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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts
necessary to provide the services and accomplish the purposes described in the budget. Savings
shall be effected where the total amounts appropriated are not required to perform these
services and accomplish these purposes and, except as allowed by the State Budget Act, or this
act, the savings shall revert to the appropriate fund at the end of each fiscal year.

TITLE OF ACT

SECTION 1.2. This act shall be known as "The Current Operations and Capital
Improvements Appropriations Act of 2013."

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the
maintenance of the State's departments, institutions, and agencies and for other purposes as
enumerated are made for the biennium ending June 30, 2015, according to the following
schedule:

<table>
<thead>
<tr>
<th>State Agency or Division</th>
<th>FY 2013-2014</th>
<th>FY 2014-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>HEALTH AND HUMAN SERVICES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Administration</td>
<td>$58,894,045</td>
<td>$66,009,244</td>
</tr>
<tr>
<td>Aging</td>
<td>$54,942,341</td>
<td>$55,142,341</td>
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<tr>
<td>Child Development</td>
<td>$264,823,328</td>
<td>$264,823,328</td>
</tr>
<tr>
<td>Public Health</td>
<td>$142,836,502</td>
<td>$142,836,502</td>
</tr>
<tr>
<td>Social Services</td>
<td>$176,877,922</td>
<td>$177,005,066</td>
</tr>
<tr>
<td>1</td>
<td>Medical Assistance</td>
<td>3,212,080,320</td>
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<tr>
<td>2</td>
<td>NC Health Choice</td>
<td>70,082,285</td>
</tr>
<tr>
<td>3</td>
<td>Services for the Blind</td>
<td>8,178,618</td>
</tr>
<tr>
<td>4</td>
<td>Mental Health/DD/SAS</td>
<td>714,174,172</td>
</tr>
<tr>
<td>5</td>
<td>Health Service Regulation</td>
<td>16,761,992</td>
</tr>
<tr>
<td>6</td>
<td>Vocational Rehabilitation</td>
<td>39,274,143</td>
</tr>
<tr>
<td>7</td>
<td><strong>Total Health and Human Services</strong></td>
<td><strong>$ 4,758,925,668</strong></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td><strong>NATURAL AND ECONOMIC RESOURCES</strong></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Agriculture &amp; Consumer Services</td>
<td>$106,917,756</td>
</tr>
<tr>
<td>11</td>
<td>Commerce</td>
<td>39,368,324</td>
</tr>
<tr>
<td>12</td>
<td>Commerce – State Aid to Non-State Entities</td>
<td>28,452,642</td>
</tr>
<tr>
<td>13</td>
<td>Environment and Natural Resources</td>
<td>117,261,525</td>
</tr>
<tr>
<td>14</td>
<td>Clean Water Management Trust Fund</td>
<td>6,750,000</td>
</tr>
<tr>
<td>15</td>
<td>Wildlife Resources Commission</td>
<td>17,886,979</td>
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<tr>
<td>16</td>
<td>Labor</td>
<td>15,696,339</td>
</tr>
<tr>
<td>17</td>
<td><strong>Total Natural and Economic Resources</strong></td>
<td><strong>$ 332,333,565</strong></td>
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<tr>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td><strong>JUSTICE AND PUBLIC SAFETY</strong></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Department of Public Safety</td>
<td>$1,708,808,266</td>
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<tr>
<td>21</td>
<td>Judicial</td>
<td>459,008,142</td>
</tr>
<tr>
<td>22</td>
<td>Judicial – Indigent Defense</td>
<td>119,429,109</td>
</tr>
<tr>
<td>23</td>
<td>Justice</td>
<td>76,364,535</td>
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<tr>
<td>24</td>
<td><strong>Total Justice and Public Safety</strong></td>
<td><strong>$ 2,363,610,052</strong></td>
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<tr>
<td>25</td>
<td></td>
<td></td>
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<tr>
<td>26</td>
<td><strong>GENERAL GOVERNMENT</strong></td>
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<tr>
<td>27</td>
<td>Administration</td>
<td>$ 78,059,517</td>
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<td>28</td>
<td>State Auditor</td>
<td>11,013,547</td>
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<td>29</td>
<td>Cultural Resources</td>
<td>63,067,172</td>
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<tr>
<td>30</td>
<td>Cultural Resources – Roanoke Island</td>
<td>0</td>
</tr>
<tr>
<td>31</td>
<td>General Assembly</td>
<td>51,811,897</td>
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<tr>
<td>32</td>
<td>Governor's Office</td>
<td>5,120,050</td>
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<tr>
<td>33</td>
<td>Insurance</td>
<td>37,533,269</td>
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<tr>
<td>34</td>
<td>Insurance – Worker's Compensation Fund</td>
<td>2,300,000</td>
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<tr>
<td>35</td>
<td>Lieutenant Governor</td>
<td>588,581</td>
</tr>
<tr>
<td>36</td>
<td>Office of Administrative Hearings</td>
<td>4,976,436</td>
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<tr>
<td>37</td>
<td>Revenue</td>
<td>80,913,442</td>
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<tr>
<td>38</td>
<td>NC Housing Finance</td>
<td>9,376,249</td>
</tr>
<tr>
<td>39</td>
<td>Secretary of State</td>
<td>11,541,831</td>
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<tr>
<td>40</td>
<td>State Board of Elections</td>
<td>5,584,003</td>
</tr>
<tr>
<td>41</td>
<td>State Budget and Management (OSBM)</td>
