent with the provisions of Article 14B of Chapter 136  
12 of the General Statutes, the North Carolina State Ports Authority shall take all steps necessary  
13 to begin implementation of any plans completed by the Ports Authority to increase road and rail  
14 connectivity to the Ports of Wilmington and Morehead City.

## 15 **STATE PORTS AUTHORITY/FUNDING FOR DREDGING**

16 **SECTION 34.28.** Of the funds appropriated to the North Carolina State Ports  
17 Authority for the purposes described in G.S. 136-176(b3), as enacted by Section 34.27 of this  
18 act, up to fifteen million dollars (\$15,000,000) in nonrecurring funds for the 2017-2018 fiscal  
19 year may be used for the dredging of approaches to State port facilities.

## 20 **STUDY/TRANSFER RESPONSIBILITY FOR DREDGING ACTIVITIES TO DOT**

21 **SECTION 34.28A.(a)** Study. – The Department of Transportation and the  
22 Department of Environmental Quality shall jointly study the feasibility of transferring the  
23 responsibility for dredging activities to the Department of Transportation. The study shall  
24 include an examination of the number of staff needed by the Department of Transportation to  
25 adequately assume the responsibility, the types and numbers of equipment needed to complete  
26 the dredging activities, the annual funding level necessary to complete the dredging activities,  
27 and any other issues the Departments jointly deem relevant to the completion of the study.

28 **SECTION 34.28A.(b)** Report. – The Departments shall jointly report the findings  
29 of the study required under subsection (a) of this section, including any legislative  
30 recommendations, to the Joint Legislative Transportation Oversight Committee and the Joint  
31 Legislative Oversight Committee on Agriculture and Natural and Economic Resources by  
32 February 1, 2018.

## 33 **FERRY VESSEL PRIORITY BOARDING/CLARIFICATION**

34 **SECTION 34.28B.** G.S. 136-82(f3) reads as rewritten:

35 "(f3) Priority Boarding Fee for Certain Vehicles. – For vehicles providing commercial  
36 goods and services, the Department of Transportation shall charge an annual fee of one  
37 hundred fifty dollars (\$150.00) for an annual passespass that entitleentitles the vehicle or  
38 vehicles owned by the person issued the annual pass to priority when boarding a ferry vessel.  
39 Except as authorized under this subsection, the Department of Transportation shall not provide  
40 priority boarding to a ferry vessel to any vehicle providing commercial goods and services."

## 41 **DOT PERFORMANCE DASHBOARD/TRACK DMV PROGRESS**

42 **SECTION 34.30.(a)** Expand Performance Dashboard. – The Department of  
43 Transportation shall expand its performance dashboard available on the Department's home  
44 page on the Department's Web site to track the following information about the Division of  
45 Motor Vehicles of the Department:



- 1 (1) The number of motor vehicle registrations issued per month and  
2 year-to-date.
- 3 (2) The number of motor vehicle registrations renewed per month and  
4 year-to-date.
- 5 (3) The number of drivers licenses issued per month and year-to-date.
- 6 (4) The number of drivers licenses renewed per month and year-to-date.
- 7 (5) The number of motor vehicle registrations renewed online per month and  
8 year-to-date.
- 9 (6) The number of drivers licenses renewed online per month and year-to-date.
- 10 (7) The total number of persons employed by the Division as of the first day of  
11 each month. The number provided in accordance with this subdivision shall  
12 include full-time, part-time, and temporary employees.

13 **SECTION 34.30.(b)** Implementation Date. – The expansion of the Department's  
14 performance dashboard required under subsection (a) of this section shall be completed by  
15 October 1, 2017.

### 16 17 **DMV/PURCHASE CREDIT CARD PAYMENT PROCESSING DEVICES**

18 **SECTION 34.31.** The Division of Motor Vehicles of the Department of  
19 Transportation shall purchase, and not lease, devices solely used for processing payments by  
20 credit or debit card. The purchase price of a device subject to this section shall include the cost  
21 for any repair to, or replacement of, the device that would have otherwise been covered had the  
22 Division continued to lease devices used for processing payments by credit or debit card.

### 23 24 **DMV/HEARING FEE IMPLEMENTATION REVISIONS**

25 **SECTION 34.32.(a)** Section 34.9 of S.L. 2014-100, as amended by Section  
26 29.30A of S.L. 2015-241, reads as rewritten:

27 "**SECTION 34.9.(a)** The Department of Transportation, Division of Motor Vehicles, shall  
28 develop a plan and proposed schedule of fees to recover a portion of the direct and indirect  
29 costs incurred for the performance of administrative hearings required by law or under rules  
30 adopted ~~by the Board of Transportation under G.S. 20-2(b).~~ The plan and proposed schedule  
31 shall address, at a minimum, the following:

- 32 (1) Current hearing process and recommended modifications to achieve cost  
33 efficiencies, including proposed revisions to existing laws or rules.
- 34 (2) Historical and projected funding requirements for each category of hearing  
35 performed by the Division.
- 36 (3) Schedule of fees and projected receipts.
- 37 (4) Proposed processes and rules for the collection of fees and the refunding of  
38 fees for hearings initiated by the Division in which the original decision of  
39 the Division is reversed.
- 40 (5) Implementation milestones.

41 ...  
42 "**SECTION 34.9.(c)** From funds appropriated to the Department of Transportation,  
43 Information Technology Section for the 2014-2015 fiscal year, the Department shall implement  
44 modifications to supporting information technology systems necessary to timely implement the  
45 hearing fee schedule required by subsection (a) of this section. The Department shall  
46 implement the hearing fee schedule required by subsection (a) of this section by no later than  
47 ~~July 1, 2017.~~ January 1, 2018."

48 **SECTION 34.32.(b)** Rules. – The Division of Motor Vehicles may adopt  
49 temporary rules to implement the provisions of Section 34.9 of S.L. 2014-100, as amended by  
50 Section 29.30A of S.L. 2015-241 and subsection (a) of this section. Temporary rules adopted in

1 accordance with this section shall remain in effect until permanent rules that replace the  
2 temporary rules become effective.

### 4 **DMV/STUDY STREAMLINING IFTA AND IRP PROCESSES**

5 **SECTION 34.33.(a)** Study. – The Division of Motor Vehicles of the Department  
6 of Transportation, in consultation with the Department of Revenue, shall study streamlining the  
7 processes motor carriers must follow to comply with the requirements of the International Fuel  
8 Tax Agreement and the International Registration Plan to receive registration plates, motor  
9 carrier licenses, and motor carrier decals. The study shall include an examination of the  
10 feasibility of consolidating the processes within the Division of Motor Vehicles.

11 **SECTION 34.33.(b)** Report. – The Division of Motor Vehicles shall submit its  
12 findings under subsection (a) of this section, including any legislative recommendations, to the  
13 Joint Legislative Transportation Oversight Committee by December 1, 2017.

### 15 **ASSET MANAGEMENT LONG RANGE FACILITY PLANNING/DMV NEW BERN 16 AVENUE PROPERTY RELOCATION**

17 **SECTION 34.35.** In developing its Asset Management Long Range Facility  
18 Planning, the Department of Transportation shall specify its plan for relocating the Division of  
19 Motor Vehicles property located on New Bern Avenue in the City of Raleigh and whether the  
20 site of relocation will be purchased or leased. The Department shall report on the information  
21 required under this section to the Joint Legislative Transportation Oversight Committee by May  
22 1, 2018.

### 24 **STUDY/ELIMINATE USE OF NURSES IN MEDICAL REVIEW PROGRAM**

25 **SECTION 34.36.(a)** Study. – The Division of Motor Vehicles shall study the  
26 feasibility of eliminating the use of nurses in the Division's Medical Review Program. The  
27 study shall include an examination of any issues that may arise from using only the  
28 recommendation of the applicant's or licensee's examining health care provider as to the ability  
29 of the applicant or licensee to operate a motor vehicle.

30 **SECTION 34.36.(b)** Report. – The Division shall report the findings of the study  
31 required under subsection (a) of this section, including any legislative recommendations, to the  
32 Joint Legislative Transportation Oversight Committee by December 1, 2017.

### 34 **RESTORE MERCURY SWITCH REMOVAL FUNDING**

35 **SECTION 34.37.(a)** G.S. 20-85(a1) reads as rewritten:

36 "(a1) One dollar (\$1.00) of the fee imposed for any transaction assessed a fee under  
37 subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the  
38 North Carolina Highway Fund. The Division shall use the fees derived from transactions with  
39 commission contract agents for the payment of compensation to commission contract agents.  
40 An additional twenty cents (20¢) of the fee imposed for any transaction assessed a fee under  
41 subdivision (1) of subsection (a) of this section shall be credited to the Mercury Pollution  
42 Prevention Fund in the Department of Environmental Quality."

43 **SECTION 34.37.(b)** This section becomes effective July 1, 2017, and expires on  
44 June 30, 2021.

### 46 **DESIGNATE PORTION OF U.S. HIGHWAY 64 AS "BOB BARNHILL HIGHWAY"**

47 **SECTION 34.38.(a)** Notwithstanding G.S. 136-18(8) and any other State law to  
48 the contrary, the Department of Transportation shall designate the portion of the U.S. Highway  
49 64 Bypass in North Carolina from mile marker 486 to the Edgecombe and Martin County line  
50 the "Bob Barnhill Highway."

1           **SECTION 34.38.(b)** The Department of Transportation shall use unobligated funds  
2 available to pay costs associated with signage needed to implement subsection (a) of this  
3 section.  
4

5 **DOT/TRAFFIC IMPACT ANALYSIS TIME FRAME**

6           **SECTION 34.39.(a)** Article 7 of Chapter 136 of the General Statutes is amended  
7 by adding a new section to read:

8 **"§ 136-93.1A. Time frame for reviewing and making a decision on traffic impact**  
9 **analyses.**

10        (a) Required Time Frames. – The following time frames apply to the Department's  
11 process for reviewing and making a decision on a traffic impact analysis:

12           (1) The Department shall communicate the scope of the traffic impact analysis  
13 to the applicant no later than 10 business days from the day the Department  
14 receives the scope proposed by the applicant.

15           (2) The Department shall review and make a decision as to the completeness of  
16 the traffic impact analysis no later than 20 business days from the day the  
17 Department receives the traffic impact analysis. Failure of the Department to  
18 meet the time frame set forth in this subdivision shall result in the traffic  
19 impact analysis being deemed complete.

20           (3) The Department shall review and make a decision as to the approval or  
21 rejection of a traffic impact analysis no later than 20 business days from the  
22 day the traffic impact analysis is determined or deemed to be complete in  
23 accordance with subdivision (2) of this subsection or subsection (e) of this  
24 section. Failure of the Department to meet the time frame set forth in this  
25 subdivision shall result in the traffic impact analysis being deemed  
26 approved.

27        (b) Calculation. – The following rules apply when calculating the time frames set forth  
28 in subsection (a) of this section:

29           (1) The period of time in which a local government or local transportation  
30 planning organization reviews and provides feedback shall be included.

31           (2) The period of time in which the Department awaits a response from an  
32 applicant shall not be included.

33        (c) Basis for Rejection. – The Department shall not reject a traffic impact analysis on  
34 the basis that the applicant has failed to include information in a traffic impact analysis that is  
35 outside the scope established under subdivision (1) of subsection (a) of this section for that  
36 traffic impact analysis. When the Department rejects a traffic impact analysis, the Department  
37 shall provide the applicant written notice specifically setting forth the reason for rejection.

38        (d) Effect of Rejection. – The time frames set forth in subsection (a) of this section shall  
39 reset upon rejection of a traffic impact analysis. The Department may authorize an applicant to  
40 reuse the scope approved for a rejected traffic impact analysis if the applicant is submitting a  
41 revised traffic impact analysis. The Department shall notify the applicant as to whether the  
42 original scope may be used no later than five business days from the day the Department  
43 receives notice from the applicant that the applicant plans to submit a revised traffic impact  
44 analysis.

45        (e) Appeal. – An applicant may appeal a rejection of a traffic impact analysis by  
46 providing written notice of appeal to the Chief Engineer no later than five business days from  
47 the day the applicant receives the written notice required under subsection (c) of this section.  
48 No later than five business days from the day the Chief Engineer receives the written notice of  
49 appeal, the Chief Engineer shall either affirm or overturn the rejection being appealed. If the  
50 rejection being appealed is overturned, the traffic impact analysis that was the subject of the  
51 appeal shall be deemed (i) complete if the basis of the rejection being appealed was lack of

1 completeness or (ii) approved if the basis of the rejection being appealed was for any reason  
2 other than lack of completeness. The Chief Engineer shall provide the appealing party with  
3 written notice of the Chief Engineer's decision, specifically setting forth the reason if the  
4 rejection being appealed is affirmed. A decision by the Chief Engineer shall be final and not  
5 subject to further appeal.

6 (f) Criteria. – The Department shall develop and use criteria for determining (i) the  
7 scope of a traffic impact analysis, (ii) the completeness of a traffic impact analysis, and (iii)  
8 whether to approve or reject a traffic impact analysis. The Department shall post the criteria on  
9 its Web site. Prior to amending the criteria, the Department shall consult with a working group  
10 that consists of engineers, local government representatives, local transportation planning  
11 organization representatives, and other interested stakeholders identified by the Department.  
12 The Department shall provide at least 90 days' notice prior to the effective date of any  
13 amendments to the criteria. The notice required under this subsection may be satisfied by  
14 publishing the proposed amendments on the Department's Web site.

15 (g) Report. – Beginning October 1, and annually thereafter, the Department shall  
16 provide to the chairs of the Joint Legislative Transportation Oversight Committee a report on  
17 the number of times the Department failed during the year preceding the report to meet the time  
18 frame set in subdivision (1) of subsection (a) of this section, including reasoning for each  
19 failure."

20 **SECTION 34.39.(b)** The Department of Transportation shall commence  
21 development of the appeals process required under G.S. 136-93.1A(e), as enacted by subsection  
22 (a) of this section.

23 **SECTION 34.39.(c)** From the funds appropriated in this act from the Highway  
24 Fund for general maintenance, the Department of Transportation may use up to the sum of one  
25 hundred thousand dollars (\$100,000) in nonrecurring funds for the 2017-2018 fiscal year to  
26 cover any costs incurred by the Department from implementing the provisions of this section.

27 **SECTION 34.39.(d)** Subsection (a) of this section becomes effective October 1,  
28 2017, and applies to proposed scopes and traffic impact analyses submitted on or after that  
29 date. The remainder of this section is effective when it becomes law.

## 30 **EXCAVATION OR DEMOLITION NOTICE REQUIREMENTS**

31 **SECTION 34.40.** G.S. 87-124 reads as rewritten:

### 32 **"§ 87-124. Exemptions.**

33 The notice requirements in G.S. 87-122(a) and G.S. 87-122(b) do not apply to the  
34 following:

35 ...

- 36 ...
- 37 (6) An excavation or demolition performed when ~~the Department of~~  
38 ~~Transportation, a local government, special purpose district, or public~~  
39 ~~service district~~ an authority having jurisdiction over the public rights-of-way  
40 is conducting maintenance activities within its designated right-of-way.  
41 Maintenance activities shall include resurfacing, milling, emergency  
42 replacement of signs critical for maintaining safety, or the reshaping of  
43 shoulders and ditches to the original road profile. Maintenance activities do  
44 not include the initial installation of traffic signs, traffic control equipment,  
45 or guardrails.

46 ...."

## 47 **PART XXXV. SALARIES AND BENEFITS**

### 48 **ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED LEGISLATIVE SALARY** 49 **INCREASES/EFFECTIVE JULY 1, 2017, AND JULY 1, 2018**

1           **SECTION 35.1.(a)** Except as provided by subsection (b) of this section, a person  
 2 (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act, or as  
 3 otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30,  
 4 2017, is awarded a legislative salary increase as follows:

- 5           (1) In the amount of one thousand dollars (\$1,000) in the 2017-2018 fiscal year,  
 6 effective July 1, 2017.
- 7           (2) And additionally, in the amount of one thousand dollars (\$1,000) in the  
 8 2018-2019 fiscal year, effective July 1, 2018.
- 9           (3) As otherwise allowed or provided by law.

10           **SECTION 35.1.(b)** The following persons are not eligible to receive the legislative  
 11 salary increases provided by subsection (a) of this section:

- 12           (1) The judicial branch judges whose salaries are set in Section 35.4(a) of this  
 13 act.
- 14           (2) Teachers, principals, and assistant principals paid pursuant to a salary  
 15 schedule or pay plan enacted in this act.
- 16           (3) The Governor and members of the Council of State.

17           **SECTION 35.1.(c)** Part-time employees shall receive the increase authorized by  
 18 this section on a prorated and equitable basis.

19           **SECTION 35.1.(d)** Any excess funds appropriated for compensation increases  
 20 pursuant to this section shall be deposited in the Pay Plan Reserve established in this act.