<td>7,001,706</td>
</tr>
<tr>
<td>42</td>
<td>OSBM – Special Appropriations</td>
<td>1,000,000</td>
</tr>
<tr>
<td>43</td>
<td>Office of State Controller</td>
<td>29,125,970</td>
</tr>
<tr>
<td>44</td>
<td>State Treasurer</td>
<td>8,137,890</td>
</tr>
<tr>
<td>45</td>
<td>State Treasurer – Retirement/Benefits</td>
<td>23,179,042</td>
</tr>
<tr>
<td>46</td>
<td><strong>Total General Government</strong></td>
<td><strong>$ 430,330,602</strong></td>
</tr>
<tr>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td><strong>EDUCATION</strong></td>
<td></td>
</tr>
<tr>
<td>49</td>
<td>Public Schools</td>
<td>$ 7,899,768,926</td>
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<tr>
<td>50</td>
<td>Community Colleges</td>
<td>1,026,803,219</td>
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<tr>
<td>51</td>
<td>University of North Carolina</td>
<td></td>
</tr>
<tr>
<td>#</td>
<td>University/Department</td>
<td>2013 Budget</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>1</td>
<td>Appalachian State University</td>
<td>127,747,265</td>
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<td>2</td>
<td>East Carolina University</td>
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</tr>
<tr>
<td>3</td>
<td>Academic Affairs</td>
<td>218,854,429</td>
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<tr>
<td>4</td>
<td>Health Affairs</td>
<td>64,841,247</td>
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<tr>
<td>5</td>
<td>Elizabeth City State University</td>
<td>35,133,311</td>
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<tr>
<td>6</td>
<td>Fayetteville State University</td>
<td>49,336,186</td>
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<tr>
<td>7</td>
<td>North Carolina Agricultural and Technical State University</td>
<td>96,423,834</td>
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<tr>
<td>8</td>
<td>North Carolina Central University</td>
<td>84,084,488</td>
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<tr>
<td>9</td>
<td>North Carolina State University</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Academic Affairs</td>
<td>389,047,413</td>
</tr>
<tr>
<td>11</td>
<td>Health Affairs</td>
<td>202,260,403</td>
</tr>
<tr>
<td>12</td>
<td>University of North Carolina at Asheville</td>
<td>37,465,299</td>
</tr>
<tr>
<td>13</td>
<td>University of North Carolina at Chapel Hill</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>University of North Carolina at Charlotte</td>
<td>191,185,276</td>
</tr>
<tr>
<td>15</td>
<td>University of North Carolina at Greensboro</td>
<td>153,296,502</td>
</tr>
<tr>
<td>16</td>
<td>University of North Carolina at Pembroke</td>
<td>53,552,323</td>
</tr>
<tr>
<td>17</td>
<td>University of North Carolina at Wilmington</td>
<td>96,014,220</td>
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<tr>
<td>18</td>
<td>University of North Carolina School of the Arts</td>
<td>31,358,470</td>
</tr>
<tr>
<td>19</td>
<td>Western Carolina University</td>
<td>82,264,105</td>
</tr>
<tr>
<td>20</td>
<td>Winston-Salem State University</td>
<td>68,778,852</td>
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<tr>
<td>21</td>
<td>General Administration</td>
<td>34,752,475</td>
</tr>
<tr>
<td>22</td>
<td>University Institutional Programs</td>
<td>(116,112,032)</td>
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<tr>
<td>23</td>
<td>Related Educational Programs (Financial Aid)</td>
<td>109,018,793</td>
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<tr>
<td>24</td>
<td>Aid to Private Colleges</td>
<td>81,851,588</td>
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<tr>
<td>25</td>
<td>North Carolina School of Science and Mathematics</td>
<td>19,126,182</td>
</tr>
<tr>
<td>26</td>
<td>UNC Hospitals at Chapel Hill</td>
<td>0</td>
</tr>
<tr>
<td>27</td>
<td>Total University of North Carolina</td>
<td>2,520,644,276</td>
</tr>
<tr>
<td>28</td>
<td>Total Education</td>
<td>$ 11,447,216,421</td>
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<tr>
<td>29</td>
<td>Total Budget</td>
<td>$ 19,332,416,308</td>
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<tr>
<td>30</td>
<td>DEBT SERVICE</td>
<td>$ 716,493,616</td>
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<tr>
<td>31</td>
<td>General Debt Service</td>
<td></td>
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<tr>
<td>32</td>
<td>Federal Reimbursement</td>
<td>1,616,380</td>
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<tr>
<td>33</td>
<td>Total Debt Service</td>
<td>$ 718,109,996</td>
</tr>
<tr>
<td>34</td>
<td>RESERVES &amp; ADJUSTMENTS</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Contingency and Emergency Reserve</td>
<td>5,000,000</td>
</tr>
<tr>
<td>36</td>
<td>Severance Reserve</td>
<td>7,500,000</td>
</tr>
<tr>
<td>37</td>
<td>Job Development Investment Grants</td>
<td>60,000,000</td>
</tr>
<tr>
<td>38</td>
<td>Compensation Adj. Reserve-State Employees</td>
<td>135,700,000</td>
</tr>
<tr>
<td>39</td>
<td>Compensation Adj. Reserve-Retirees</td>
<td>35,000,000</td>
</tr>
<tr>
<td>40</td>
<td>Salary Adjustment Reserve</td>
<td>20,000,000</td>
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<tr>
<td>41</td>
<td>Disaster Reserve</td>
<td>10,000,000</td>
</tr>
<tr>
<td>42</td>
<td>GF–Reserve for One NC Fund</td>
<td>9,000,000</td>
</tr>
<tr>
<td>43</td>
<td>Health Plan Reserve</td>
<td>45,000,000</td>
</tr>
</tbody>
</table>
## General Assembly of North Carolina

### Session 2013

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2013-2014</th>
<th>FY 2014-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Initiative</td>
<td>6,053,142</td>
<td>6,053,142</td>
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<tr>
<td>Retirement Rate Adjustment Reserve</td>
<td>36,100,000</td>
<td>36,100,000</td>
</tr>
<tr>
<td>Information Technology Reserve</td>
<td>27,000,000</td>
<td>32,000,000</td>
</tr>
<tr>
<td>Natural Heritage Trust Fund Reserve</td>
<td>4,230,000</td>
<td>4,230,000</td>
</tr>
<tr>
<td>Parks &amp; Rec. Trust Fund Reserve</td>
<td>15,500,000</td>
<td>15,500,000</td>
</tr>
<tr>
<td>Solid Waste Trust Fund Reserve</td>
<td>2,462,000</td>
<td>2,462,000</td>
</tr>
<tr>
<td>Scrap Tire Reserve</td>
<td>1,079,717</td>
<td>1,079,717</td>
</tr>
<tr>
<td>Medicaid Risk Reserve</td>
<td>90,000,000</td>
<td>90,000,000</td>
</tr>
<tr>
<td>Reserve for Dept. of Justice Legal Positions</td>
<td>7,450,319</td>
<td>9,933,759</td>
</tr>
<tr>
<td>NC Gov. Efficiency and Reform Project (NC GEAR)</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Savings Reserve</td>
<td>0</td>
<td>69,174,764</td>
</tr>
<tr>
<td><strong>Total Reserves &amp; Adjustments</strong></td>
<td><strong>$ 519,075,178</strong></td>
<td><strong>$ 693,233,382</strong></td>
</tr>
</tbody>
</table>

### CAPITAL

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2013-2014</th>
<th>FY 2014-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvements</td>
<td>32,067,122</td>
<td>150,000,000</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td><strong>$ 32,067,122</strong></td>
<td><strong>$ 150,000,000</strong></td>
</tr>
</tbody>
</table>

**Total General Fund Budget**

- **FY 2013-2014**: $20,601,668,604
- **FY 2014-2015**: $21,334,544,066

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**GENERAL FUND AVAILABILITY STATEMENT**

**SECTION 2.2.** The General Fund availability used in developing the 2013-2015 budget is shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2013-2014</th>
<th>FY 2014-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Availability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unappropriated Balance from Prior Fiscal Year</td>
<td>$ 213,432,878</td>
<td>$ 130,825,236</td>
</tr>
<tr>
<td>Anticipated Overcollections</td>
<td>102,600,000</td>
<td>0</td>
</tr>
<tr>
<td>Anticipated Reversions</td>
<td>125,500,000</td>
<td>0</td>
</tr>
<tr>
<td>Medicaid Funding Required for FY 2012-13</td>
<td>(123,100,000)</td>
<td>0</td>
</tr>
<tr>
<td>Credit to Savings Reserve Account</td>
<td>(200,000,000)</td>
<td>(130,825,236)</td>
</tr>
<tr>
<td>Credit to Repairs and Renovations Reserve Account</td>
<td>(117,932,878)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Beginning Unreserved Credit Balance</strong></td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

**Revenues**

- **FY 2013-2014**: $20,557,000,000
- **FY 2014-2015**: $21,504,600,000

**Revenue Changes**

- **FY 2013-2014**: $ (52,000,000)
- **FY 2014-2015**: $(57,000,000)
<table>
<thead>
<tr>
<th>Code</th>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>68025</td>
<td>6101</td>
<td>NC Public Campaign Fund</td>
<td>4,125,171</td>
</tr>
<tr>
<td>68026</td>
<td>6200</td>
<td>NC Political Parties Financing Fund</td>
<td>1,064,582</td>
</tr>
<tr>
<td>24160</td>
<td>2000</td>
<td>NC Flex FICA Fund</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>

SECTION 2.3. Notwithstanding the provisions of G.S. 143C-4-2, the State Controller shall transfer two hundred million dollars ($200,000,000) from the unreserved fund balance to the Savings Reserve Account on June 30, 2013.

SECTION 2.4. Notwithstanding the provisions of G.S. 143C-4-2, the State Controller shall transfer one hundred thirty million eight hundred twenty-five thousand two hundred thirty-six dollars ($130,825,236) shall be transferred from the unreserved fund balance to the Savings Reserve Account on June 30, 2014. In addition, sixty-nine million one hundred seventeen million nine hundred thirty-two thousand eight hundred seventy-eight dollars ($69,174,764) is appropriated to the Savings Reserve Account for fiscal year 2014-2015.

SECTION 2.5. Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer one hundred seventeen million nine hundred thirty-two thousand eight hundred seventy-eight dollars ($117,932,878) from the unreserved fund balance to the Repairs and Renovations Reserve Account on June 30, 2013.

SECTION 2.6. Funds transferred under this section to the Repairs and Renovations Reserve Account are appropriated for the 2013-2014 fiscal year to be used in accordance with G.S. 143C-4-3.

SECTION 2.7. Additionally, thirty-two million sixty-seven thousand one hundred twenty-two dollars ($32,067,122) are appropriated to the Repairs and Renovations Reserve for fiscal year 2013-2014. For fiscal year 2014-2015 one hundred fifty million dollars ($150,000,000) is appropriated.

SECTION 2.8. Of the 2013-2014 and the 2014-2015 annual installment payments to the North Carolina State Specific Account that would have been transferred to Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., pursuant to Section 2(b) of S.L. 1999-2, is transferred to the General Fund.

SECTION 2.10. Notwithstanding any other provision of law to the contrary, effective July 1, 2013, the following amounts shall be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) or the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2013-2014 fiscal year.
SECTION 2.11. Of the funds available in the 2011-2012 fiscal year fund balance, the Director of the Budget may use up to one hundred twenty-three million one hundred thousand dollars ($123,100,000) to pay Medicaid costs for fiscal year 2012-2013 and are thereby appropriated for such purpose. The Director of the Budget shall report the amount of funds used under this section no later than 30 days after payment to the Joint Legislative Commission on Governmental Operations, the chairs of the Senate and House of Representative Appropriations committees, and the Fiscal Research Division.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS/HIGHWAY FUND