21  
 22 **DISTRIBUTION OF COMPENSATION INCREASE RESERVE**

23           **SECTION 35.1A.** The funds appropriated for salaries and benefits set forth in this  
 24 act shall be distributed to the respective State agencies, departments, and institutions based on  
 25 the provisions of Part 8 and Part 35 of this act.

26  
 27 **GOVERNOR AND COUNCIL OF STATE**

28           **SECTION 35.2.(a)** The salary of the Governor as provided by G.S. 147-11(a) shall  
 29 remain unchanged.

30           **SECTION 35.2.(b)** The annual salaries for members of the Council of State,  
 31 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

42  
 43 **CERTAIN EXECUTIVE BRANCH OFFICIALS**

44           **SECTION 35.3.** The annual salaries, payable monthly, for the following executive  
 45 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

1	Chair, Board of Review, Division		
2	of Employment Security	126,104	127,104
3	Members, Board of Review,		
4	Division of Employment Security	124,563	125,563
5	Chairman, Parole Commission	126,104	127,104
6	Full-time Members of the Parole Commission	116,595	117,595
7	Chairman, Utilities Commission	142,947	143,947
8	Members of the Utilities Commission	128,561	129,561
9	Executive Director, North Carolina		
10	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>
17 Chief Justice, Supreme Court	\$150,086	\$150,086
18 Associate Justice, Supreme Court	146,191	146,191
19 Chief Judge, Court of Appeals	143,878	143,878
20 Judge, Court of Appeals	140,144	140,144
21 Judge, Senior Regular Resident Superior Court	136,364	136,364
22 Judge, Superior Court	132,584	132,584
23 Chief Judge, District Court	120,490	120,490
24 Judge, District Court	116,710	116,710
25 Chief Administrative Law Judge	117,710	118,710
26 District Attorney	128,215	129,215
27 Administrative Officer of the Courts	144,878	145,878
28 Assistant Administrative Officer of the Courts	124,469	125,469
29 Public Defender	128,215	129,215
30 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

1 shall be equivalent to service as a judge of the Court of Appeals for the purposes of entitlement  
 2 to retirement pay or to retirement for disability."

3 **SECTION 35.4.(d)** G.S. 7A-751(a) reads as rewritten:

4 "(a) The head of the Office of Administrative Hearings is the Chief Administrative Law  
 5 Judge, who shall serve as Director of the Office. The Chief Administrative Law Judge has the  
 6 powers and duties conferred on that position by this Chapter and the Constitution and laws of  
 7 this State and may adopt rules to implement the conferred powers and duties.

8 The salary of the Chief Administrative Law Judge shall be ~~the same as that fixed from time~~  
 9 ~~to time for district court judges set in the Current Operations Appropriations Act.~~ The salary of  
 10 a Senior Administrative Law Judge shall be ninety-five percent (95%) of the salary of the Chief  
 11 Administrative Law Judge.

12 In lieu of merit and other increment raises, the Chief Administrative Law Judge and any  
 13 Senior Administrative Law Judge shall receive longevity pay on the same basis as is provided  
 14 to employees of the State who are subject to the North Carolina Human Resources Act."

16 **CLERKS OF SUPERIOR COURT**

17 **SECTION 35.4A.(a)** Effective July 1, 2017, G.S. 7A-101(a) reads as rewritten:

18 "(a) The clerk of superior court is a full-time employee of the State and shall receive an  
 19 annual salary, payable in equal monthly installments, based on the population of the county as  
 20 determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	<del>\$88,188</del> <u>\$89,188</u>
100,000 to 149,999	<del>98,834</del> <u>99,834</u>
150,000 to 249,999	<del>109,480</del> <u>110,480</u>
250,000 and above	<del>120,131</del> <u>121,131</u>

26 When a county changes from one population group to another, the salary of the clerk shall  
 27 be changed, on July 1 of the fiscal year for which the change is reported, to the salary  
 28 appropriate for the new population group, except that the salary of an incumbent clerk shall not  
 29 be decreased by any change in population group during his continuance in office."

30 **SECTION 35.4A.(b)** Effective July 1, 2018, G.S. 7A-101(a), as amended by this

31 act, reads as rewritten:

32 "(a) The clerk of superior court is a full-time employee of the State and shall receive an  
 33 annual salary, payable in equal monthly installments, based on the population of the county as  
 34 determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	<del>\$89,188</del> <u>\$90,188</u>
100,000 to 149,999	<del>99,834</del> <u>100,834</u>
150,000 to 249,999	<del>110,480</del> <u>111,480</u>
250,000 and above	<del>121,131</del> <u>122,131</u>

40 When a county changes from one population group to another, the salary of the clerk shall  
 41 be changed, on July 1 of the fiscal year for which the change is reported, to the salary  
 42 appropriate for the new population group, except that the salary of an incumbent clerk shall not  
 43 be decreased by any change in population group during his continuance in office."

45 **ASSISTANT AND DEPUTY CLERKS OF SUPERIOR COURT**

46 **SECTION 35.4B.(a)** Effective July 1, 2017, G.S. 7A-102(c1) reads as rewritten:

47 "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy  
 48 clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the  
 49 following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	<del>\$33,098</del> <u>\$34,098</u>

1	Maximum	58,963	59,963
2	Deputy Clerks	Annual Salary	
3	Minimum	28,646	29,646
4	Maximum	46,092	47,092

5 **SECTION 35.4B.(b)** Effective July 1, 2018, G.S. 7A-102(c1), as amended by this  
 6 act, reads as rewritten:

7 "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy  
 8 clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the  
 9 following minimum and maximum rates:

10	Assistant Clerks and Head Bookkeeper	Annual Salary	
11	Minimum	\$34,098	\$35,098
12	Maximum	59,963	60,093
13	Deputy Clerks	Annual Salary	
14	Minimum	29,646	30,646
15	Maximum	47,092	48,093

16  
 17 **MAGISTRATES**

18 **SECTION 35.4C.(a)** Effective July 1, 2017, G.S. 7A-171.1 reads as rewritten:

19 **"§ 7A-171.1. Duty hours, salary, and travel expenses within county.**

20 (a) The Administrative Officer of the Courts, after consultation with the chief district  
 21 judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

22 (1) A full-time magistrate shall be paid the annual salary indicated in the table  
 23 set out in this subdivision. A full-time magistrate is a magistrate who is  
 24 assigned to work an average of not less than 40 hours a week during the term  
 25 of office. The Administrative Officer of the Courts shall designate whether a  
 26 magistrate is full-time. Initial appointment shall be at the entry rate. A  
 27 magistrate's salary shall increase to the next step every two years on the  
 28 anniversary of the date the magistrate was originally appointed for increases  
 29 to Steps 1 through 3, and every four years on the anniversary of the date the  
 30 magistrate was originally appointed for increases to Steps 4 through 6.

31 Table of Salaries of Full-Time Magistrates

32	Step Level	Annual Salary	
33		<u>Minimum</u>	<u>Maximum</u>
34	Entry Rate		\$36,862 \$37,862
35	Step 1	38,519 \$39,519	39,658 40,658
36	Step 2	41,448 42,448	42,673 43,673
37	Step 3	44,548 45,548	45,865 46,865
38	Step 4	48,263 49,263	49,690 50,690
39	Step 5	52,739 53,739	54,298 55,298
40	Step 6	57,754 58,754	59,461 60,461

41 ...

42 (a1) Notwithstanding subsection (a) of this section, the following salary provisions apply  
 43 to individuals who were serving as magistrates on June 30, 1994:

44 (1) The minimum and maximum salaries of magistrates who, on June 30, 1994,  
 45 were paid at a salary level of less than five years of service under the table in  
 46 effect that date shall be as follows:

47		Minimum	Maximum
48	Less than 1 year		
49	of service		\$29,099 \$30,099
50	1 or more but less		
51	than 3 years of service	29,288 \$30,288	– 30,333 31,333



- 1 3 or more but less  
 2 than 5 years of service 31,77332,773 – 32,81833,818  
 3 Upon completion of five years of service, those magistrates shall receive  
 4 the salary set as the Entry Rate in the table in subsection (a).  
 5 (2) The salaries of magistrates who on June 30, 1994, were paid at a salary level  
 6 of five or more years of service shall be based on the rates set out in  
 7 subsection (a) as follows:  
 8 Salary Level Salary Level  
 9 on June 30, 1994 on July 1, 1994  
 10 5 or more but less than 7 years of service Entry Rate  
 11 7 or more but less than 9 years of service Step 1  
 12 9 or more but less than 11 years of service Step 2  
 13 11 or more years of service Step 3  
 14 Thereafter, their salaries shall be set in accordance with the provisions in  
 15 subsection (a).  
 16 (3) The salaries of magistrates who are licensed to practice law in North  
 17 Carolina shall be adjusted to the annual salary provided in the table in  
 18 subsection (a) as Step 4, and, thereafter, their salaries shall be set in  
 19 accordance with the provisions in subsection (a).  
 20 (4) The salaries of "part-time magistrates" shall be set under the formula set out  
 21 in subdivision (2) of subsection (a) but according to the rates set out in this  
 22 subsection.

23 ...."

24 **SECTION 35.4C.(b)** Effective July 1, 2018, G.S. 7A-171.1, as amended by  
 25 subsection (a) of this section, reads as rewritten:

26 **"§ 7A-171.1. Duty hours, salary, and travel expenses within county.**

27 (a) The Administrative Officer of the Courts, after consultation with the chief district  
 28 judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

- 29 (1) A full-time magistrate shall be paid the annual salary indicated in the table  
 30 set out in this subdivision. A full-time magistrate is a magistrate who is  
 31 assigned to work an average of not less than 40 hours a week during the term  
 32 of office. The Administrative Officer of the Courts shall designate whether a  
 33 magistrate is full-time. Initial appointment shall be at the entry rate. A  
 34 magistrate's salary shall increase to the next step every two years on the  
 35 anniversary of the date the magistrate was originally appointed for increases  
 36 to Steps 1 through 3, and every four years on the anniversary of the date the  
 37 magistrate was originally appointed for increases to Steps 4 through 6.

38 Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary	
	Minimum	Maximum
Entry Rate		\$37,862\$38,862
Step 1	\$39,519\$40,519	40,65841,658
Step 2	42,44843,448	43,67344,673
Step 3	45,54846,458	46,86547,865
Step 4	49,26350,263	50,69051,690
Step 5	53,73954,739	55,29856,298
Step 6	58,75459,754	60,461.61,461.

48 ...

49 (a1) Notwithstanding subsection (a) of this section, the following salary provisions apply  
 50 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		<del>\$30,099</del> <u>\$31,099</u>
1 or more but less than 3 years of service	<del>\$30,288</del> <u>\$31,288</u>	– <del>31,333</del> <u>32,333</u>
3 or more but less than 5 years of service	<del>32,773</del> <u>33,773</u>	– <del>33,818</del> <u>34,818</u>

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

...."

**LEGISLATIVE EMPLOYEES**

**SECTION 35.5.(a)** Effective July 1, 2017, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2017, shall be legislatively increased by one thousand dollars (\$1,000).

**SECTION 35.5.(b)** Effective July 1, 2018, the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2018, shall be legislative increased by one thousand dollars (\$1,000).

**SECTION 35.5.(c)** Nothing in this act limits any of the provisions of G.S. 120-32.

**GENERAL ASSEMBLY PRINCIPAL CLERKS**

**SECTION 35.6.(a)** Effective July 1, 2017, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred seven thousand nine hundred twenty-eight dollars (\$107,928)~~, one hundred eight thousand nine hundred twenty-eight dollars (\$108,928), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to

1 submission of the proposed operating budget of the General Assembly to the Governor and  
2 shall make appropriate recommendations for changes in those salaries. Any changes enacted by  
3 the General Assembly shall be by amendment to this paragraph."

4 **SECTION 35.6.(b)** Effective July 1, 2018, G.S. 120-37(c) as amended by this act,  
5 reads as rewritten:

6 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled  
7 to other benefits available to permanent legislative employees and shall be paid an annual  
8 salary of ~~one hundred eight thousand nine hundred twenty-eight dollars (\$108,928)~~, one  
9 hundred nine thousand nine hundred twenty-eight dollars (\$109,928), payable monthly. Each  
10 principal clerk shall also receive such additional compensation as approved by the Speaker of  
11 the House of Representatives or the President Pro Tempore of the Senate, respectively, for  
12 additional employment duties beyond those provided by the rules of their House. The  
13 Legislative Services Commission shall review the salary of the principal clerks prior to  
14 submission of the proposed operating budget of the General Assembly to the Governor and  
15 shall make appropriate recommendations for changes in those salaries. Any changes enacted by  
16 the General Assembly shall be by amendment to this paragraph."  
17

## 18 **SERGEANTS-AT-ARMS AND READING CLERKS**

19 **SECTION 35.7.(a)** Effective July 1, 2017, G.S. 120-37(b) reads as rewritten:

20 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of  
21 ~~four hundred ten dollars (\$410.00)~~ four hundred twenty-nine dollars (\$429.00) per week plus  
22 subsistence at the same daily rate provided for members of the General Assembly, plus mileage  
23 at the rate provided for members of the General Assembly for one round trip only from their  
24 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General  
25 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess  
26 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks  
27 shall serve during sessions only."

28 **SECTION 35.7.(b)** Effective July 1, 2018, G.S. 120-37(b), as amended by this act,  
29 reads as rewritten:

30 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of  
31 ~~four hundred twenty-nine dollars (\$429.00)~~ four hundred forty-eight dollars (\$448.00) per week  
32 plus subsistence at the same daily rate provided for members of the General Assembly, plus  
33 mileage at the rate provided for members of the General Assembly for one round trip only from  
34 their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the  
35 General Assembly and at such time prior to the convening of, and subsequent to adjournment  
36 or recess of, sessions as may be authorized by the Legislative Services Commission. The  
37 reading clerks shall serve during sessions only."  
38

## 39 **COMMUNITY COLLEGES**

40 **SECTION 35.8.(a)** Effective for the 2017-2019 fiscal biennium:

- 41 (1) The State Board of Community Colleges may provide community college  
42 personnel salary increases in accordance with policies adopted by the Board.  
43 Funds appropriated for these compensation increases under Section 35.1  
44 of this act may be used for any one or more of the following purposes: (i) merit  
45 pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention  
46 increases, and (v) any other compensation increase pursuant to those  
47 policies. The Board shall make a report on the use of these funds to the  
48 General Assembly by no later than March 1, 2018.
- 49 (2) Funds appropriated for community college personnel salary adjustments,  
50 other than the annual salary increases awarded by Section 35.1 of this act,  
51 may be used for any one or more of the following purposes: (i) merit pay,

(ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a report on the use of these funds to the Fiscal Research Division no later than March 1, 2018.

**SECTION 35.8.(b)** The minimum salaries for nine-month, full-time curriculum community college faculty for the 2017-2019 fiscal biennium are as follows:

<u>Education Level</u>	<u>Minimum Salary</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
Master's Degree or Education Specialist	41,551	42,551
Doctoral Degree	44,394	45,394

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

**UNIVERSITY OF NORTH CAROLINA SYSTEM**

**SECTION 35.9.(a)** Effective for the 2017-2019 fiscal biennium, the annual salaries of University of North Carolina SHRA employees shall be increased as provided by Section 35.1 of this act.

**SECTION 35.9.(b)** For the 2017-2019 fiscal biennium, the Board of Governors of The University of North Carolina may provide EHRA employees a salary increase pursuant to the policies adopted by the Board. Funds for EHRA compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to those policies. The Board shall make a report on the use of these funds to the General Assembly by no later than March 1, 2018.

**STATE AGENCY TEACHERS**

**SECTION 35.10.** Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the State Board of Education, and employees of the School of Science and Mathematics of the University of North Carolina who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

**ALL STATE-SUPPORTED PERSONNEL**

**SECTION 35.11.(a)** Salaries and related benefits for positions that are funded:

- (1) Partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.
- (2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this act. The Director of the Budget may increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

The Director of the Budget may increase expenditures of receipts from these sources in the certified budget by the amount necessary to provide the increases authorized by this Part

1 to receipt-supported personnel. Nothing in this act authorizes the transfer of funds between the  
2 General Fund and the Highway Fund for salary increases.

3 **SECTION 35.11.(b)** The legislative salary increases provided in this act:

4 (1) For the 2017-2018 fiscal year, do not apply to persons separated from  
5 service due to resignation, dismissal, reduction in force, death, or retirement  
6 or whose last workday is prior to July 1, 2017.

7 (2) For the 2018-2019 fiscal year, do not apply to persons separated from  
8 service due to resignation, dismissal, reduction in force, death, or retirement  
9 or whose last workday is prior to July 1, 2018.