SECTION 3.1. Appropriations from the Highway Fund of the State for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2015, according to the following schedule:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Transportation</strong></td>
<td></td>
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</tr>
<tr>
<td>General Administration</td>
<td>$ 94,481,079</td>
<td>$ 99,447,479</td>
</tr>
<tr>
<td>Division of Highways</td>
<td></td>
<td></td>
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<tr>
<td>Administration</td>
<td>34,713,561</td>
<td>34,713,561</td>
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<tr>
<td>State Match for Federal Aid-Planning and Research</td>
<td>4,055,402</td>
<td>4,055,402</td>
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<tr>
<td>Construction Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Secondary System</td>
<td>$ 87,400,234</td>
<td>$ 86,718,513</td>
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<tr>
<td>Discretionary Funds</td>
<td>14,000,000</td>
<td>14,000,000</td>
</tr>
<tr>
<td>Economic Development Fund</td>
<td>3,569,535</td>
<td>4,036,171</td>
</tr>
<tr>
<td>Spot Safety Improvements</td>
<td>11,858,000</td>
<td>11,858,000</td>
</tr>
<tr>
<td>Access and Public Services Roads</td>
<td>1,723,707</td>
<td>1,723,707</td>
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<tr>
<td><strong>Total Construction Program</strong></td>
<td>$ 118,551,476</td>
<td>$ 118,336,391</td>
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<tr>
<td>Maintenance Program</td>
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<tr>
<td>Primary System</td>
<td>$ 146,864,736</td>
<td>$ 144,044,736</td>
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<tr>
<td>Secondary System</td>
<td>270,224,518</td>
<td>268,364,518</td>
</tr>
<tr>
<td>System Preservation</td>
<td>180,828,495</td>
<td>180,228,495</td>
</tr>
<tr>
<td>Contract Resurfacing</td>
<td>355,884,653</td>
<td>355,884,653</td>
</tr>
<tr>
<td>General Maintenance Reserve</td>
<td>89,790,226</td>
<td>45,560,850</td>
</tr>
<tr>
<td><strong>Total Maintenance Program</strong></td>
<td>$ 1,043,612,628</td>
<td>$ 994,083,252</td>
</tr>
<tr>
<td>Ferry Operations</td>
<td>$ 35,935,538</td>
<td>$ 34,785,538</td>
</tr>
<tr>
<td>State Aid to Municipalities</td>
<td>87,400,234</td>
<td>86,718,513</td>
</tr>
<tr>
<td>State Aid to Railroads</td>
<td>21,461,294</td>
<td>21,461,294</td>
</tr>
<tr>
<td>State Aid for Public Transportation</td>
<td>83,351,374</td>
<td>82,851,374</td>
</tr>
<tr>
<td>Airports</td>
<td>21,766,662</td>
<td>19,669,983</td>
</tr>
<tr>
<td>Bicycle</td>
<td>880,513</td>
<td>880,513</td>
</tr>
<tr>
<td>OSHA</td>
<td>365,337</td>
<td>365,337</td>
</tr>
<tr>
<td>Governor's Highway Safety Program</td>
<td>284,932</td>
<td>284,932</td>
</tr>
<tr>
<td>Division of Motor Vehicles</td>
<td>105,180,968</td>
<td>104,702,310</td>
</tr>
<tr>
<td><strong>Total Department of Transportation</strong></td>
<td>$ 1,400,239,480</td>
<td>$ 1,345,803,046</td>
</tr>
<tr>
<td>Appropriations to Other State Agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>$ 5,053,457</td>
<td>$ 5,053,457</td>
</tr>
<tr>
<td>Revenue</td>
<td>5,112,866</td>
<td>5,112,866</td>
</tr>
<tr>
<td>State Treasurer</td>
<td>21,551,663</td>
<td>19,288,738</td>
</tr>
</tbody>
</table>
### General Assembly of North Carolina

| Office of State Controller-BEST Shared Services | 481,835 | 481,835 |
| Public Instruction – Driver Education          | 27,222,628 | 27,788,472 |
| CCPS – Highway Patrol                          | 196,582,981 | 196,582,981 |
| DPS – Motor Carrier Safety                     | 2,010,053 | 2,010,053 |
| DHHS – Chemical Test                           | 572,321 | 572,321 |
| **Total Other State Agencies**                 | **$ 258,587,804** | **$ 256,890,723** |

#### Reserves and Transfers

| Minority Contractor Development                  | $ 150,000 | $ 150,000 |
| State Fire Protection Grant                      | 158,000 | 158,000 |
| Storm Water Management                           | 500,000 | 500,000 |
| Global Transpark                                 | 1,000,000 | 1,000,000 |
| Reserve for Administrative Reduction             | (2,132,962) | (2,132,962) |
| Reserve for Legislative Salary Increase          | 3,801,845 | 3,801,845 |
| Reserve for Health Insurance Adjustment          | 2,200,000 | 6,900,000 |
| Employer's Contribution to Retirement            | 1,282,741 | 1,282,741 |
| Reserve for COLA for Retirees                    | 1,000,000 | 1,000,000 |
| **Total Reserves and Transfers**                 | **$ 8,515,698** | **$ 13,215,698** |

| Total Current Operations                         | **$ 1,919,144,500** | **$ 1,872,462,300** |

| Total Capital Improvements                       | **$ 18,055,500** | **$ 19,937,700** |

| **Total Highway Fund Appropriation**             | **$ 1,937,200,000** | **$ 1,892,400,000** |

### HIGHWAY FUND AVAILABILITY STATEMENT

**SECTION 3.2.** The Highway Fund availability used in developing the 2013-2015 biennial budget is shown below:

| Beginning Credit Balance                          | $ 0       | $ 0       |
| Estimated Revenue                                 | 1,937,200,000 | 1,892,400,000 |
| Estimated Reversions                              | 0         | 0         |

| **Total Highway Fund Availability**               | **$ 1,937,200,000** | **$ 1,892,400,000** |

### PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

#### HIGHWAY TRUST FUND APPROPRIATIONS

**SECTION 4.1.** Appropriations from the Highway Trust Fund are made for the biennium ending June 30, 2013, according to the following schedule:

| Department of Transportation:                      |             |             |
| Maximum Allowance for Administration               | $ 52,980,000 | $ 52,965,600 |
| Construction Allocation:                           |             |             |
| Intrastate System                                  | 507,130,451 | 502,360,745 |
| Urban Loop System                                  | 161,472,076 | 180,310,414 |
| Secondary Roads                                   | 79,355,524  | 83,923,550  |
The Highway Trust Fund availability used in developing the 2011-2013 biennial budget is shown below:

**Highway Trust Fund Availability Statement**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Credit Balance</td>
<td>-</td>
</tr>
<tr>
<td>Estimated Revenue</td>
<td>$1,105,700,000</td>
</tr>
<tr>
<td>Estimated Reversions</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Highway Trust Fund Availability</strong></td>
<td>$1,105,700,000</td>
</tr>
</tbody>
</table>

**PART V. OTHER AVAILABILITY AND APPROPRIATIONS**

**NORTH CAROLINA EDUCATION LOTTERY**

"§ 18C-162. Allocation of revenues." (a) The Commission shall allocate revenues to the North Carolina State Lottery Fund in order to increase and maximize the available revenues for education purposes, and to the extent practicable, shall adhere to the following guidelines:

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

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

(3) No more than eight percent (8%) of the total annual revenues, as described in this Chapter, shall be allocated for payment of expenses of the Lottery.

Advertising expenses shall not exceed one percent (1%) of the total annual revenues.

"§ 18C-151. Contracts." (a) Except as otherwise specifically provided in this subsection for contracts for the purchase of services, apparatus, supplies, materials, or equipment, Article 8 of Chapter 143 of the General Statutes, including the provisions relating to minority participation goals, shall apply to contracts entered into by the Commission. If this subsection and Article 8 of Chapter 143 are in conflict, the provisions of this subsection shall control. In recognition of the particularly sensitive nature of the Lottery and the competence, quality of product, experience, and timeliness, fairness, and integrity in the operation and administration of the Lottery and maximization of the objective of raising revenues, a contract for the purchase of services, apparatus, supplies, materials, or equipment requiring an estimated aggregate expenditure of
ninety thousand dollars ($90,000) three hundred thousand dollars ($300,000) or more may be awarded by the Commission only after the following have occurred:

(1) The Commission has invited proposals to be submitted by advertisement by electronic means or advertisement in a newspaper having general circulation in the State of North Carolina and containing the following information:
   a. The time and place where a complete description of the services, apparatus, supplies, materials, or equipment may be had.
   b. The time and place for opening of the proposals.
   c. A statement reserving to the Commission the right to reject any or all proposals.

(2) Proposals may be rejected for any reason determined by the Commission to be in the best interest of the Lottery.

(3) All proposals shall be accompanied by a bond or letter of credit in an amount equal to not less than five percent (5%) of the proposal and the fee to cover the cost of the criminal record check conducted under G.S. 114-19.6.

(4) The Commission has complied with the minority participation goals of G.S. 143-128.2 and G.S. 143-128.3.

(5) The Commission may not award a contract to a lottery potential contractor who has been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the contract, or employs officers and directors who have been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the contract.

(6) The Commission shall investigate and compare the overall business practices, ethical reputation, criminal record, civil litigation, competence, integrity, background, and regulatory compliance record of lottery potential contractors.

(7) The Commission may engage an independent firm experienced in evaluating government procurement proposals to aid in evaluating proposals for a major procurement.

(8) The Commission shall award the contract to the responsible lottery potential contractor or lottery supplier who submits the best proposal that maximizes the benefits to the State.

(b) Upon the completion of the bidding process, a contract may be awarded to a lottery contractor or lottery supplier with whom the Commission has previously contracted for the same purposes.

(c) Before a contract is awarded, the Director shall conduct a thorough background investigation of all of the following:

   (1) The potential contractor to whom the contract is to be awarded.
   (2) Any parent or subsidiary corporation of the potential contractor to whom the contract is to be awarded.
   (3) All shareholders with a five percent (5%) or more interest in the potential contractor or parent or subsidiary corporation of the potential contractor to whom the contract is to be awarded. For purposes of this subdivision, "shareholders" means any natural person or those individuals with capabilities to make operating decisions for the potential contractor or parent or subsidiary corporation of the potential contractor to whom the contract is to be awarded.
   (4) All officers and directors of the potential contractor or parent or subsidiary corporation of the potential contractor to whom the contract is to be awarded.
(d) The Commission may terminate the contract, without penalty, of a lottery contractor that fails to comply with the Commission's instruction to implement the recommendations of the State Auditor or an independent auditor in an audit conducted of Lottery security or operations.

(e) After entering into a contract with a lottery contractor, the Commission shall require the lottery contractor to periodically update the information required to be disclosed under G.S. 18C-152(c). Any contract with a lottery contractor who does not periodically update the required disclosures may be terminated by the Commission.

(f) No lottery contractor, potential contractor, or lottery supplier may pay, give, or make any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality, or service, excluding food and beverages having an aggregate value not exceeding one hundred dollars ($100.00) in any calendar year, to the Director, any member or employee of the corporation, or a member of the immediate family residing in the same household as any of these individuals."

CIVIL FORFEITURE FUNDS

SECTION 5.3.(a) Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2015, as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Technology Fund</td>
<td>$ 18,000,000</td>
<td>$ 18,000,000</td>
</tr>
<tr>
<td>State Public School Fund</td>
<td>$146,313,464</td>
<td>$120,362,790</td>
</tr>
<tr>
<td>Total Appropriation</td>
<td>$164,313,464</td>
<td>$138,362,790</td>
</tr>
</tbody>
</table>

SECTION 5.3.(b) Excess receipts realized in the Civil Penalty and Forfeiture Fund in the 2012-2013 fiscal year shall be allocated to the State Public School Fund.

EDUCATION LOTTERY

SECTION 5.4.(a) Notwithstanding G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of four hundred sixty-eight million one hundred eighty-seven thousand fifty-six dollars ($468,187,056) for the 2013-2014 fiscal year.