10 With respect to the legislative increases awarded in this Part, payroll checks issued to  
11 employees after July 1 of each year that represent payment of services provided prior to July 1  
12 of each year shall not be eligible for salary increases provided for in this act.

13 **SECTION 35.11.(c)** This section applies to all employees paid from State funds,  
14 whether or not subject to or exempt from the North Carolina Human Resources Act, including  
15 employees of public schools, community colleges, and The University of North Carolina.  
16

### 17 **MOST STATE EMPLOYEES**

18 **SECTION 35.12.** Unless otherwise expressly provided by this part, the annual  
19 salaries in effect for the following persons on June 30, 2017, and June 30, 2018, shall be  
20 legislatively increased as provided by Section 35.1 of this act:

21 (1) Permanent, full-time State officials and persons whose salaries are set in  
22 accordance with the State Human Resources Act.

23 (2) Permanent, full-time State officials and persons in positions exempt from the  
24 State Human Resources Act.

25 (3) Permanent, part-time State employees.

26 (4) Temporary and permanent hourly State employees.  
27

### 28 **IMPLEMENT NEW CLASSIFICATION AND COMPENSATION SYSTEM**

29 **SECTION 35.13.** The Office of State Human Resources shall implement the new  
30 Classification and Compensation System.  
31

### 32 **SALARY ADJUSTMENT FUND**

33 **SECTION 35.14.(a)** The Salary Adjustment Fund is established to make funding  
34 available for salary increases in the executive, judicial, and legislative branches for specified  
35 purposes only as authorized in this section. Funds appropriated to the Salary Adjustment Fund  
36 by this act, or any other provision of law, shall only be used to fund the following purposes in  
37 order to provide competitive salary rates:

38 (1) Reallocation of positions to higher level job classifications.

39 (2) In-range adjustments for job change.

40 (3) Career progression adjustments for demonstrated competencies.

41 (4) Salary range revisions.

42 (5) Geographic site differential adjustments.

43 (6) In-range adjustments for labor market.

44 (7) In-range adjustments for equity issues.

45 (8) Any other adjustments related to an increase in job duties or responsibilities  
46 or labor market changes.

47 These adjustments must be documented through data collection and analysis according to  
48 accepted human resource professional practices and standards. Further, funds may only be used  
49 for salary adjustments for the stated purposes that are in compliance with State Human  
50 Commission policies and other provisions of the State Human Resources Act. For the executive

1 branch, funding shall be approved by the State Human Resources Commission or Office of  
2 State Human Resources and shall not be used for any other purposes.

3 **SECTION 35.14.(b)** Funds appropriated to the Salary Adjustment Fund for the  
4 2017-2019 fiscal biennium in the amount of seventy-three thousand dollars (\$73,000) shall be  
5 distributed to the Office of the Lieutenant Governor for staff compensation increases.

6 **SECTION 35.14.(c)** The Director of the Budget may transfer to General Fund  
7 budget codes from the Salary Adjustment Fund amounts required to support salary adjustments  
8 authorized by this section. The Director of the Budget shall report to the Joint Legislative  
9 Commission on Governmental Operations within 30 days of allocation of the funds.

## 10 11 **USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED INCREASES**

12 **SECTION 35.15.(a)** The appropriations set forth in Section 2.1 of this act include  
13 appropriations for legislatively mandated salary increases and employee benefits in amounts set  
14 forth in the Committee Report described in Section 39.2 of this act. The Office of State Budget  
15 and Management shall ensure that those funds are used only for the purposes of legislatively  
16 mandated salary increases and employee benefits.

17 **SECTION 35.15.(b)** If the Director of the Budget determines that funds  
18 appropriated to a State agency for legislatively mandated salary increases and employee  
19 benefits exceed the amount required by that agency for those purposes, the Director may  
20 reallocate those funds to other State agencies that received insufficient funds for legislatively  
21 mandated salary increases and employee benefits.

22 **SECTION 35.15.(c)** No later than March 1, 2018, the Office of State Budget and  
23 Management shall report to the Joint Legislative Commission on Governmental Operations on  
24 the expenditure of funds for legislatively mandated salary increases and employee benefits.  
25 This report shall include at least the following information for each State agency for the  
26 2017-2018 fiscal year:

- 27 (1) The total amount of funds that the agency received for legislatively  
28 mandated salary increases and employee benefits.
- 29 (2) The total amount of funds transferred from the agency to other State  
30 agencies pursuant to subsection (b) of this section. This section of the report  
31 shall identify the amounts transferred to each recipient State agency.
- 32 (3) The total amount of funds used by the agency for legislatively mandated  
33 salary increases and employee benefits.
- 34 (4) The amount of funds expected to revert under subsection (a) of this section.

## 35 36 **MITIGATE BONUS LEAVE**

37 **SECTION 35.16.** During the 2017-2019 fiscal biennium, State agencies,  
38 departments, institutions, the North Carolina Community College System, and The University  
39 of North Carolina may offer State employees the opportunity to use or to cash in special bonus  
40 leave benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a)  
41 of S.L. 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but  
42 only if all of the following requirements are met:

- 43 (1) Employee participation in the program must be voluntary.
- 44 (2) Special leave that is liquidated for cash payment to an employee must be  
45 valued at the amount based on the employee's current annual salary rate.
- 46 (3) By September 1, 2019, a report on the demographic information shall be  
47 submitted to the respective agency head or employing agency and to the  
48 Fiscal Research Division.

## 49 50 **PAY PLAN RESERVE**

1           **SECTION 35.17.(a)** The Pay Plan Reserve is established within the General Fund.  
2 The General Assembly shall appropriate in the Current Operations Appropriations Act or other  
3 appropriations act a specific amount to this reserve for allocation, on an as-needed basis only,  
4 to fund statutory and scheduled pay expenses authorized by:

- 5           (1) G.S. 20-187.3.
- 6           (2) G.S. 7A-102.
- 7           (3) G.S. 7A-171.1.
- 8           (4) Teacher Salary Schedule, as enacted by the General Assembly.
- 9           (5) Pay Plans for Principals and Assistant Principals, as enacted by the General  
10           Assembly.

11           The funds in the Pay Plan Reserve are available to agencies for employee salary and  
12 benefit costs only if the amount of funds appropriated for statutory or scheduled salaries and  
13 benefits expenses, in any fiscal year, would be insufficient to cover those expenses for eligible  
14 employees.

15           After January 1 of each fiscal year, an agency may request an allocation from the  
16 Pay Plan Reserve by submitting proof to the Office of State Budget and Management (OSBM)  
17 that the agency has exhausted or is projected to exhaust funds appropriated for statutory or  
18 scheduled salary and benefit expenses. The OSBM must certify the need for any allocation  
19 before disbursing funds from the reserve. The OSBM shall report to the Fiscal Research  
20 Division on or before April 1 of each year on any disbursements made from the reserve and  
21 regarding projected recurring appropriations necessary to fully fund positions eligible for  
22 funding in the next fiscal year. Funds from the reserve may be allocated and reallocated only as  
23 expressly provided by this section.

24           **SECTION 35.17.(b)** Funds remaining in the Pay Plan Reserve shall revert at the  
25 end of each fiscal year.

## 27   **STATE HUMAN RESOURCES/HIRE FROM POOL OF MOST QUALIFIED** 28   **PERSONS**

29           **SECTION 35.18.** G.S. 126-14.2 reads as rewritten:

### 30   **"§ 126-14.2. Political hirings limited.**

31           (a) It is the policy of this State that State departments, agencies, and institutions select  
32 from the pool of the most qualified persons for State government employment based upon  
33 job-related qualifications of applicants for employment using fair and valid selection criteria.

34           (b) All State departments, agencies, and institutions shall select ~~the most qualified~~  
35 ~~person~~ from the pool of the most qualified persons for State government employment without  
36 regard to political affiliation or political influence. For the purposes of this section, "qualified  
37 persons" shall mean each of the State employees or applicants for initial State employment  
38 who:

- 39           (1) Have timely applied for a position in State government;
- 40           (2) Have the essential qualifications for that position; and
- 41           (3) Are determined to be substantially more qualified as compared to other  
42 applicants for the position, after applying fair and valid job selection criteria,  
43 in accordance with G.S. 126-5(e), G.S. 126-7.1, Articles 6 and 13 of this  
44 Chapter, and State personnel policies approved by the State Human  
45 Resources Commission.

46           (c) It is a violation of this section if:

- 47           (1) The complaining State employee or applicant for initial State employment  
48 timely applied for the State government position in question;
- 49           (2) The complaining State employee or applicant for initial State employment  
50 was not hired into the position;

- 1           (3)    The complaining State employee or applicant for initial State employment  
2           was among the most qualified persons applying for the position as defined in  
3           this Chapter;  
4           (4)    The successful applicant for the position was not among the most qualified  
5           persons applying for the position; and  
6           (5)    The hiring decision was based upon political affiliation or political  
7           influence.

8           ...."

## 10   **SPECIAL ANNUAL LEAVE BONUS**

11           **SECTION 35.18A.(a)** Any person who is (i) a full-time, permanent employee of  
12           the State, a community college, or a local board of education on July 1, 2017, and (ii) eligible  
13           to earn annual leave shall have a one-time additional five days of annual leave credited on July  
14           1, 2017.

15           **SECTION 35.18A.(b)** Except as provided by subsection (c) of this section, the  
16           additional leave granted in this act shall be accounted for separately with the leave provided by  
17           Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, by Section 29.14A of  
18           S.L. 2005-276, and by Section 35.10A of S.L. 2014-100. The leave shall remain available  
19           during the length of the employee's employment, notwithstanding any other limitation on the  
20           total number of days of annual leave that may be carried forward. Part-time, permanent  
21           employees shall receive a pro rata amount of the five days.

22           **SECTION 35.18A.(c)** The additional leave awarded under this section has no cash  
23           value and is not eligible for cash in. If not used prior to the time of separation or retirement, the  
24           bonus leave cannot be paid out and is lost.

## 26   **STATE EMPLOYEES – AMEND SALARY CONTINUATION**

27           **SECTION 35.18B.(a)** G.S. 143-166.14 reads as rewritten:

28           "**§ 143-166.14. Payment of salary notwithstanding incapacity; Workers' Compensation**  
29           **Act applicable after two years; duration of payment.**

30           The salary of any eligible person shall be paid as long as the person's employment in that  
31           position continues, notwithstanding the person's total or partial incapacity to perform any duties  
32           to which the person may be lawfully assigned, if that incapacity is the result of an injury or  
33           injuries resulting from or arising out of an episode of violence, resistance, or due to other  
34           special hazards that occur while the eligible person is performing official duties, except if that  
35           incapacity continues for more than two years from its inception, the person shall, during the  
36           further continuance of that incapacity, be subject to the provisions of Chapter 97 of the General  
37           Statutes pertaining to workers' compensation. The time period for which an eligible person  
38           receives benefits pursuant to this section shall be deducted from the eligible person's total  
39           eligibility for benefits pursuant to G.S. 97-29 and G.S. 97-30. For purposes of this section, the  
40           term "salary" shall be defined as the total base pay of the person reflected on the person's salary  
41           statement and shall not include overtime pay, shift differential pay, holiday pay, or other  
42           additional earnings to which the person may have been entitled prior to such incapacity. Salary  
43           paid to an eligible person pursuant to this Article shall cease upon the resumption of the  
44           person's regularly assigned ~~duties, duties; assignment of duties which comply with the treating~~  
45           ~~physician's restrictions; or retirement, resignation, or death, whichever first occurs, except that~~  
46           ~~occurs; provided that salary payments will be ceased or may be equitably reduced when the~~  
47           ~~employee has returned to work for the same or a different employer. A temporary return to duty~~  
48           shall not prohibit payment of salary for a subsequent period of incapacity which can be shown  
49           to be directly related to the original injury."

50           **SECTION 35.18B.(b)** G.S. 143-166.19 reads as rewritten:



1 **"§ 143-166.19. Determination of cause and extent of incapacity; hearing before Industrial**  
2 **Commission; appeal; effect of refusal to perform duties.**

3 Upon the filing of the report, the secretary or other head of the department or, in the case of  
4 the General Assembly, the Legislative Services Officer, shall determine the cause of the  
5 incapacity and to what extent the claimant may be assigned to other than the claimant's normal  
6 duties. The finding of the secretary or other head of the department shall determine the right of  
7 the claimant to benefits under this Article. Notice of the finding shall be filed with the North  
8 Carolina Industrial Commission. The finding of the secretary or other department head shall be  
9 final unless the claimant, within 30 days of receipt of the notice, files a request for a hearing  
10 with the North Carolina Industrial Commission using a form required by the Commission.  
11 Upon the filing of a request, the North Carolina Industrial Commission shall proceed to hear  
12 the matter in accordance with its regularly established procedure for hearing claims filed under  
13 the Worker's Compensation Act, and shall report its findings to the secretary or other head of  
14 the department. From the decision of the North Carolina Industrial Commission, an appeal shall  
15 lie as in other matters heard and determined by the Commission. Any person who refuses to  
16 perform any duties to which the person may be properly assigned as a result of the finding of  
17 the secretary, other head of the department or of the North Carolina Industrial Commission  
18 shall be entitled to no benefits pursuant to this Article as long as the refusal continues. A duty is  
19 properly assigned if the duty complies with the authorized treating physician's restrictions. Any  
20 eligible person whose salary continuation benefits are terminated by the secretary or other head  
21 of the department shall be immediately entitled to benefits under G.S. 97-29 or G.S. 97-30.  
22 Such benefits under G.S. 97-29 or G.S. 97-30 shall only be suspended or terminated by the  
23 employer pursuant to G.S. 97-18.1."

24 **SECTION 35.18B.(c)** This section is effective when it becomes law and applies to  
25 State employees incapacitated on or after that date.

26  
27 **EXEMPT EMPLOYEES/UNC INFORMATION TECHNOLOGY PROFESSIONALS**

28 **SECTION 35.18C.** G.S. 126-5 reads as rewritten:

29 **"§ 126-5. Employees subject to Chapter; exemptions.**

30 ...

31 (c1) Except as to the provisions of Articles 6 and 7 of this Chapter, the provisions of this  
32 Chapter shall not apply to:

33 ...

34 (8) Instructional and research staff, information technology professionals,  
35 physicians, and dentists of The University of North Carolina, including the  
36 faculty of the North Carolina School of Science and Mathematics.

37 ...."

38  
39 **SALARY-RELATED CONTRIBUTIONS**

40 **SECTION 35.19.(a)** Effective for the 2017-2019 fiscal biennium, required  
41 employer salary-related contributions for employees whose salaries are paid from department,  
42 office, institution, or agency receipts shall be paid from the same source as the source of the  
43 employee's salary. If an employee's salary is paid in part from the General Fund or Highway  
44 Fund and in part from department, office, institution, or agency receipts, required employer  
45 salary-related contributions may be paid from the General Fund or Highway Fund only to the  
46 extent of the proportionate part paid from the General Fund or Highway Fund in support of the  
47 salary of the employee, and the remainder of the employer's requirements shall be paid from the  
48 source that supplies the remainder of the employee's salary. The requirements of this section as  
49 to source of payment are also applicable to payments on behalf of the employee for hospital  
50 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'  
51 compensation, severance pay, separation allowances, and applicable disability income benefits.

1           **SECTION 35.19.(b)** Effective July 1, 2017, the State's employer contribution rates  
 2 budgeted for retirement and related benefits as a percentage of covered salaries for the  
 3 2017-2018 fiscal year for teachers and State employees, State law enforcement officers (LEOs),  
 4 the University and Community Colleges Optional Retirement Programs (ORPs), the  
 5 Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System  
 6 (LRS) are as set forth below:

	<b>Teachers and State Employees</b>	<b>State LEOs</b>	<b>ORPs</b>	<b>CJRS</b>	<b>LRS</b>
7 Retirement	10.85%	10.85%	6.84%	31.26%	19.35%
8 Disability	0.14%	0.14%	0.14%	0.00%	0.00%
9 Death	0.16%	0.16%	0.00%	0.00%	0.00%
10 Retiree Health	6.06%	6.06%	6.06%	6.06%	6.06%
11 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
12					
13 <b>Total Contribution</b>					
14 <b>Rate</b>	17.21%	22.21%	13.04%	37.32%	25.41%

15  
 16  
 17  
 18           The rate for teachers and State employees and State law enforcement officers  
 19 includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

20           **SECTION 35.19.(c)** Effective July 1, 2018, the State's employer contribution rates  
 21 budgeted for retirement and related benefits as a percentage of covered salaries for the  
 22 2018-2019 fiscal year for teachers and State employees, State law enforcement officers (LEOs),  
 23 the University and Community Colleges Optional Retirement Programs (ORPs), the  
 24 Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System  
 25 (LRS) are as set forth below:

	<b>Teachers and State Employees</b>	<b>State LEOs</b>	<b>ORPs</b>	<b>CJRS</b>	<b>LRS</b>
26 Retirement	11.44%	11.44%	6.84%	31.40%	18.27%
27 Disability	0.14%	0.14%	0.14%	0.00%	0.00%
28 Death	0.16%	0.16%	0.00%	0.00%	0.00%
29 Retiree Health	6.28%	6.28%	6.28%	6.28%	6.28%
30 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
31					
32 <b>Total Contribution</b>					
33 <b>Rate</b>	18.02%	23.02%	13.26%	37.68%	24.55%

34  
 35  
 36  
 37           The rate for teachers and State employees and State law enforcement officers  
 38 includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

39           **SECTION 35.19.(d)** Effective July 1, 2017, the maximum annual employer  
 40 contributions, payable monthly, by the State for each covered employee or retiree for the  
 41 2017-2018 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
 42 Medicare-eligible employees and retirees – four thousand five hundred sixty dollars (\$4,560)  
 43 and (ii) non-Medicare-eligible employees and retirees – five thousand eight hundred sixty-nine  
 44 dollars (\$5,869).