SECTION 5.4.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2013-2014 fiscal year are as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers in Early Grades</td>
<td>$ 220,643,188</td>
<td></td>
</tr>
<tr>
<td>Prekindergarten Program</td>
<td>$ 80,204,709</td>
<td></td>
</tr>
<tr>
<td>Public School Building Capital Fund</td>
<td>$ 100,000,000</td>
<td></td>
</tr>
<tr>
<td>Scholarships for Needy Students</td>
<td>$ 30,450,000</td>
<td></td>
</tr>
<tr>
<td>UNC Need-Based Financial Aid</td>
<td>$ 10,744,733</td>
<td></td>
</tr>
<tr>
<td>Digital Learning in Public Schools</td>
<td>$ 26,144,985</td>
<td></td>
</tr>
<tr>
<td>Total Appropriation</td>
<td>$ 468,187,056</td>
<td></td>
</tr>
</tbody>
</table>

SECTION 5.4.(c) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2013-2014 fiscal year or the 2014-2015 fiscal year.

SECTION 5.4.(d) Notwithstanding G.S. 18C-164(c), G.S. 115C-546.2(d), or any other provision of law, funds appropriated in this section to the Public School Building Capital Fund for the 2013-2014 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

SECTION 5.4.(e) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.
SECTION 5.4.(f) Funds appropriated in this section for scholarships for needy students shall be used only for students at the constituent institutions of The University of North Carolina and the constituent institutions of the Community College System.

SECTION 5.4.(g) Notwithstanding G.S. 18C-164(f) or any other provision of law, excess lottery receipts realized in the 2012-2013 fiscal year shall be allocated for Digital Learning in Public Schools.

SECTION 5.4.(h) Funds appropriated in this section for digital learning shall be placed in a reserve and shall only be allocated to LEAs through a competitive application process for third grade reading achievement or other targeted high priority instructional needs per criteria established by the State Board of Education.

SECTION 5.4.(i) The State Board of Education shall report the recipients of the competitive grants and the amount awarded to each recipient. The report shall also include documentation of the purchases and expenditures from the grant award received. The report shall be submitted to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee by March 1 of each year.

SECTION 5.4.(j) Subsection (g) of this section becomes effective June 30, 2013.

OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 5.5. 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. The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a temporary or permanent time-limited basis or on a permanent full-time basis if the grant is intended to be recurring. The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations prior to expending any funds received from grant awards. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient State agency.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 5.6.(a) There is established in the Office of State Budget and Management a General Fund reserve budget code for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act and employees exempt from the State Personnel Act who are separated from service due to a reduction-in-force action. Severance-related expenditures from this reserve shall include obligations to fund (i) a State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer-related contributions for social security, and (ii) noncontributory health premiums for up to 12 months as authorized by G.S. 135-45.2(a)(8) for employees of employing units as defined by G.S. 135-45.1(12).

SECTION 5.6.(b) The Director of the Budget shall allocate funds appropriated in Section 2.1 of this act to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations. For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community Colleges System Office; or a local school administrative unit.
PART VI. GENERAL PROVISIONS

GOVERNMENT EFFICIENCY AND REFORM

SECTION 6.1. The North Carolina Government Efficiency and Reform (NC GEAR) project is established.

SECTION 6.2.(a) The Office of State Budget and Management shall contract for a Government Efficiency and Reform review and analysis of the executive branch of State government, referred to as NC GEAR. The purpose of the review and analysis is to evaluate the efficiency and effectiveness of State government and to identify specific reforms to make improvements. The review and analysis may examine entire departments, agencies, or institutions, or similar programs in several departments. The review and analysis shall include an examination of the efficiency and effectiveness of major management policies, practices, and functions contained in the following areas:

1. The statutory authority, funding sources, and functions of each department, agency, institution, or program.
2. The organizational structure and staffing patterns in place to perform said functions and the appropriateness of them based on comparative data and other reasonable staffing criteria.
3. The measurement of outcomes, overall performance, and degree of success, considering the resources provided, each program reviewed has achieved in accomplishing its mandated or stated mission and subsequent goals.
4. Whether State and local responsibilities for providing government services, and the source of funds for the same, should be reallocated.
5. Personnel systems operations and management.
6. State purchasing operations and management.
7. Information technology and telecommunications systems policy, organization, and management.
8. The identification of opportunities to reduce fragmentation, duplication and related or overlapping services or activities through restructuring of departmental organizations and streamlining programs.

SECTION 6.2.(b) All executive branch departments, agencies, boards, commissions, authorities, and institutions in the executive branch of State government, and other non-State entities receiving State funds, including receipt supported agencies, shall be subject to review and analysis. The chief administrative officer of each entity shall ensure full cooperation with the Office of State Budget and Management and provide timely responses to the Office of State Budget and Management’s request for information under the provisions of G.S. 143C-2-1(b).

SECTION 6.2.(c) Much like the General Assembly sponsored Government Performance and Audit Committee (GPAC) work of the 1990s, the Office of State Budget and Management will work collaboratively with the North Carolina General Assembly’s Fiscal Research and Program Evaluation Divisions, as well as with the Office of State Auditor, to develop the review, analysis, and findings needed to develop a final report and recommendation to the Governor and General Assembly.

SECTION 6.2.(d) There is appropriated from the General Fund to the Office of State Budget and Management the sum of two million dollars ($2,000,000) for the 2013-2014 fiscal year and the sum of two million dollars ($2,000,000) for the 2014-2015 fiscal year for the North Carolina Government Efficiency and Reform (NC GEAR) project. These funds shall not revert at the end of the respective fiscal year but shall remain available for expenditure in the 2015-2016 fiscal year for the performance and completion of the project. The funds appropriated for this project shall be used to contract with various consultants and other experts to pay travel, postage, printing, planning, and other related costs as needed to accomplish the
objectives specified. For purposes of this review and analysis, the Office of State Budget and Management is exempted from the contracting provisions of Chapter 143 of the General Statutes and related State purchasing and budget regulations; however, all external contracts for consultants or professional services shall be reported within 30 days of the execution of any said contract to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and to the President Pro Tempore of the Senate and the Speaker of the House of Representatives.