45           **SECTION 35.19.(e)** Effective July 1, 2018, the maximum annual employer  
 46 contributions, payable monthly, by the State for each covered employee or retiree for the  
 47 2018-2019 fiscal year to the State Health Plan for Teachers and State Employees are (i)  
 48 Medicare-eligible employees and retirees – four thousand seven hundred forty-three dollars  
 49 (\$4,743) and (ii) non-Medicare-eligible employees and retirees – six thousand one hundred four  
 50 dollars (\$6,104).  
 51

1 **PROVIDE ONE-TIME COST-OF-LIVING SUPPLEMENT FOR RETIREES OF THE**  
2 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**  
3 **CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**  
4 **RETIREMENT SYSTEM**

5 **SECTION 35.19A.(a)** G.S. 135-5 is amended by adding a new subsection to read:

6 "(vvv) On or before October 31, 2017, a one-time cost-of-living supplement payment shall  
7 be made to or on account of beneficiaries who are living as of September 1, 2017, and whose  
8 retirement commenced on or before September 1, 2017. The payment shall be one and  
9 six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of  
10 September 1, 2017, and shall not be prorated for date of retirement commencement. If the  
11 beneficiary dies before the payment is made, then the payment shall be payable to the member's  
12 legal representative. No beneficiary shall be deemed to have acquired a vested right to any  
13 future supplemental payments."

14 **SECTION 35.19A.(b)** G.S. 135-65 is amended by adding a new subsection to  
15 read:

16 "(gg) On or before October 31, 2017, a one-time cost-of-living supplement payment shall  
17 be made to or on account of beneficiaries who are living as of September 1, 2017, and whose  
18 retirement commenced on or before September 1, 2017. The payment shall be one and  
19 six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of  
20 September 1, 2017, and shall not be prorated for date of retirement commencement. If the  
21 beneficiary dies before the payment is made, then the payment shall be payable to the member's  
22 legal representative. No beneficiary shall be deemed to have acquired a vested right to any  
23 future supplemental payments."

24 **SECTION 35.19A.(c)** G.S. 120-4.22A is amended by adding a new subsection to  
25 read:

26 "(aa) In accordance with subsection (a) of this section, on or before October 31, 2017, a  
27 one-time cost-of-living supplement payment shall be made to or on account of beneficiaries  
28 who are living as of September 1, 2017, and whose retirement commenced on or before  
29 September 1, 2017. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's  
30 annual retirement allowance payable as of September 1, 2017, and shall not be prorated for date  
31 of retirement commencement. If the beneficiary dies before the payment is made, then the  
32 payment shall be payable to the member's legal representative. No beneficiary shall be deemed  
33 to have acquired a vested right to any future supplemental payments."

34 **SECTION 35.19A.(d)** Notwithstanding any other provision of law to the contrary,  
35 in order to administer the one-time cost-of-living supplement for retirees provided for in  
36 subsections (a), (b), and (c) of this section, the Retirement Systems Division of the Department  
37 of State Treasurer may increase receipts from the retirement assets of the corresponding  
38 retirement system or pay costs associated with the administration of the payment directly from  
39 the retirement assets.

40  
41 **ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE**  
42 **MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT**  
43 **SYSTEM**

44 **SECTION 35.19B.(a)** G.S. 135-1 reads as rewritten:

45 **"§ 135-1. Definitions.**

46 The following words and phrases as used in this Chapter, unless a different meaning is  
47 plainly required by the context, shall have the following meanings:

48 ...

49 (11c) "Law-Enforcement Officer" means a full-time paid employee of an employer  
50 who is actively serving in a position with assigned primary duties and  
51 responsibilities for prevention and detection of crime or the general

1 enforcement of the criminal laws of the State of North Carolina or serving  
 2 civil processes, and who possesses the power of arrest by virtue of an oath  
 3 administered under the authority of the State. "Law-Enforcement Officer"  
 4 also means a probation/parole officer as defined in this section with respect  
 5 to any service rendered on or after July 1, 2017.

6 ...  
 7 (17a) "Probation/Parole Officer" shall mean a full-time paid employee of the  
 8 Division of Adult Correction of the Department of Public Safety whose  
 9 duties include supervising, evaluating, or otherwise instructing offenders  
 10 who have been placed on probation, parole, or post-release supervision or  
 11 have been assigned to any other community-based program operated by the  
 12 Division of Adult Correction.

13 ...."

14 **SECTION 35.19B.(b)** G.S. 143-166.41(b) reads as rewritten:

15 "(b) As used in this section, "creditable service" means the service for which credit is  
 16 allowed under the retirement system of which the officer is a member, provided that at least  
 17 fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined~~-defined or as  
 18 a probation/parole officer as defined in G.S. 135-1(17a)."

19 **SECTION 35.19B.(c)** This section becomes effective July 1, 2017, and applies to  
 20 persons retiring on or after that date.

## 21 STATE TREASURER AUTHORITY OVER STATE HEALTH PLAN EMPLOYEES

22 **SECTION 35.22.** G.S. 135-48.23 reads as rewritten:

### 23 "§ 135-48.23. Executive Administrator.

24 (a) The Plan shall have an Executive Administrator and a Deputy Executive  
 25 Administrator. The Executive Administrator and the Deputy Executive Administrator positions  
 26 are exempt from the provisions of Chapter 126 of the General Statutes as provided in  
 27 G.S. 126-5(c1).  
 28

29 (b) The Executive Administrator shall be appointed by the State Treasurer. The term of  
 30 employment and salary of the Executive Administrator shall be set by the State ~~Treasurer after~~  
 31 ~~consultation with the Board of Trustees.~~Treasurer.

32 The Executive Administrator may be removed from office by the State ~~Treasurer after~~  
 33 ~~consultation with the Board of Trustees,~~Treasurer, and any vacancy in the office of Executive  
 34 Administrator may be filled by the State Treasurer.

35 (c) ~~The Executive Administrator~~State Treasurer shall appoint the Deputy Executive  
 36 ~~Administrator and~~Administrator. The term of employment and salary of the Deputy Executive  
 37 Administrator shall be set by the State Treasurer. The Deputy Executive Administrator may be  
 38 removed from office by the State Treasurer. Any vacancy in the office of the Deputy Executive  
 39 Administrator may be filled by the State Treasurer.

40 (c1) The State Treasurer may employ such clerical and professional staff, and such other  
 41 assistance as may be necessary to assist the Executive Administrator, the Board of Trustees,  
 42 and the State Treasurer in carrying out their duties and responsibilities under this Article. The  
 43 ~~Executive Administrator~~State Treasurer may designate any managerial, professional, or  
 44 policy-making positions as exempt from the North Carolina Human Resources Act. All exempt  
 45 employees shall serve at the pleasure of the State Treasurer, and any vacancies in these  
 46 positions may be filled by the State Treasurer. Salaries of exempt employees shall be set by the  
 47 State Treasurer.

48 (c2) The Executive Administrator may also negotiate, renegotiate and execute contracts  
 49 with third parties in the performance of the Executive Administrator's duties and  
 50 responsibilities under this Article; provided any contract negotiations, renegotiations and  
 51 execution with a Claims Processor, with an optional alternative comprehensive health benefit

1 plan, or program thereunder, authorized under G.S. 135-48.2, with a preferred provider of  
 2 institutional or professional hospital and medical care, or with a pharmacy benefit manager  
 3 shall be done only ~~after consultation with~~ the consent of the State Treasurer.

4 (d) The Executive Administrator shall quarterly make reports and recommendations on  
 5 the Plan to the President Pro Tempore of the Senate and the Speaker of the House of  
 6 Representatives."  
 7

## 8 PART XXXVI. CAPITAL APPROPRIATIONS

### 10 GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

11 SECTION 36.1. The appropriations made by the 2017 General Assembly for  
 12 capital improvements are for constructing, repairing, or renovating State buildings, utilities, and  
 13 other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings  
 14 and land for State government purposes.  
 15

### 16 CAPITAL APPROPRIATIONS/GENERAL FUND

17 SECTION 36.2.(a) There is appropriated from the General Fund for the 2017-2019  
 18 fiscal biennium the following amounts for capital improvements:  
 19

20 Capital Improvements – General Fund	2017-2018	2018-2019
21 Department of Environment and Natural Resources		
22 Water Resources Development	\$10,763,000	–
23		
24 Department of Public Safety		
25 Greenville Office Building & Garage	2,000,000	\$1,917,993
26 National Guard- Joint Forces HQ Helipad	1,000,000	–
27		
28 Department of Natural and Cultural Resources		
29 Fort Fisher Museum and Visitor Center	5,000,000	–
30 Planning for Fayetteville Civil War Museum project	500,000	–
31		
32 East Carolina University		
33 Planning funds for new building at		
34 Brody School of Medicine	2,263,440	–
35		
36 Western Carolina University		
37 Energy production facility replacement project	–	9,477,200
38		
39		
40 <b>TOTAL CAPITAL IMPROVEMENTS –</b>		
41 <b>GENERAL FUND</b>	<b>\$21,526,440</b>	<b>\$11,395,193</b>
42		

43 SECTION 36.2.(b) Notwithstanding G.S. 143C-3-3(b), East Carolina University  
 44 shall use the funds appropriated in subsection (a) of this section to develop plans for the  
 45 construction of a new medical education building at the Brody School of Medicine.  
 46

### 47 WATER RESOURCES DEVELOPMENT PROJECTS

48 SECTION 36.3.(a) The Department of Environmental Quality shall allocate funds  
 49 for water resources development projects in accordance with the schedule that follows. The  
 50 amounts set forth in the schedule include funds appropriated in this act for water resources  
 51 development projects and funds carried forward from previous fiscal years in accordance with

subsection (b) of this section. These funds will provide a State match for an estimated fourteen million eighty-five thousand dollars (\$14,085,000) in federal funds.

Name of Project	2017-2018
(1) Princeville Flood Damage Reduction	\$431,000
(2) Carolina Beach CSDR (Next cycle plans & specs.)	300,000
(3) Kure Beach CSDR (Next cycle plans & specs.)	300,000
(4) Wrightsville Storm Damage Reduction – Constr. Cycle 12	3,000,000
(5) Wrightsville Storm Damage Reduction – Post-Auth. Change Report	135,000
(6) Planning Assistance	25,000
(7) Wilmington Harbor Maintenance	-
(8) Morehead City Harbor Maintenance	-
(9) Surf City/North Topsail Preconstruction Activities	218,000
(10) West Onslow Beach Preconstruction Activities	218,000
(11) NRCS EQIP	2,000,000
(12) State-Local Projects	1,500,000
(13) Eastern NC Storm Debris Removal	1,000,000
(14) Cape Fear River Lock & Dam/Fish Ramp Construction	840,000
(15) Carolina Beach CSDR	1,158,000
(16) North Topsail Shoreline Protection – Phase 2	500,000
(17) Kunz Farm Park Riverwalk	250,000
<b>TOTALS</b>	<b>\$11,875,000</b>

**SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the ten million seven hundred sixty-three thousand dollars (\$10,763,000) appropriated for water resources development projects in Section 36.2 of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

Name of Project	Amount Carried Forward
(1) Carolina Beach CSDR (Next cycle plans & specs.)	\$50,000
(2) Kure Beach CSDR (Next cycle plans & specs.)	50,000
(3) Wrightsville Storm Damage Reduction – Constr.	700,000
(4) Wrightsville Storm Damage Reduction – Post-Auth. Change Report	22,000
(5) Planning Assistance	25,000
(6) Surf City/North Topsail Preconstruction Activities	135,000
(7) West Onslow Beach Preconstruction Activities	130,000
<b>TOTALS</b>	<b>\$1,112,000</b>

**SECTION 36.3.(c)** Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2017-2018 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.

1           (2) U.S. Army Corps of Engineers projects whose schedules have advanced and  
2           require State matching funds in the 2017-2018 fiscal year.  
3           (3) State-local water resources development projects.  
4 Funds subject to this subsection that are not expended or encumbered for the purposes set forth  
5 in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of  
6 the 2017-2018 fiscal year.

7           **SECTION 36.3.(d)** The Department shall submit semiannual reports on the use of  
8 these funds to the Joint Legislative Oversight Committee on Agriculture and Natural and  
9 Economic Resources, the Fiscal Research Division, and the Office of State Budget and  
10 Management on or before March 1 and September 1. Each report shall include all of the  
11 following:

- 12           (1) All projects listed in this section.
- 13           (2) The estimated cost of each project.
- 14           (3) The date that work on each project began or is expected to begin.
- 15           (4) The date that work on each project was completed or is expected to be  
16           completed.
- 17           (5) The actual cost of the project.

18 The semiannual reports also shall show those projects advanced in schedule, those projects  
19 delayed in schedule, and an estimate of the amount of funds expected to revert to the General  
20 Fund.

21           **SECTION 36.3.(e)** Of the funds allocated for State-Local Projects in this section,  
22 the Department shall allocate the sum of five hundred thousand dollars (\$500,000) for the  
23 2017-2018 fiscal year to be used for phase III of the Joseph McDowell Historical Catawba  
24 Greenway restoration project.

25           **SECTION 36.3.(f)** Of the funds allocated for State-Local Projects in this section,  
26 the Department shall allocate the sum of five hundred thousand dollars (\$500,000) for the  
27 2017-2018 fiscal year to be used for phase VI-2 of the Ararat River Greenway and Stream  
28 Restoration project.

29           **SECTION 36.3.(g)** Section 37.2(e) of S.L. 2016-94 reads as rewritten:

30           **"SECTION 37.2.(e)** Notwithstanding any provision of law to the contrary, funds  
31 appropriated for a water resources development project shall be used to provide no more than  
32 fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to  
33 funds appropriated in this act and to funds appropriated prior to the 2015-2017 fiscal biennium  
34 that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds  
35 for water resources development projects. The limitation on fund usage contained in this  
36 subsection applies only to projects in which a local government or local governments  
37 participate. This subsection shall not apply to, and there shall be no local match required for,  
38 any of the following, notwithstanding any other provision of law:

- 39           (1) The Environmental Quality Incentives Program. Furthermore, Section  
40           36.3(e) of S.L. 2013-360, Section 36.2(e) of S.L. 2014-100, and Section  
41           31.3(e) of S.L. 2015-241 shall not apply to funds made available as part of  
42           the Environmental Quality Incentives Program in any fiscal year. Any  
43           remaining balance of funds appropriated prior to the 2015-2017 fiscal  
44           biennium for Environmental Quality Incentives Program projects shall be  
45           paid out to each of the original grantees for the full grant award amount,  
46           except that the Secretary may retain ten percent (10%) of the State share of  
47           funding until the Natural Resources Conservation Service of the United  
48           States Department of Agriculture has provided a final practice approval for  
49           the project.

50           ...."

1           **SECTION 36.3.(h)** G.S. 143-215.72 is amended by adding two new subsections to  
 2 read:

3           "**(c)** When the Secretary issues new or revised policies for review of grant applications  
 4 and fund disbursement under this Part, those policies shall not apply to a project already  
 5 approved for funding unless the project applicant agrees to the new or revised policy. For  
 6 purposes of this section, a project is approved for funding when the Department enters into a  
 7 contract or other binding agreement to provide any share of State funding for the project.  
 8 Nothing in this subsection is intended to preclude the Secretary from issuing or enforcing  
 9 policies applicable to projects approved for funding in order to comply with a requirement of  
 10 State law or federal law or regulations.

11           **(d)** The following procedures apply only to grants for the purpose set forth in  
 12 G.S. 143-215.71(8):

13           **(1)** A nongovernmental entity managing, administering, or executing the grant  
 14 on behalf of a unit of local government may apply as a co-applicant for the  
 15 grant and may be included as a responsible party on any required resolution  
 16 issued by the unit of local government.

17           **(2)** The Department may make periodic payments for its share of nonfederal  
 18 costs of a project prior to receipt of a final practice approval from the  
 19 Natural Resources Conservation Service if the grantee has submitted a  
 20 certified reimbursement request or invoice."

21           **SECTION 36.3.(i)** G.S. 143-215.72(d), as enacted by subsection (h) of this section,  
 22 becomes effective July 1, 2017, and applies to projects approved for funding on or after that  
 23 date.  
 24

25 **NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

26           **SECTION 36.4.(a)** The General Assembly authorizes the following capital  
 27 projects to be funded with receipts or from other non-General Fund sources available to the  
 28 appropriate department:

29 <b>Name of Project</b>	30 <b>Amount of Non-General Fund</b>	
	31 <b>FY 2017-2018</b>	32 <b>FY 2018-2019</b>
33 Department of Natural and Cultural Resources		
34     Museum of Art- New Park and Pavilion Building	915,300	—
35 Wildlife Resources Commission		
36     Land Acquisition	7,000,000	3,000,000
37     Infrastructure Repair/Renovation	1,500,000	—
38     Setzer Hatchery Building Replacement	750,000	—
39     Boating Access	900,000	900,000
40     Setzer Hatchery Raceways Replacement	4,500,000	—
41     Outer Banks Education Center Air Handlers	—	300,000
42     Burnsville Depot	500,000	—
43     Butner Lab & Storage Building	500,000	—
44     Bolivia Depot	750,000	—
45     New Shooting Ranges	1,000,000	1,000,000
46 Department of Public Safety		
47     Nash Correctional Institution		
48     Field Ministry Program Facility	3,800,000	—

49  
 50 **TOTAL AMOUNT OF NON-GENERAL**  
 51 **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**

**SECTION 36.5.(a)** Of the funds in the Reserve for Repairs and Renovations for the 2017-2018 fiscal year, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

- (1) One-half of the funds shall be allocated to the Board of Governors of The University of North Carolina.
- (2) One-half of the funds shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

**SECTION 36.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for the installation of fire sprinklers in University residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

- (1) The safety and well-being of the residents of campus housing programs.
- (2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
- (3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund or from bonds or certificates of participation supported by the General Fund since 1996.
- (4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.
- (5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire

1 protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be  
2 submitted on January 1 and July 1 until all residence halls have fire sprinklers.

3 **SECTION 36.5.(c)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to  
4 the Board of Governors of The University of North Carolina in subsection (a) of this section, a  
5 portion shall be used each fiscal year by the Board of Governors for campus public safety  
6 improvements allowable under G.S. 143C-4-3(b).

7 **SECTION 36.5.(d)** In making campus allocations of funds allocated to the Board  
8 of Governors of The University of North Carolina in subsection (a) of this section, the Board of  
9 Governors shall negatively weight the availability of non-State resources and carryforward  
10 funds available for repair and renovations and shall include information about the manner in  
11 which this subsection was complied within any report submitted pursuant to G.S. 143C-4-3(d).

12 **SECTION 36.5.(e)** Notwithstanding G.S. 143C-4-3, of the funds allocated from  
13 the Reserve for Repairs and Renovations for the 2017-2018 fiscal year in subsection (a) of this  
14 section, the following sums shall be allocated for the following projects:

- 15 (1) Two million dollars (\$2,000,000) shall be allocated to the Department of  
16 Public Safety to be provided to the North Carolina National Guard for the  
17 demolition of Western Youth Correctional Facility.
- 18 (2) Two million dollars (\$2,000,000) shall be allocated to the Department of  
19 Natural and Cultural Resources for the repairs and renovation projects  
20 involving the U.S.S. North Carolina Battleship.
- 21 (3) Five million dollars (\$5,000,000) shall be allocated to the Department of  
22 Administration for the roof replacement project for the Administration  
23 Building.
- 24 (4) Three hundred thousand dollars (\$300,000) shall be allocated to  
25 weatherproof Goodwin Hall and Joiner Hall at the North Carolina School for  
26 the Deaf in Morganton.
- 27 (5) Thirteen million two hundred thousand dollars (\$13,200,000) shall be  
28 allocated to the Department of Public Safety to renovate the Stonewall  
29 Jackson Youth Development Center to create additional bed space.
- 30 (6) Ten million dollars (\$10,000,000) shall be allocated for the comprehensive  
31 renovation and repurposing of West Hall at the University of North Carolina  
32 at Pembroke.
- 33 (7) Three million five hundred thousand dollars (\$3,500,000) shall be allocated  
34 to the Department of Natural and Cultural Resources, Division of Parks &  
35 Recreation, for repair and renovation projects at Morrow Mountain State  
36 Park in Stanly County.
- 37 (8) Four million five hundred thousand dollars (\$4,500,000) shall be allocated to  
38 the Department of Natural and Cultural Resources for repair and renovation  
39 projects at the North Carolina Zoological Park.
- 40 (9) Two million two hundred thousand dollars (\$2,200,000) shall be allocated to  
41 the Department of Public Safety to renovate the Swannanoa Correctional  
42 Center for Women to allow for portions to be used for a female Confinement  
43 Response to Violation (CRV) facility.
- 44 (10) Five million five hundred thousand dollars (\$5,500,000) shall be allocated to  
45 Fayetteville State University for a health fitness center.

#### 47 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

48 **SECTION 36.6.** The appropriations made by the 2017 General Assembly for  
49 capital improvements shall be disbursed for the purposes provided by this act. Expenditure of  
50 funds shall not be made by any State department, institution, or agency until an allotment has  
51 been approved by the Governor as Director of the Budget. The allotment shall be approved

1 only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.  
2 Prior to the award of construction contracts for projects to be financed in whole or in part with  
3 self-liquidating appropriations, the Director of the Budget shall approve the elements of the  
4 method of financing of those projects, including the source of funds, interest rate, and  
5 liquidation period. Provided, however, that if the Director of the Budget approves the method  
6 of financing a project, the Director shall report that action to the Joint Legislative Commission  
7 on Governmental Operations at its next meeting.

8 Where direct capital improvement appropriations include the purpose of furnishing  
9 fixed and movable equipment for any project, those funds for equipment shall not be subject to  
10 transfer into construction accounts except as authorized by the Director of the Budget. The  
11 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and  
12 approved by the Director of the Budget prior to commitment of funds.

13 Capital improvement projects authorized by the 2017 General Assembly shall be  
14 completed, including fixed and movable equipment and furnishings, within the limits of the  
15 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided  
16 in this act. Capital improvement projects authorized by the 2017 General Assembly for the  
17 design phase only shall be designed within the scope of the project as defined by the approved  
18 cost estimate filed with the Director of the Budget, including costs associated with site  
19 preparation, demolition, and movable and fixed equipment.  
20

## 21 **REPORTING ON CAPITAL PROJECTS**

22 **SECTION 36.7.(a)** Definitions. – The following definitions apply in this section:

- 23 (1) Capital project. – Any capital improvement, as that term is defined in  
24 G.S. 143C-1-1, that is not complete by the effective date of this section and  
25 that is funded in whole or in part with State funds, including receipts,  
26 non-General Fund sources, or statutorily or constitutionally authorized  
27 indebtedness of any kind. This term includes only projects with a total cost  
28 of one hundred thousand dollars (\$100,000) or more.
- 29 (2) Construction phase. – The status of a particular capital project as described  
30 using the terms customarily employed in the design and construction  
31 industries.
- 32 (3) New capital project. – A capital project that is authorized in this act or  
33 subsequent to the effective date of this act.

34 **SECTION 36.7.(b)** Reporting. – The following reports are required:

- 35 (1) By October 1, 2017, and every six months thereafter, each State agency shall  
36 report on the status of agency capital projects to the Joint Legislative  
37 Commission on Governmental Operations.
- 38 (2) By October 1, 2017, and quarterly thereafter, each State agency shall report  
39 on the status of agency capital projects to the Fiscal Research Division of the  
40 General Assembly and to the Office of State Budget and Management.

41 **SECTION 36.7.(c)** The reports required by subsection (b) of this section shall  
42 include at least the following information about every agency capital project:

- 43 (1) The current construction phase of the project.
- 44 (2) The anticipated time line from the current construction phase to project  
45 completion.
- 46 (3) Information about expenditures that have been made in connection with the  
47 project, regardless of source of the funds expended.
- 48 (4) Information about the adequacy of funding to complete the project,  
49 including estimates of how final expenditures will relate to initial estimates  
50 of expenditures, and whether or not scope reductions will be necessary in  
51 order to complete the project within its budget.

- 1 (5) For new capital projects only, an estimate of the operating costs for the  
2 project for the first five fiscal years of its operation.

3 **SECTION 36.7.(d)** In addition to the other reports required by this section, on  
4 October 1, 2017, and every six months thereafter, the Office of State Construction shall report  
5 on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative  
6 Commission on Governmental Operations. The report shall include (i) summary information  
7 about the average length of time that passes between FCAP assessments for an average State  
8 building; (ii) detailed information about when the last FCAP assessment was for each State  
9 building complex; and (iii) detailed information about the condition and repairs and renovations  
10 needs of each State building complex.

11 **SECTION 36.7.(e)** In addition to the other reports required by this section, on  
12 October 1, 2017, and quarterly thereafter, the State Construction Office shall report to the Joint  
13 Legislative Oversight Committee on Capital Improvements on the status of plan review,  
14 approval, and permitting for each State capital improvement project and community college  
15 capital improvement project over which the Office exercises plan review, approval, and  
16 permitting authority. Each report shall include (i) summary information about the workload of  
17 the Office during the previous quarter, including information about the average length of time  
18 spent by the State Construction Office on each major function it performs that is related to  
19 capital project approval, and (ii) detailed information about the amount of time spent engaged  
20 in those functions for each project that the State Construction Office worked on during the  
21 previous quarter.

## 22 **ZOO STATE CONSTRUCTION EXEMPTIONS**

23 **SECTION 36.8.(a)** G.S. 143-341 reads as rewritten:

### 24 **"§ 143-341. Powers and duties of Department.**

25 The Department of Administration has the following powers and duties:

26 ...

#### 27 (3) Architecture and Engineering:

- 28 a. To examine and approve all plans and specifications for the  
29 construction or renovation of:  
30 1. All State buildings or buildings located on State lands, except  
31 those buildings over which a local building code inspection  
32 department has and exercises jurisdiction; and  
33 2. All community college buildings requiring the estimated  
34 expenditure for construction or repair work for which public  
35 bidding is required under G.S. 143-129 prior to the awarding  
36 of a contract for such work; and to examine and approve all  
37 changes in those plans and specifications made after the  
38 contract for such work has been awarded.
- 39 a1. To organize and schedule, within three weeks of designer selection  
40 and before the design contract is let, a meeting of the stakeholders for  
41 each State capital improvement project to discuss plan review  
42 requirements and to define the terms of the memorandum of  
43 understanding developed by the State Building Commission pursuant  
44 to G.S. 143-135.26(2). The stakeholders shall include the funded  
45 agency, each State agency having plan review responsibilities for the  
46 project, and the selected designer. Notwithstanding the foregoing, the  
47 meeting need not be scheduled if the funded agency so requests.
- 48 b. To assist, as necessary, all agencies in the preparation of requests for  
49 appropriations for the construction or renovation of all State  
50 buildings.  
51

- 1                    b1.    To certify that a statement of needs pursuant to G.S. 143C-3-3, other
- 2                    than for a project of The University of North Carolina for which
- 3                    advance planning has not been completed, is feasible. For purposes
- 4                    of this sub-subdivision, "feasible" means that the proposed project is
- 5                    sufficiently defined in overall scope; building program; site
- 6                    development; detailed design, construction, and equipment budgets;
- 7                    and comprehensive project scheduling so as to reasonably ensure that
- 8                    it may be completed with the amount of funds requested. At the
- 9                    discretion of the General Assembly, advanced planning funds may be
- 10                   appropriated in support of this certification. This sub-subdivision
- 11                   shall not apply to requests for appropriations of less than one
- 12                   hundred thousand dollars (\$100,000).
- 13                   c.     To supervise the letting of all contracts for the design, construction or
- 14                   renovation of all State buildings and all community college buildings
- 15                   whose plans and specifications must be examined and approved
- 16                   under a.2. of this subdivision.
- 17                   d.     To supervise and inspect all work done and materials used in the
- 18                   construction or renovation of all State buildings and all community
- 19                   college buildings whose plans and specifications must be examined
- 20                   and approved under a.2. of this subdivision; to act as the appropriate
- 21                   official inspector or inspection department for purposes of
- 22                   G.S. 143-143.2; and no such work may be accepted by the State or
- 23                   by any State agency until it has been approved by the Department.
- 24                   e.     To require all State agencies to use existing plans and specifications
- 25                   for construction projects, where feasible. Prior to designing a project,
- 26                   State agencies shall consult with the Department of Administration
- 27                   on the availability of appropriate existing plans and specifications
- 28                   and the feasibility of using them for a project.
- 29                   f.     To provide written allocation of the deduction allowed under section
- 30                   179D of the Code, as defined in G.S. 105-228.90, for designing
- 31                   energy efficient commercial building property that is installed on or
- 32                   in property owned by the State. The allocation must be made in
- 33                   accordance with section 179D of the Code.

34                   Except for sub-subdivisions b., b1., e., and f. of this subdivision, this

35                   subdivision does not apply to either (i) the design, construction, or

36                   renovation of projects by The University of North Carolina pursuant to ~~G.S.~~

37                   ~~116-31.11~~G.S. 116-31.11 or (ii) the North Carolina Zoological Park Council

38                   and the Department of Natural and Cultural Resources, with respect to

39                   projects at the North Carolina Zoological Park pursuant to

40                   G.S. 143B-135.214.

41                   ...."

42                   **SECTION 36.8.(b)** Part 39 of Article 2 of Chapter 143B of the General Statutes is

43                   amended by adding a new section to read:

44                   **"§ 143B-135.214. Powers of Council and Department regarding certain fee negotiations,**

45                   **contracts, and capital improvements.**

46                   (a)    The exception for the North Carolina Zoological Park set forth in G.S. 143-341(3)

47                   shall apply only to projects requiring the estimated expenditure of public money of two million

48                   dollars (\$2,000,000) or less. The Council and the Department of Natural and Cultural

49                   Resources shall, with respect to the design, construction, or renovation of buildings, utilities,

50                   and other property developments of the North Carolina Zoological Park that fall below that

51                   threshold:

- 1           (1) Conduct the fee negotiations for all design contracts and supervise the letting  
2           of all construction and design contracts.
- 3           (2) Develop procedures governing the responsibilities of the Council and the  
4           Department to perform the duties of the Department of Administration under  
5           G.S. 133-1.1(d) and G.S. 143-341(3).
- 6           (3) Use existing plans and specifications for construction projects, where  
7           feasible. Prior to designing a project, the Council and the Department shall  
8           consult with the Department of Administration on the availability of existing  
9           plans and specifications and the feasibility of using them for a project.
- 10          (b) The Council and Department shall use the standard contracts for design and  
11          construction currently in use for State capital improvement projects by the Office of State  
12          Construction of the Department of Administration.
- 13          (c) A contract may not be divided for the purpose of evading the monetary limit under  
14          this section.
- 15          (d) Notwithstanding any other provision of this Chapter, the Department of  
16          Administration shall not be the awarding authority for contracts awarded pursuant to this  
17          section.
- 18          (e) This section shall not exempt any capital improvement project from review and  
19          approval as may be required by law by the entity having jurisdiction over the subject property.
- 20          (f) The Department shall annually report to the State Building Commission the  
21          following:
- 22               (1) A list of projects governed by this section.
- 23               (2) The estimated cost of each project along with the actual cost.
- 24               (3) The name of each person awarded a contract under this section.
- 25               (4) Whether the person or business awarded a contract under this section meets  
26               the definition of "minority business" or "minority person" as defined in  
27               G.S. 143-128.2(g).
- 28          (g) Unless clearly indicated otherwise, nothing in this section is intended to relieve the  
29          Department or the Council from the obligations imposed by Article 3 of Chapter 143 of the  
30          General Statutes."

## 31 32 **REALIGNMENT OF DHHS CAPITAL PROJECTS**

33           **SECTION 36.9.(a)** Section 23.12(e) of S.L. 2006-66, as amended by Section 2(c)  
34 of S.L. 2009-209, reads as rewritten:

35           **"SECTION 23.12.(e)** 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 ~~ninety-eight million seven hundred eighty-two thousand five hundred forty dollars~~  
38 ~~(\$98,782,540)~~ninety-one million two hundred eighty-two thousand five hundred forty dollars  
39 (\$91,282,540) to finance the capital facility costs of the Department of Health and Human  
40 Services Public Health Laboratory and Office of Chief Medical Examiner. The State, with the  
41 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of  
42 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."