SECTION 6.2.(e) The Office of State Budget and Management shall submit an interim report of the Government Efficiency and Reform project's analysis, findings, and recommendations to the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives by February 15, 2014. A final report of the project's analysis, findings and recommendations will be submitted by the Office of State Budget and Management to the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives by February 15, 2015.

APPROPRIATION OF CASH BALANCES AND RECEIPTS

SECTION 6.3. Expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from the various General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes are appropriated and authorized for the 2013-2015 fiscal biennium as follows:

(1) For all budget codes listed in "The State of North Carolina, Governor's Recommended Budget, 2013-2015," cash balances and receipts are appropriated up to the amounts specified in the recommended budget, as adjusted by the General Assembly, for the 2013-2014 fiscal year and the 2014-2015 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items specified in the recommended budget or otherwise authorized by the General Assembly.

(2) For all budget codes that are not listed in "The State of North Carolina, Governor's Recommended Budget, 2013-2015," cash balances and receipts are appropriated for each year of the 2013-2015 fiscal biennium up to the level of actual expenditures for the 2012-2013 fiscal year, unless otherwise provided by law. Funds may be expended only for the programs, purposes, objects, and line items authorized for the 2012-2013 fiscal year.

(3) Notwithstanding subdivisions (1) and (2) of this section, 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 2013-2014 fiscal year and the 2014-2015 fiscal year and shall be used only to pay debt service requirements.

(4) Notwithstanding subdivisions (1) and (2) of this section, 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 2013-2014 fiscal year and the 2014-2015 fiscal year.

All these cash balances, federal funds, departmental receipts, grants, and gifts shall be expended and reported in accordance with the provisions of the State Budget Act, except as otherwise provided by law and this section.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.4. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.
BUDGET CODE CONSOLIDATIONS

SECTION 6.5. Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management may adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. The Office of State Budget and Management shall change the authorized budget to reflect these adjustments.

BUDGET REALIGNMENT

SECTION 6.6. Notwithstanding G.S. 143C-6-4(b), the Office of State Budget and Management may adjust the enacted budget by making transfers among purposes or programs for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes or programs as defined in G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the authorized budget to reflect these adjustments. Under no circumstances shall total General Fund expenditures for a State department exceed the amount appropriated to that department from the General Fund for the fiscal year.

SECTION 6.7. Section 6 of S.L. 1999-2 reads as rewritten:

"Section 6.  (a) Except as provided in subsection (b) of this section, it is the intent of the General Assembly that the funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows:

1. Fifty percent (50%) to the nonprofit corporation as provided by the Consent Decree.
2. Twenty-five percent (25%) to a trust fund to be established by the General Assembly.
3. Twenty-five percent (25%) to a trust fund to be established by the General Assembly for the benefit of health, with this trust fund to be governed by a board of trustees comprised of a broad representation of health interests.
4. Debt service as authorized by the State Capital Facilities Act of 2004, Part 1 of S.L. 2004-179 and S.L. 2004-124. As soon as practicable after the beginning of each fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of debt service anticipated to be paid during the fiscal year for special indebtedness authorized by the State Capital Facilities Act of 2004.
5. The sum of eight million dollars ($8,000,000) is credited to Budget Code 69430 and shall be transferred to the University Cancer Research Fund in accordance with G.S. 116-29.1.
6. The balance remaining to be credited to the State General Fund to be used for the following purposes:
7. Any monies paid into the North Carolina State Specific Account from the Disputed Payments Account on account of the Non-Participating Manufacturers that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., or to the trust funds established in accordance with subdivision (a)(2) of this section shall be deposited in the General Fund Account of the Settlement Reserve Fund.

(b) for the benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related businesses, with this trust fund to be governed by a board of trustees representing these interests. To carry out his purpose, this trust fund funds may provide direct and indirect financial assistance, in accordance with criteria established by the trustees of the trust fund assistance, to the extent allowed by law, to (i) indemnify tobacco producers, allotment holders, and persons engaged in tobacco-related businesses from the adverse economic effects of the Master Settlement Agreement, (ii) compensate tobacco..."
producers and allotment holders for the economic loss resulting from lost quota, an (iii) 
revitalize tobacco dependent communities.

(c) The benefit of health to fund programs and initiatives that include research, 
education, prevention, and treatment of health problems in North Carolina and to increase the 
capacity of communities to respond to the public’s health needs through programs such as 
Health Choice and the State’s Medicaid program."

SECTION 6.8. The funds allocated in subdivision (2)a. of Section 6 of S.L. 1992, 
as rewritten by Section 6.7, are appropriated from the General Fund for fiscal years 2013-2014 
and 2014-2015 and shall be expended in accordance with the provisions of subdivision (2)a. of 
Section 6 of S.L. 1999-2, as amended by Section 6.7.

SECTION 6.9. Notwithstanding the provisions of G.S. 143-717(i), the 
administrative costs of the Tobacco Trust Fund shall not exceed six hundred twenty-five 
thousand dollars ($625,000) for fiscal year 2013-2014 and fiscal year 2014-2015.

SECTION 6.10. The fifty percent (50%) of any monies paid into the North 
Carolina State Specific Account from the Disputed Payments Account on account of the 
Non-Participating Manufacturers that would have been transferred to The Golden L.E.A.F. 
(Long-Term Economic Advancement Foundation), Inc., pursuant to Section 2(b) of S.L. 
1999-2, is transferred to the General Fund Account within the Settlement Reserve Fund.