47           **SECTION 36.9.(b)** Section 23.12(f) of S.L. 2006-66, as amended by Section 2(c)  
48 of S.L. 2009-209, reads as rewritten:

49           **"SECTION 23.12.(f)** In accordance with G.S. 142-83, this subsection authorizes the  
50 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of  
51 ~~one hundred thirty-eight million three hundred twenty five thousand eight hundred fourteen~~

1 ~~dollars (\$138,325,814)~~ one hundred thirty-nine million three hundred twenty-five thousand  
2 eight hundred fourteen dollars (\$139,325,814) to finance the capital facility costs of the Eastern  
3 Regional Psychiatric Hospital for the Department of Health and Human Services. The State,  
4 with the prior approval of the State Treasurer and the Council of State, as provided in Article 9  
5 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in  
6 order to provide funds to the State to be used, together with other available funds, to pay the  
7 capital facility costs of the project described in this subsection. No more than a maximum  
8 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness  
9 may be issued or incurred under this subsection prior to July 1, 2007. No more than a  
10 maximum aggregate principal amount of one hundred million dollars (\$100,000,000) of special  
11 indebtedness may be issued or incurred under this subsection prior to July 1, 2008."

12 **SECTION 36.9.(c)** Section 23.12(h) of S.L. 2006-66, as amended by Section 2(c)  
13 of S.L. 2009-209, reads as rewritten:

14 "**SECTION 23.12.(h)** In accordance with G.S. 142-83, this subsection authorizes the  
15 issuance or incurrence of special indebtedness in the maximum aggregate principal amount of  
16 ~~one hundred fifty four million seven hundred seventy two thousand eight hundred one dollars~~  
17 ~~(\$154,772,801)~~ one hundred sixty-one million two hundred seventy-two thousand eight hundred  
18 one dollars (\$161,272,801) to finance the capital facility costs of the Western Regional  
19 Psychiatric Hospital for the Department of Health and Human Services. The State, with the  
20 prior approval of the State Treasurer and the Council of State, as provided in Article 9 of  
21 Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in  
22 order to provide funds to the State to be used, together with other available funds, to pay the  
23 capital facility costs of the project described in this subsection. No special indebtedness may be  
24 issued or incurred under this subsection prior to July 1, 2008. No more than a maximum  
25 aggregate principal amount of twenty million dollars (\$20,000,000) of special indebtedness  
26 may be issued or incurred under this subsection prior to July 1, 2009. No more than a  
27 maximum aggregate principal amount of fifty-four million dollars (\$54,000,000) of special  
28 indebtedness may be issued or incurred under this subsection prior to July 1, 2011."

## 29 30 **DPS EXISTING FACILITIES MAXIMIZATION**

31 **SECTION 36.10.** If House Bill 280 of the 2017 Regular Session becomes law, the  
32 Department of Public Safety shall accommodate any new requirements resulting from its  
33 enactment by maximizing the use of existing facilities. The Department shall demonstrate that  
34 the use of existing facilities has been maximized prior to requesting funding for additional  
35 facilities.

## 36 37 **AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND** 38 **RENOVATION PROJECTS WITH FUNDS AVAILABLE**

39 **SECTION 36.11.** G.S. 143C-8-7 reads as rewritten:

40 "**§ 143C-8-7. When a State agency may begin a capital improvement project.**

41 (a) No State agency may expend funds for the construction or renovation of any capital  
42 improvement project except as needed to comply with this Article or otherwise authorized by  
43 the General Assembly. Funds that become available by gifts, excess patient receipts above  
44 those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private  
45 grants, receipts becoming a part of special funds by act of the General Assembly, or any other  
46 funds available to a State agency or institution may be utilized for advanced planning through  
47 the working drawing phase of capital improvement projects, upon approval of the Director of  
48 the Budget.

49 (b) A State agency may undertake repairs and renovations projects, upon approval of  
50 the Director of the Budget, so long as each project satisfies the following:

51 (1) Total project costs do not exceed five hundred thousand dollars (\$500,000).

1           (2)    The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).  
2           (3)    The project is paid for with funds available to the agency.  
3       (c)    A constituent institution of The University of North Carolina, upon approval of the  
4 Director of the Budget, may undertake repairs and renovations projects so long as each project  
5 satisfies the following:

6           (1)    Total project costs do not exceed one million dollars (\$1,000,000).  
7           (2)    The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).  
8           (3)    The project is paid for with funds available to the constituent institution.

9       (d)    Projects undertaken pursuant to subsection (b) and (c) of this section shall be  
10 reported to the Joint Legislative Oversight Committee on Capital Improvements on a quarterly  
11 basis. A report under this subsection shall include information about all of the following for  
12 each project:

13           (1)    The facility at which the project is being undertaken.  
14           (2)    The nature and scope of the project.  
15           (3)    The source of funds for the project.  
16           (4)    The category of projects set forth in G.S. 143C-4-3(b) that the project falls  
17 within."

## 18 19 **PART XXXVII. DEPARTMENT OF INFORMATION TECHNOLOGY**

### 20 21 **GOVERNMENT DATA ANALYTICS CENTER/INFRASTRUCTURE AND** 22 **OPERATIONS**

23       **SECTION 37.1.(a)** Of the funds appropriated in this act to the Department of  
24 Information Technology, Government Data Analytics Center (GDAC), the sum of two million  
25 dollars (\$2,000,000) for the 2017-2018 fiscal year and the sum of two million dollars  
26 (\$2,000,000) for the 2018-2019 fiscal year shall be used to fund contract additions that support  
27 GDAC infrastructure and operations improvements, including security upgrades to comply  
28 with State and federal requirements, and to provide enhanced and expanded GDAC user  
29 services, data storage, data integration, and system maintenance.

30       **SECTION 37.1.(b)** Of the two million dollars (\$2,000,000) allocated for expanded  
31 services during the 2017-2018 fiscal year in subsection (a) of this section, nine hundred  
32 thousand dollars (\$900,000) shall be used for veterans data analytics in coordination with the  
33 Department of Military and Veterans Affairs.

### 34 35 **GOVERNMENT BUDGETS TRANSPARENCY/ACCOUNTABILITY/REPORTING**

36       **SECTION 37.2.** By September 1, 2017, the State Chief Information Officer, the  
37 State Controller, the Office of State Budget and Management (OSBM), and the State Chief  
38 Information Officer (State CIO) shall make a detailed written report to the chairs of the Joint  
39 Legislative Oversight Committee on Information Technology and the Fiscal Research Division  
40 on the status of efforts to effectuate the State budget transparency Internet Web site as  
41 mandated in Section 7.17 of S.L. 2015-241 to provide information on budget expenditures for  
42 each State agency for each fiscal year beginning 2015-2016. Specifically, the reports shall:

43           (1)    Include an explanation of coordination efforts with counties and local  
44 education agencies to facilitate the posting of their respective local entity  
45 budgetary and spending data on their respective Internet Web sites.  
46           (2)    Account for how the appropriated General Funds in the amount of eight  
47 hundred fourteen thousand dollars (\$814,000) for the 2015-2016 fiscal year  
48 were or were not spent toward the purposes of implementation of the  
49 mandated transparency requirements.

### 50 51 **DATA CENTER CONSOLIDATION**



1           **SECTION 37.3.(a)** The consolidation of State data centers shall continue as a  
2 priority for the 2017-2019 fiscal biennium, however, the Western Data Center in Rutherford  
3 County and the Eastern Data Center in Wake County may not be closed or consolidated  
4 without express authorization by the General Assembly.

5           **SECTION 37.3.(b)** Unless otherwise exempt, State agencies shall continue to use  
6 the State infrastructure to host their projects, services, data, and applications, except that the  
7 State Chief Information Officer may grant an exception if the State agency demonstrates any of  
8 the following:

- 9           (1) Using an outside contractor would be more cost-effective for the State.
- 10          (2) The Department of Information Technology does not have the technical  
11 capabilities required to host the application.
- 12          (3) Valid security requirements preclude the use of State infrastructure, and a  
13 vendor can provide a more secure environment.

14           **SECTION 37.3.(c)** By December 1, 2017, the State Chief Information Officer shall  
15 present a report on data center consolidations to the Joint Legislative Oversight Committee on  
16 Information Technology and the Fiscal Research Division. On or before May 1, 2018, the State  
17 Chief Information Officer shall report to the Joint Legislative Oversight Committee on  
18 Information Technology and the Fiscal Research Division on the number of physical servers  
19 eliminated across all departments as a result of data center consolidation and the savings  
20 associated with such elimination.

## 21 **DEPARTMENT OF INFORMATION TECHNOLOGY TRANSFERS**

22           **SECTION 37.4.** G.S. 143B-1325(d) reads as rewritten:

23           "(d) Report on Transition Planning. – ~~The Community College System Office and the~~  
24 ~~State Board of Elections—Elections or Bipartisan State Board of Elections and Ethics~~  
25 ~~Enforcement or successor entity~~ shall work with the State CIO to plan their transition to the  
26 Department. By October 1, 2018, ~~these agencies, this agency,~~ in conjunction with the State CIO,  
27 shall report to the Joint Legislative Oversight Committee on Information Technology and the  
28 Fiscal Research Division on ~~their respective~~ the transition plans."

## 29 **INFORMATION TECHNOLOGY INTERNAL SERVICE FUND/RATES**

30           **SECTION 37.5.(a)** During the 2017-2019 fiscal biennium:

- 31           (1) Information Technology Internal Service Fund receipts for the 2017-2018  
32 fiscal year shall not exceed two hundred five million dollars (\$205,000,000).
- 33           (2) Information Technology Internal Service Fund receipts for the 2018-2019  
34 fiscal year shall not exceed two hundred five million dollars (\$205,000,000).

35           Rates approved by the Office of State Budget and Management during the  
36 2017-2019 fiscal biennium to support the Information Technology Internal Service Fund shall  
37 be based on the fund limit set in this section.

38           Information Technology Internal Service Fund receipts may be increased for  
39 specific purposes only after consultation with the Joint Legislative Commission on  
40 Governmental Operations each time a requirement necessitating an increase is identified.

41           **SECTION 37.5.(b)** For the 2017-2018 fiscal year, receipts in excess of  
42 requirements, including information technology equipment and fixtures, shall be maintained in  
43 a separate account to be managed by the Office of State Budget and Management. The amounts  
44 received shall be used for the following purposes:

- 45           (1) To offset agency budget shortfalls resulting from Department of Information  
46 Technology rate increases.
  - 47           (2) To offset Department of Information Technology Internal Service Fund  
48 budget shortfalls, if approved by the Office of State Budget and  
49 Management.
- 50  
51

1           **SECTION 37.5.(c)** For the 2018-2019 fiscal year, budget requirements and  
2 associated rates shall be developed based on actual service costs for fiscal year 2016-2017.  
3 These budget requirements and associated rates shall be developed and reported to the Joint  
4 Legislative Oversight Committee on Information Technology and the Fiscal Research Division  
5 by October 1, 2018.

6           **SECTION 37.5.(d)** Receipts collected for Information Technology Internal Service  
7 Fund services shall only be used for the specific purposes for which they were collected and, to  
8 the extent not already appropriated, are hereby appropriated for those purposes. Funds collected  
9 for information technology equipment and fixtures shall be separately maintained and  
10 accounted for by the Department of Information Technology, and such funds shall be used only  
11 for the replacement of the fixtures and equipment for which the funds were collected.

12           **SECTION 37.5.(e)** By December 1, 2017, the Department of Information  
13 Technology shall report to the Joint Legislative Oversight Committee on Information  
14 Technology and the Fiscal Research Division on the development of rates and the means and  
15 methods by which it is in compliance with the requirements of this section.

16           **SECTION 37.5.(f)** The State Chief Information Officer shall ensure that bills from  
17 the Department of Information Technology are easily understandable and fully transparent. If a  
18 State agency fails to pay its IT Internal Service Fund bill within 30 days of receipt, the Office  
19 of State Budget and Management may transfer funds from the agency to fully or partially cover  
20 the cost of the bill from that agency to the IT Internal Service Fund following notification of  
21 the affected agency.

## 22 23 **ENTERPRISE RESOURCE PLANNING**

24           **SECTION 37.6.(a)** The Department of Information Technology shall collaborate  
25 with the Office of State Budget and Management and the Office of State Controller to continue  
26 to develop a fully consolidated statewide ERP solution. To that end, of the funds appropriated  
27 in this act to the Statewide Reserves, the sum of three million two hundred thousand dollars  
28 (\$3,200,000) for the 2017-2018 fiscal year and the sum of ten million dollars (\$10,000,000) for  
29 the 2018-2019 fiscal year shall be allocated to the Department of Information Technology for  
30 Enterprise Resource Planning (ERP) projects.

31           **SECTION 37.6.(b)** The Department of Information Technology shall annually  
32 report on the progress of the ERP projects to the Joint Legislative Oversight Committee on  
33 Information Technology and the Fiscal Research Division on or before January 1.

## 34 35 **COMMUNITY COLLEGE SYSTEM ENTERPRISE RESOURCE PLAN DESIGN AND** 36 **IMPLEMENTATION REVISIONS**

37           **SECTION 37.7.** Section 7.10A of S.L. 2016-94 reads as rewritten:

### 38 **"COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION**

39           **"SECTION 7.10A.(a)** The North Carolina Community Colleges System Office, in  
40 consultation with the Department of Information Technology, shall begin planning and design  
41 of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a  
42 minimum, student information system, core financial management, grants, human resource  
43 management, and payroll. The planning and design of the ERP system may include either a  
44 modernization of the current system or a replacement system. ~~A request for proposal for a~~  
45 ~~replacement system implementation shall be prepared for release.~~ The North Carolina  
46 Community Colleges System Office shall initiate a competitive solicitation process for  
47 implementation of a replacement system no later than October 1, 2017. The North Carolina  
48 Community Colleges System Office may use funds from the North Carolina Community  
49 College IT Systems Budget Code 26802 to support planning and request for proposal  
50 development efforts; ~~provided, that the total amount expended for the project does not exceed~~

1 ~~one million dollars (\$1,000,000)-efforts.~~ To the extent that these funds have not been  
2 appropriated for the 2016-2017 fiscal year elsewhere, they are hereby appropriated.

3 **"SECTION 7.10A.(b)** The North Carolina Community Colleges System Office shall  
4 submit a preliminary report on the planning and implementation of the enterprise resource  
5 planning system to the Joint Legislative Oversight Committee on Information Technology on  
6 or before January 15, 2017. ~~The report shall identify~~ By no later than October 1, 2017, the  
7 System Office shall report on the results of the planning and design effort, including at least all  
8 of the following information:

- 9 (1) Proposed sequence of functional and site implementation.
- 10 (2) A phased-in contracting plan with checkpoints to facilitate budgeting and  
11 program management.
- 12 (3) The feasibility of a cloud-based component.
- 13 (4) Cost estimate for full implementation."
- 14

## 15 **ESTABLISH ROTATIONAL DEVELOPMENT PROGRAM FOR STATE** 16 **INFORMATION TECHNOLOGY**

17 **SECTION 37.8.** The Department of Information Technology shall develop a  
18 rotational development program (RDP) for its Statewide Information Technology Division and  
19 for information technology procurement. The RDP shall coordinate with participating agencies,  
20 as defined in G.S. 143B-1320, to utilize existing agency staff on a quarterly basis to supplement  
21 Department resources and to expand opportunities for education and cross-functional training.  
22

## 23 **RISK AND VULNERABILITY ASSESSMENT**

24 **SECTION 37.9.(a)** The Department of Information Technology shall coordinate  
25 with each participating agency, as defined in G.S. 143B-1320, to conduct a risk and  
26 vulnerability assessment (RVA). The RVA shall consider, at a minimum, all of the following  
27 for each participating agency:

- 28 (1) The existing network infrastructure and configuration, including all  
29 interconnectivity and supported protocols and network services offered.
- 30 (2) Publicly available information and data accessible via agency Web sites.
- 31 (3) An inventory of all agency hardware and its operating systems and network  
32 management systems.
- 33 (4) An inventory of all applications, data storage devices and systems, and  
34 identification and authentication measures.
- 35 (5) Existing security systems and components, including antivirus, firewalls,  
36 and network monitoring.
- 37 (6) Network application processes and formal and informal policies, procedures,  
38 and guidelines.
- 39 (7) All applicable laws, regulations, and industry best practices.

40 **SECTION 37.9.(b)** The Department shall prepare a mitigation plan based upon the  
41 RVA conducted pursuant to this section and shall submit the RVA and the plan to the Joint  
42 Legislative Oversight Committee on Information Technology and the Fiscal Research Division  
43 on or before February 1, 2018.

44 **SECTION 37.9.(c)** Of the funds appropriated to the Department of Information  
45 Technology for the 2017-2019 fiscal biennium, the sum of two million dollars (\$2,000,000)  
46 from the Information Technology Reserve Fund balance shall be used to conduct the RVA and  
47 mitigation plan pursuant to this section.  
48

## 49 **DIT ENCRYPTED DEVICE STUDY**

50 **SECTION 37.10.** The Department of Information Technology shall conduct a  
51 study on the use of encrypted mobile information storage devices. The study shall consider

1 potential benefits, risks, and costs of implementing and utilizing encrypted mobile information  
 2 storage devices, including any identifiable issues relating to interfacing or networking with  
 3 existing State resources. The Department shall submit the results of the study to the Joint  
 4 Legislative Oversight Committee and the Fiscal Research Division on or before January 15,  
 5 2018.

6  
 7 **NETWORK SEGMENTATION AND AUTOMATION**

8 **SECTION 37.11.** In an effort to better protect critical State infrastructure and data,  
 9 the Department of Information Technology shall incorporate network segmentation and  
 10 automation into its statewide cybersecurity policy and shall require participating agencies, as  
 11 defined in G.S. 143B-1320, to adopt solutions and security controls that isolate and segment  
 12 sensitive information.

13  
 14 **PART XXXVIII. FINANCE PROVISIONS**

15  
 16 **INCREASE STANDARD DEDUCTION**

17 **SECTION 38.2.(a)** G.S. 105-153.5(a)(1) reads as rewritten:

18 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may  
 19 deduct from adjusted gross income either the standard deduction amount provided in  
 20 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)  
 21 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as  
 22 follows:

- 23 (1) Standard deduction amount. – The standard deduction amount is zero for a  
 24 person who is not eligible for a standard deduction under section 63 of the  
 25 Code. For all other taxpayers, the standard deduction amount is equal to the  
 26 amount listed in the table below based on the taxpayer's filing status:

<b>Filing Status</b>	<b>Standard Deduction</b>
Married, filing jointly/surviving spouse	<del>\$17,500</del> <u>\$18,500</u>
Head of Household	<del>14,000</del> <u>14,800</u>
Single	<del>8,750</del> <u>9,250</u>
Married, filing separately	<del>8,750</del> <u>9,250</u> ."

31  
 32 **SECTION 38.2.(b)** This section is effective for taxable years beginning on or after  
 33 January 1, 2018.

34  
 35 **INCREASE MORTGAGE EXPENSE AND PROPERTY TAX DEDUCTION CAP**

36 **SECTION 38.3.(a)** G.S. 105-153.5(a)(2) reads as rewritten:

37 "(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may  
 38 deduct from adjusted gross income either the standard deduction amount provided in  
 39 subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2)  
 40 of this subsection that the taxpayer claimed under the Code. The deduction amounts are as  
 41 follows:

- 42 ...  
 43 (2) Itemized deduction amount. – An amount equal to the sum of the items listed  
 44 in this subdivision. The amounts allowed under this subdivision are not  
 45 subject to the overall limitation on itemized deductions under section 68 of  
 46 the Code:

- 47 ...  
 48 b. Mortgage Expense and Property Tax. – The amount allowed as a  
 49 deduction for interest paid or accrued during the taxable year under  
 50 section 163(h) of the Code with respect to any qualified residence  
 51 plus the amount allowed as a deduction for property taxes paid or

1 accrued on real estate under section 164 of the Code for that taxable  
 2 year. For taxable years 2014, 2015, and 2016, the amount allowed as  
 3 a deduction for interest paid or accrued during the taxable year under  
 4 section 163(h) of the Code with respect to any qualified residence  
 5 shall not include the amount for mortgage insurance premiums  
 6 treated as qualified residence interest. The amount allowed under this  
 7 sub-subdivision may not exceed ~~twenty thousand dollars (\$20,000).~~  
 8 twenty-two thousand dollars (\$22,000). For spouses filing as married  
 9 filing separately or married filing jointly, the total mortgage interest  
 10 and real estate taxes claimed by both spouses combined may not  
 11 exceed ~~twenty thousand dollars (\$20,000).~~ twenty-two thousand  
 12 dollars (\$22,000). For spouses filing as married filing separately with  
 13 a joint obligation for mortgage interest and real estate taxes, the  
 14 deduction for these items is allowable to the spouse who actually  
 15 paid them. If the amount of the mortgage interest and real estate  
 16 taxes paid by both spouses exceeds ~~twenty thousand dollars~~  
 17 ~~(\$20,000),~~ twenty-two thousand dollars (\$22,000), these deductions  
 18 must be prorated based on the percentage paid by each spouse. For  
 19 joint obligations paid from joint accounts, the proration is based on  
 20 the income reported by each spouse for that taxable year.

21 ...."

22 **SECTION 38.3.(b)** This section is effective for taxable years beginning on or after  
 23 January 1, 2019.

## 24 **REDUCE FRANCHISE TAX RATE**

25 **SECTION 38.6.(a)** G.S. 105-120.2(b) reads as rewritten:

26 "(b) Tax Rate. – Every corporation taxed under this section shall annually pay to the  
 27 Secretary of Revenue, at the time the return is due, the greater of the following:

- 28 (1) A franchise or privilege tax at the rate of one dollar and ~~fifty-four~~ fifty cents  
 29 ~~(\$1.50)(\$1.40)~~ per one thousand dollars (\$1,000) of the amount determined  
 30 under subsection (a) of this section, but in no case shall the tax be more than  
 31 one hundred fifty thousand dollars (\$150,000) nor less than two hundred  
 32 dollars (\$200.00).  
 33 (2) If the tax calculated under this subdivision exceeds the tax calculated under  
 34 subdivision (1) of this subsection, then the tax is levied at the rate of one  
 35 dollar and ~~fifty-four~~ fifty cents ~~(\$1.50)(\$1.40)~~ per one thousand dollars (\$1,000)  
 36 on the greater of the following:  
 37 a. Fifty-five percent (55%) of the appraised value as determined for ad  
 38 valorem taxation of all the real and tangible personal property in this  
 39 State of each such corporation plus the total appraised value of  
 40 intangible property returned for taxation of intangible personal  
 41 property as computed under G.S. 105-122(d).  
 42 b. The total actual investment in tangible property in this State of such  
 43 corporation as computed under G.S. 105-122(d)."

44 **SECTION 38.6.(b)** G.S. 105-122(d) reads as rewritten:

45 "(d) Tax Base and Tax Rate. – After determining the proportion of its net worth as set  
 46 out in subsection (c1) of this section, which amount shall not be less than fifty-five percent  
 47 (55%) of the appraised value as determined for ad valorem taxation of all the real and tangible  
 48 personal property in this State of each corporation nor less than its total actual investment in  
 49 tangible property in this State, every corporation taxed under this section shall annually pay to  
 50 the Secretary of Revenue, at the time the return is due, a franchise or privilege tax at the rate of  
 51

1 one dollar and ~~five~~ forty cents ~~(\$1.50)~~ (\$1.40) per one thousand dollars (\$1,000) of the total  
 2 amount of net worth as provided in this section. The tax imposed in this section shall not be  
 3 less than two hundred dollars (\$200.00) and is for the privilege of carrying on, doing business,  
 4 and/or the continuance of articles of incorporation or domestication of each corporation in this  
 5 State. Appraised value of tangible property including real estate is the ad valorem valuation for  
 6 the calendar year next preceding the due date of the franchise tax return. The term "total actual  
 7 investment in tangible property" as used in this section means the total original purchase price  
 8 or consideration to the reporting taxpayer of its tangible properties, including real estate, in this  
 9 State plus additions and improvements thereto less reserve for depreciation as permitted for  
 10 income tax purposes."

11 **SECTION 38.6.(c)** This section is effective for taxable years beginning on or after  
 12 January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and  
 13 later corporate income tax returns.  
 14

#### 15 **EXEMPT MILL MACHINERY FROM TAX AND STUDY**

16 **SECTION 38.8.(a)** Article 5F of Chapter 105 of the General Statutes,  
 17 G.S. 105-164.13(5a), and G.S. 105-163.13(57a) are repealed.

18 **SECTION 38.8.(b)** G.S. 105-164.4I(b) reads as rewritten:

19 (b) Exemptions. – The tax imposed by this section does not apply to the sales price of  
 20 or the gross receipts derived from a service contract applicable to any of the following items:

- 21 (1) An item exempt from tax under this Article. This exemption does not apply  
 22 to water maintained under a service contract for a pool, fish tank, or similar  
 23 aquatic feature.
- 24 (2) A transmission, distribution, or other network asset contained on  
 25 utility-owned land, right-of-way, or easement.
- 26 (3) A transmission, an engine, rear-end gears, and any other item purchased,  
 27 leased, or rented by a professional motorsports racing team or a related  
 28 member of a team for which the team or related member may receive a sales  
 29 tax exemption under G.S. 105-164.13(65) or G.S. 105-164.13(65a) or a sales  
 30 tax refund under G.S. 105-164.14A(a)(5). This subdivision expires January  
 31 1, 2020.
- 32 (4) ~~An item subject to tax under Article 5F of Chapter 105 of the General~~  
 33 ~~Statutes.~~
- 34 (5) A qualified aircraft or a qualified jet engine.
- 35 (6) A motor vehicle service contract.
- 36 (7) Repair, maintenance, and installation services exempt under  
 37 G.S. 105-164.13(61a)."

38 **SECTION 38.8.(c)** G.S. 105-164.13 is amended by adding the following new  
 39 subdivisions to read:

#### 40 **"§ 105-164.13. Retail sales and use tax.**

41 The sale at retail and the use, storage, or consumption in this State of the following tangible  
 42 personal property, digital property, and services are specifically exempted from the tax imposed  
 43 by this Article:

44 ...

45 (5e) Sales of mill machinery or mill machinery parts or accessories to any of the  
 46 following:

- 47 a. A manufacturing industry or plant. A manufacturing industry or plant  
 48 does not include (i) a delicatessen, cafe, cafeteria, restaurant, or  
 49 another similar retailer that is principally engaged in the retail sale of  
 50 foods prepared by it for consumption on or off its premises or (ii) a  
 51 production company.

- 1            b. A contractor or subcontractor if the purchase is for use in the  
2            performance of a contract with a manufacturing industry or plant.
- 3            c. A subcontractor if the purchase is for use in the performance of a  
4            contract with a general contractor that has a contract with a  
5            manufacturing industry or plant.
- 6            (5f) Sales to a major recycling facility of any of the following tangible personal  
7            property for use in connection with the facility:
- 8            a. Cranes, structural steel crane support systems, and foundations  
9            related to the cranes and support systems.
- 10           b. Port and dock facilities.
- 11           c. Rail equipment.
- 12           d. Material handling equipment.
- 13           (5g) Sales of equipment, or an attachment or repair part for equipment, that meets  
14           all of the following requirements:
- 15           a. Is sold to a company primarily engaged at the establishment in  
16           research and development activities in the physical, engineering, and  
17           life sciences included in industry group 54171 of NAICS.
- 18           b. Is capitalized by the company for tax purposes under the Code.
- 19           c. Is used by the company at the establishment in the research and  
20           development of tangible personal property.
- 21           (5h) Sales of equipment, or an attachment or repair part for equipment, that meets  
22           all of the following requirements:
- 23           a. Is sold to a company primarily engaged at the establishment in  
24           software publishing activities included in industry group 5112 of  
25           NAICS.
- 26           b. Is capitalized by the company for tax purposes under the Code.
- 27           c. Is used by the company at the establishment in the research and  
28           development of tangible personal property.
- 29           (5i) Sales of equipment, or an attachment or repair part for equipment, that meets  
30           all of the following requirements:
- 31           a. Is sold to a company primarily engaged at the establishment in  
32           industrial machinery refurbishing activities included in industry  
33           group 811310 of NAICS.
- 34           b. Is capitalized by the company for tax purposes under the Code.
- 35           c. Is used by the company at the establishment in repairing or  
36           refurbishing tangible personal property.
- 37           (5j) Sales of the following to a company located at a ports facility for waterborne  
38           commerce:
- 39           a. Machinery and equipment that is used at the facility to unload or to  
40           facilitate the unloading or processing of bulk cargo to make it  
41           suitable for delivery to and use by manufacturing facilities.
- 42           b. Parts, accessories, or attachments used to maintain, repair, replace,  
43           upgrade, improve, or otherwise modify such machinery and  
44           equipment.
- 45           (5k) Sales of the following to a secondary metals recycler:
- 46           a. Equipment, or an attachment or repair part for equipment, that (i) is  
47           capitalized by the person for tax purposes under the Code, (ii) is used  
48           by the person in the secondary metals recycling process, and (iii) is  
49           not a motor vehicle or an attachment or repair part for a motor  
50           vehicle.

- 1                    b.      Fuel, piped natural gas, or electricity for use at the person's facility at
- 2                              which the primary activity is secondary metals recycling.
- 3                    (5l)   Sales of equipment, or an attachment or repair part for equipment, that meets
- 4                    all of the following requirements:
- 5                    a.      Is sold to a company primarily engaged at the establishment in
- 6                              processing tangible personal property for the purpose of extracting
- 7                              precious metals, as defined in G.S. 66-406, to determine the value for
- 8                              potential purchase.
- 9                    b.      Is capitalized by the company for tax purposes under the Code.
- 10                  c.      Is used by the company in the process described in this subdivision.
- 11                  (5m)   Sales of equipment, or an attachment or repair part for equipment, that meets
- 12                  all of the following requirements:
- 13                  a.      Is sold to a company that is engaged in the fabrication of metal work
- 14                            and that has annual gross receipts, including the gross receipts of all
- 15                            related persons, as defined in G.S. 105-163.010, from the fabrication
- 16                            of metal work of at least eight million dollars (\$8,000,000).
- 17                  b.      Is capitalized by the company for tax purposes under the Code.
- 18                  c.      Is used by the company at the establishment in the fabrication or
- 19                            manufacture of metal products or used by the company to create
- 20                            equipment for the fabrication or manufacture of metal products.
- 21                  (5n)   Sales of equipment, or an accessory, an attachment, or a repair part for
- 22                  equipment, that meets all of the following requirements:
- 23                  a.      Is sold to a large manufacturing and distribution facility.
- 24                  b.      Is used in the manufacturing process, the assembly process, or the
- 25                            distribution process.
- 26                  c.      Is not electricity.
- 27                  If the level of investment or employment required by G.S. 105-164.3(16g)b.
- 28                  is not timely made, achieved, or maintained, then the exemption provided
- 29                  under this subdivision is forfeited. If the exemption is forfeited due to a
- 30                  failure to timely make the required investment or to timely achieve the
- 31                  minimum required employment level, then the exemption provided under
- 32                  this subdivision is forfeited on all purchases. If the exemption is forfeited
- 33                  due to a failure to maintain the minimum required employment level once
- 34                  that level has been achieved, then the exemption provided under this
- 35                  subdivision is forfeited for those purchases occurring on or after the date the
- 36                  taxpayer fails to maintain the minimum required employment level. A
- 37                  taxpayer that forfeits an exemption under this subdivision is liable for all
- 38                  past sales and use taxes avoided as a result of the forfeiture, computed at the
- 39                  applicable State and local rates from the date the taxes would otherwise have
- 40                  been due, plus interest at the rate established under G.S. 105-241.21. Interest
- 41                  is computed from the date the sales or use tax would otherwise have been
- 42                  due. The past taxes and interest are due 30 days after the date of forfeiture. A
- 43                  taxpayer that fails to pay the past taxes and interest by the due date is subject
- 44                  to the provisions of G.S. 105-236. This subdivision expires for sales
- 45                  occurring on or after July 1, 2018.
- 46                  (5o)   Sales of repair or replacement parts for a ready-mix concrete mill, regardless
- 47                  of whether the mill is freestanding or affixed to a motor vehicle, to a
- 48                  company that primarily sells ready-mix concrete.
- 49                  ....."

**SECTION 38.8.(d)** G.S. 105-164.3 is amended by adding two new subdivisions to

read:



1           "(16g) Large manufacturing and distribution facility. – A facility that satisfies both  
2           of the following conditions:

3           a.       The facility is used primarily for manufacturing or assembling  
4           products and distributing finished products.

5           b.       The Secretary of Commerce has certified that an investment of  
6           private funds of at least eighty million dollars (\$80,000,000) has been  
7           or will be made in real and tangible personal property for the facility  
8           within five years after the date on which the first property investment  
9           is made and that the facility will achieve an employment level of at  
10           least 550 within five years after the date the facility is placed into  
11           service and maintain that minimum level of employment throughout  
12           its operation.

13           ...

14           (37g) Secondary metals recycler. – A person that gathers and obtains ferrous  
15           metals, nonferrous metals, and items that have served their original  
16           economic purpose and that converts them by processes, including sorting,  
17           cutting, classifying, cleaning, baling, wrapping, shredding, or shearing into a  
18           new or different product for sale consisting of prepared grades."

19           **SECTION 38.8.(e)** Sales of mill machinery to manufacturers and certain industrial  
20 processors have historically enjoyed preferential tax treatment, whether in the form of a  
21 reduced wholesale tax, a preferential rate of sales and use tax, or a one-percent (1%) privilege  
22 tax with an eighty-dollar (\$80.00) cap per article. Despite the nature of the tax, the operational  
23 language has remained virtually unchanged for over 60 years and lacks clear guidance with  
24 regard to its application. Specifically, Article 5F of Chapter 105 of the General Statutes, and its  
25 predecessors, did not define "manufacturing industry or plant" or "mill machinery." This lack  
26 of guidance has resulted in a substantial body of administrative interpretation being developed  
27 over the years by the Department of Revenue. These interpretations are not included in the  
28 statutes and may not necessarily comport with the traditional definition of manufacturing, but  
29 they may be consistent with the General Assembly's intent to provide preferential tax treatment  
30 to certain industrial equipment.

31           This act repeals the one-percent (1%) privilege tax on mill machinery and mill  
32 machinery parts and accessories and substitutes a sales and use tax exemption for the items.  
33 However, the General Assembly recognizes that, once this transition has occurred, efforts need  
34 to be made to provide more guidance and specificity to taxpayers and the Department of  
35 Revenue with respect to the treatment of manufacturing and industrial processing equipment.  
36 Therefore, the Revenue Laws Study Committee is directed to study ways in which to clarify the  
37 scope of the sales and use tax exemption for mill machinery, as enacted by this act, by  
38 modernizing and further defining the statutory language and by incorporating existing  
39 administrative interpretations of the Department of Revenue, to the extent the General  
40 Assembly desires to maintain those interpretations.

41           The Committee may report its findings, together with any recommended legislation,  
42 to the 2018 Regular Session of the 2017 General Assembly upon its convening. The study may  
43 include an examination of the following:

44           (1)       The criteria that had to be met under prior law to qualify for the preferential  
45           rate under Article 5F of Chapter 105 of the General Statutes and whether  
46           that criteria should be incorporated into or otherwise clarified in the  
47           corresponding sales and use tax exemption, as enacted by this act, including  
48           the following:

49           a.       What constitutes an eligible manufacturer or industrial processor.

- 1                   b.     The extent to which a business's activities must consist of  
2                   manufacturing or processing items for sale in order for the sales and  
3                   use tax exemption, as enacted by this act, to apply.  
4                   c.     The types of activities that qualify as manufacturing or industrial  
5                   processing.  
6                   d.     The types of machinery, parts, accessories, and other supplies that  
7                   are eligible for the exemption and the degree to which they must be  
8                   used in that process to qualify.

9                   (2)    A review of the Department's administrative interpretations of the mill  
10                  machinery statute, in all its forms, and whether and how to incorporate those  
11                  interpretations into the statutes.

12                  (3)    Terminology used by surrounding states in their statutory provisions that  
13                  provide a sales and use tax exemption for manufacturing equipment.

14                  (4)    Any other issues the Committee deems relevant.

15                  **SECTION 38.8.(f)** Subsections (a), (b), and (c) of this section become effective  
16                  July 1, 2017, and apply to sales made on or after that date. The remainder of this section is  
17                  effective when it becomes law.

## 18                  **SALES TAX EXEMPTION FOR FULFILLMENT CENTERS**

19                  **SECTION 38.9.(a)** G.S. 105-164.3 is amended by adding a new subdivision to  
20                  read:

21                    "(16f) Large fulfillment center. – A facility that satisfies both of the following  
22                    conditions:

23                    a.     The facility is used primarily for receiving, inventorying, sorting,  
24                    repackaging, and distributing finished retail products for the purpose  
25                    of fulfilling customer orders.

26                    b.     The Secretary of Commerce has certified that an investment of  
27                    private funds of at least one hundred million dollars (\$100,000,000)  
28                    has been or will be made in real and tangible personal property for  
29                    the facility within five years after the date on which the first property  
30                    investment is made and that the facility will achieve an employment  
31                    level of at least 400 within five years after the date the facility is  
32                    placed into service and maintain that minimum level of employment  
33                    throughout its operation."

34                  **SECTION 38.9.(b)** G.S. 105-164.13(5n), as enacted by Section 38.8(c) of this act,  
35                  reads as rewritten:

36                    "(5n) Sales of equipment, or an accessory, an attachment, or a repair part for  
37                    equipment, that meets all of the following requirements:

38                    a.     Is sold to a large manufacturing and distribution ~~facility~~facility or to  
39                    a large fulfillment center.

40                    b.     Is used in the manufacturing process, the assembly process, or the  
41                    distribution process.

42                    c.     Is not electricity.

43                    If the level of investment or employment required by G.S. 105-164.3(16f)b.  
44                    or G.S. 105-164.3(16g)b. is not timely made, achieved, or maintained, then  
45                    the exemption provided under this subdivision is forfeited. If the exemption  
46                    is forfeited due to a failure to timely make the required investment or to  
47                    timely achieve the minimum required employment level, then the exemption  
48                    provided under this subdivision is forfeited on all purchases. If the  
49                    exemption is forfeited due to a failure to maintain the minimum required  
50                    employment level once that level has been achieved, then the exemption  
51

1 provided under this subdivision is forfeited for those purchases occurring on  
2 or after the date the taxpayer fails to maintain the minimum required  
3 employment level. A taxpayer that forfeits an exemption under this  
4 subdivision is liable for all past sales and use taxes avoided as a result of the  
5 forfeiture, computed at the applicable State and local rates from the date the  
6 taxes would otherwise have been due, plus interest at the rate established  
7 under G.S. 105-241.21. Interest is computed from the date the sales or use  
8 tax would otherwise have been due. The past taxes and interest are due 30  
9 days after the date of forfeiture. A taxpayer that fails to pay the past taxes  
10 and interest by the due date is subject to the provisions of G.S. 105-236. This  
11 subdivision expires for sales to a large manufacturing and distribution  
12 facility occurring on or after July 1, 2018."

13 **SECTION 38.9.(c)** This section becomes effective July 1, 2017, and applies to  
14 sales made on or after that date.

## 15 **SALES TAX REFUND FOR RESEARCH AND DEVELOPMENT SUPPLIES**

16 **SECTION 38.10.(a)** Article 5 of Chapter 105 of the General Statutes is amended  
17 by adding a new section to read:

### 18 **"§ 105-164.14C. Research and development sales tax refund.**

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

- 20 (1) Business. – A corporation or limited liability company.
- 21 (2) Development tier area. – Defined in G.S. 143B-437.08.
- 22 (3) In-house research expenses. – Defined in section 41(b)(2) of the Code.
- 23 (4) Related person. – A person described in one of the relationships set forth in  
24 section 276(b) or 707(b) of the Code.
- 25 (5) Research and development supplies. – Tangible personal property, the  
26 purchase of which qualifies as an in-house research expense.
- 27 (6) Rural research and development business. – A small research and  
28 development business that incurs more than fifty percent (50%) of its  
29 in-house research expenses in a development tier one or development tier  
30 two area in the calendar year for which a refund is claimed. For purposes of  
31 this subdivision, expenses are incurred at a location if (i) in the case of  
32 research and development supplies, the supplies are used or consumed at the  
33 location and (ii) in the case of wages paid to an employee, at least fifty  
34 percent (50%) of the employee's duties are performed at the location.
- 35 (7) Small research and development business. – A business that meets all of the  
36 following criteria for the calendar year for which a refund is claimed:
  - 37 a. It employs 200 or fewer full-time employees or full-time equivalents.
  - 38 b. It has annual receipts, combined with the annual receipts of all  
39 related persons, not in excess of five million dollars (\$5,000,000).  
40 Annual receipts do not include grants awarded by the State or federal  
41 government.
  - 42 c. It is either (i) engaged primarily in research and development or (ii)  
43 certified by a university located in this State as performing under a  
44 licensing agreement for the purpose of commercializing technology  
45 developed at the university.
  - 46 d. It spent on in-house research expenses the greater of ten thousand  
47 dollars (\$10,000) or three percent (3%) of its annual receipts.

48 (b) Refunds. – A small research and development business is eligible for a refund equal  
49 to the State and local sales or use taxes paid by it in the previous calendar year for research and  
50 development supplies used or consumed solely in this State. A rural research and development  
51

1 business is eligible for a refund equal to the greater of (i) the State and local sales or use taxes  
2 paid by the business in the previous calendar year for research and development supplies used  
3 or consumed solely in this State or (ii) fifty percent (50%) of the sales or use taxes paid by the  
4 business under this Article in the previous calendar year pursuant to G.S. 105-164.4.

5 (c) Application. – A request for a refund must be in writing and must include any  
6 information and documentation required by the Secretary. Applications for refunds shall be  
7 submitted on a schedule determined by the Secretary.

8 (d) Limitations. – The aggregate annual refund amount allowed an eligible business  
9 under this section for a calendar year may not exceed twenty thousand dollars (\$20,000). The  
10 maximum total amount of all refunds allowed to all eligible businesses under this section for a  
11 calendar year may not exceed fifteen million dollars (\$15,000,000). The Secretary of Revenue  
12 shall calculate the total amount of refunds claimed from the applications filed pursuant to  
13 subsection (c) of this section. If the total amount of refunds claimed for sales and use taxes paid  
14 in a calendar year exceeds the maximum total amount, the Secretary shall allow a portion of the  
15 refunds claimed by allocating the maximum total amount in proportion to the amount of the  
16 refund claimed by each eligible business. If a refund claimed under this section is reduced as  
17 provided in this subsection, the Secretary shall notify the business of the amount of the  
18 reduction of the refund at the time the refund is paid. The Secretary shall pay refunds due under  
19 this section no later than October 1 of the year following the calendar year in which the taxes  
20 were paid."

21 **SECTION 38.10.(b)** This section becomes effective July 1, 2018, and applies to  
22 sales made on or after that date.

## 23

## 24 **MODIFY DISABLED VETERAN PROPERTY TAX CHANGES**

25 **SECTION 38.12.** If House Bill 2 of the 2017 Regular Session becomes law, then  
26 Section 3 of that act reads as rewritten:

27 "**SECTION 3.** This act is effective for taxes imposed for taxable years beginning on or  
28 after July 1, ~~2017.~~2018."

## 29

## 30 **RENEWABLE ENERGY TAX CREDIT EXTENSION**

31 **SECTION 38.13.** G.S. 105-129.16A reads as rewritten:

32 "**§ 105-129.16A. Credit for investing in renewable energy property.**

33 ...

34 (f) Delayed Sunset. – This section is repealed effective for renewable energy property  
35 placed in service on or after ~~January 1, 2017.~~January 1, 2017, except as provided in subsection  
36 (f1) of this section.

37 (f1) Alternate Delayed Sunset. – This section is repealed effective for renewable energy  
38 property utilizing renewable biomass resources placed in service on or after April 1, 2017.

39 (g) Delayed Sunset Conditions. – A taxpayer is eligible for the delayed sunset provided  
40 by ~~this subsection~~subsections (f) or (f1) of this section if the taxpayer makes a timely  
41 application for the extension, pays the application fee, and meets both of the following  
42 conditions on or before January 1, 2016: (i) incurred at least the minimum percentage of costs  
43 of the project and (ii) completed at least the minimum percentage of the physical construction  
44 of the project. For a project with a total size of less than 65 megawatts of direct current  
45 capacity, the minimum percentage of incurred costs and partial construction is at least eighty  
46 percent (80%). For a project with a total size of 65 megawatts or more of direct current  
47 capacity, the minimum percentage of incurred costs and partial construction is at least fifty  
48 percent (50%).

49 An application and payment must be filed with the Secretary on or before October 1, 2015.  
50 The application must include the location of the project, an estimate of the total cost of the  
51 project, the total anticipated credit to be claimed, and the total size in megawatt capacity of

1 each project proposed or under construction. The nonrefundable fee to be paid with the  
2 application is one thousand dollars (\$1,000) per megawatt of capacity, with a minimum fee of  
3 five thousand dollars (\$5,000).

4 A taxpayer must provide the documentation required under this subsection to the  
5 Department on or before March 1, 2016, to verify that the taxpayer meets the minimum  
6 percentage of incurred costs and partial construction required to be eligible for the sunset  
7 extension:

- 8 (1) A written certification signed by the taxpayer that, prior to January 1, 2016,  
9 at least the minimum percentage of the physical construction of the project  
10 was completed and that at least the minimum percentage of the total cost of  
11 the project was incurred.
- 12 (2) A notarized copy of a written report prepared by an independent engineer  
13 duly licensed in the State of North Carolina with expertise in the design and  
14 construction of installations of renewable energy property stating that at least  
15 the minimum percentage of the physical construction of the project was  
16 completed prior to January 1, 2016.
- 17 (3) A notarized copy of a written report prepared by a certified public  
18 accountant duly licensed to practice in the State of North Carolina with  
19 expertise in accounting for and taxation of renewable energy property and  
20 that was prepared in accordance with AT Section 201 of the American  
21 Institute of Certified Public Accountants Standards for Agreed-Upon  
22 Procedures Engagements stating that the minimum percentage of the total  
23 cost of the project was paid or incurred as determined under Section 461 and  
24 other relevant sections of the Code prior to January 1, 2016."  
25

## 26 **PART XXXIX. MISCELLANEOUS PROVISIONS**

### 27 **STATE BUDGET ACT APPLIES**

28 **SECTION 39.1.** The provisions of the State Budget Act, Chapter 143C of the  
29 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in  
30 this act by reference.  
31

### 32 **COMMITTEE REPORT**

33 **SECTION 39.2.(a)** The House of Representatives Appropriations Committee  
34 Report on the Base, Expansion, and Capital Budgets for Senate Bill 257, dated May 31, 2017,  
35 which was distributed in the House of Representatives and used to explain this act, shall  
36 indicate action by the General Assembly on this act and shall, therefore, be used to construe  
37 this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as  
38 appropriate, and for these purposes shall be considered a part of this act and, as such, shall be  
39 printed as a part of the Session Laws.  
40

41 **SECTION 39.2.(b)** The budget enacted by the General Assembly is for the  
42 maintenance of the various departments, institutions, and other spending agencies of the State  
43 for the 2017-2019 biennial budget as provided in G.S. 143C-3-5. This budget includes the  
44 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

45 The Director of the Budget submitted a recommended base budget to the General  
46 Assembly in the Governor's Recommended Budget for the 2017-2019 fiscal biennium, dated  
47 March 2017, and in the Budget Support Document for the various departments, institutions, and  
48 other spending agencies of the State. The adjustments to these documents made by the General  
49 Assembly are set out in the Committee Report.

50 **SECTION 39.2.(c)** The budget enacted by the General Assembly shall also be  
51 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other

1 appropriate legislation. In the event that there is a conflict between the line-item budget  
2 certified by the Director of the Budget and the budget enacted by the General Assembly, the  
3 budget enacted by the General Assembly shall prevail.

4 **SECTION 39.2.(d)** Notwithstanding subsection (a) of this section, the following  
5 portions of the Committee Report are for reference, and do not expand, limit, or define the text  
6 of the Committee Report:

- 7 (1) Summary pages setting forth the enacted budget, the legislative changes, the  
8 revised budget, and the related FTE information for a particular budget code  
9 and containing no other substantive information.
- 10 (2) Summary pages setting forth the enacted budget, the legislative changes, the  
11 revised budget, and the related FTE information for multiple fund codes  
12 within a single budget code and containing no other substantive information.

#### 13 14 **REPORT BY FISCAL RESEARCH DIVISION**

15 **SECTION 39.3.** The Fiscal Research Division shall issue a report on budget  
16 actions taken by the 2017 Regular Session of the General Assembly. The report shall be in the  
17 form of a revision of the Committee Report adopted for Senate Bill 257 pursuant to  
18 G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report  
19 issued pursuant to this section to the Director of the Budget. The report shall be published on  
20 the General Assembly's Internet Web site for public access.

#### 21 22 **MOST TEXT APPLIES ONLY TO THE 2017-2019 FISCAL BIENNIUM**

23 **SECTION 39.4.** Except for statutory changes or other provisions that clearly  
24 indicate an intention to have effects beyond the 2017-2019 fiscal biennium, the textual  
25 provisions of this act apply only to funds appropriated for, and activities occurring during, the  
26 2017-2019 fiscal biennium.

#### 27 28 **EFFECT OF HEADINGS**

29 **SECTION 39.5.** The headings to the Parts, subparts, and sections of this act are a  
30 convenience to the reader and are for reference only. The headings do not expand, limit, or  
31 define the text of this act, except for effective dates referring to a Part or subpart.

#### 32 33 **SEVERABILITY CLAUSE**

34 **SECTION 39.6.** If any section or provision of this act is declared unconstitutional  
35 or invalid by the courts, it does not affect the validity of this act as a whole or any part other  
36 than the part so declared to be unconstitutional or invalid.

#### 37 38 **EFFECTIVE DATE**

39 **SECTION 39.7.** Except as otherwise provided, this act becomes effective July 1,  
40 2017.