SECTION 6.11. The Attorney General shall take all necessary actions to notify the 
court in action entitled State of North Carolina v. Philip Morris Incorporated. et al., 98 CVS 
14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, 
and the administrators of the State Specific Account established under the Master Settlement 
Agreement of this action by the General Assembly redirecting the payment set forth in Section 
6.10.

PART VI-A. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND/AVAILABILITY

SECTION 6A.1.(a) Appropriations are made from the Information Technology 
Fund for the 2011-2013 fiscal biennium as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Criminal Justice Information Network</td>
<td>$189,563</td>
<td>$189,563</td>
</tr>
<tr>
<td>Center for Geographic Information and Analysis</td>
<td>$495,338</td>
<td>$495,338</td>
</tr>
<tr>
<td>Enterprise Security Risk Management</td>
<td>$1,112,894</td>
<td>$1,112,894</td>
</tr>
<tr>
<td>Enterprise Project Management Office</td>
<td>$1,692,401</td>
<td>$1,692,401</td>
</tr>
<tr>
<td>Architecture and Engineering</td>
<td>$900,340</td>
<td>$900,340</td>
</tr>
<tr>
<td>State Web site</td>
<td>$224,741</td>
<td>$224,741</td>
</tr>
<tr>
<td>Enterprise Licenses</td>
<td>$33,000</td>
<td>$33,000</td>
</tr>
<tr>
<td>IT Consolidation</td>
<td>$1,404,865</td>
<td>$1,404,865</td>
</tr>
<tr>
<td><strong>Total Appropriation</strong></td>
<td><strong>$6,053,142</strong></td>
<td><strong>$6,053,142</strong></td>
</tr>
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ESTABLISH INFORMATION TECHNOLOGY RESERVE

SECTION 6A.2.(a) There is appropriated in a statewide reserve the sum of 
thirty-five million dollars ($35,000,000) for the 2013-2014 fiscal year, eight million dollars 
($8,000,000) of which shall be transferred from the E-Commerce Fund in the Department of 
Administration Budget Code 24100, Fund 2514, and thirty-two million dollars ($32,000,000) 
for the 2014-2015 fiscal year. Notwithstanding any other provision of the law to the contrary, 
these funds may be used for the purpose of addressing critical statewide information 
technology infrastructure and security deficiencies and to provide additional resources to 
expand capacity for statewide information technology oversight and enterprise planning.
SECTION 6A.2.(b) These funds shall be transferred to a nonreverting, interest-bearing special fund in the Office of the State Chief Information Officer. The Director of the Budget shall allocate these funds for purposes identified by the State Chief Information Officer and approved by the Director of the Budget. Prior to the disbursement of any funds, the State Chief Information Officer shall identify project and oversight requirements and submit them to the Director of the Budget for approval. The Office of State Budget and Management shall establish policies and procedures to be followed by the State Chief Information Officer in requesting allocation of funds, including a requirement for complete cost and benefit estimates for all projects.

USE OF E-COMMERCE FUNDS FOR INFORMATION TECHNOLOGY RESERVE

SECTION 6A.3. For the 2013-2014 fiscal year, the sum of eight million dollars ($8,000,000) shall be transferred from the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to the Information Technology Reserve. Notwithstanding any other provision of the law to the contrary, these funds may be used to address critical statewide information technology infrastructure and security deficiencies as approved by the State Budget Director and the State Chief Information Officer.

INFORMATION TECHNOLOGY OPERATIONS

SECTION 6A.4.(a) Information Technology Internal Service Fund Budget. – Notwithstanding G.S. 147-33.88, the Office of Information Technology Services shall develop an annual budget for review and approval by the Office of State Budget and Management in accordance with a schedule prescribed by the Director of the Office of State Budget and Management. The approved Information Technology Internal Service Fund budget shall be included in the Governor's budget recommendations to the General Assembly.

The Office of State Budget and Management shall ensure that State agencies have an opportunity to adjust their budgets based on any rate changes proposed by the Office of Information Technology Services and approved by the Office of State Budget and Management.

Any uses of the Internal Service Fund not specifically related to the operation of the Office of Information Technology Services shall immediately be reported to the Office of State Budget and Management and the Fiscal Research Division with an explanation as to why it was necessary to use the Fund.

SECTION 6A.4.(b) Enterprise Projects. – The State Chief Information Officer shall consult the respective State agency chief information officer and obtain approval from the Office of State Budget and Management prior to the initiation of any enterprise project or contract. State agency requirements shall be incorporated into any enterprise agreement signed by the State Chief Information Officer or his or her representative. Enterprise projects shall not exceed the participating State agencies’ ability to financially support the contracts.

SECTION 6A.4.(c) The State Chief Information Officer shall not enter into any information technology contracts without obtaining written agreements from participating State agencies regarding the apportionment of the contract cost. State agencies agreeing to participate in a contract shall:

1. Ensure that sufficient funds are budgeted to support their agreed shares of enterprise agreements throughout the life of the contract or project.
2. Transfer the agreed-upon funds to the Information Technology Internal Service Fund in sufficient time for the Office of Information Technology Services to meet vendor contract requirements.

The State Chief Information Officer shall ensure that enterprise project and contract costs are allocated to participating agencies in an equitable manner.
SECTION 6A.4.(d) Three-Year Contracts. – Notwithstanding the cash management provisions of G.S. 147-86.11, the Office of Information Technology Services may procure information technology goods and services for periods of up to a total of three years where the terms of the procurement contract require payment of all or a portion of the contract price at the beginning of the contract agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

1. Any advance payment can be accomplished within the Information Technology Internal Service Fund budget.
2. The Office of State Budget and Management receives conclusive evidence that the proposed agreement would be more cost-effective than a multiyear agreement that complies with G.S. 147-86.11.
3. The procurement complies in all other aspects with applicable statutes and rules.
4. The proposed agreement contains contract terms that protect the financial interest of the State against contractor nonperformance or insolvency through the creation of escrow accounts for funds, source codes, or both, or by any other reasonable means that have legally binding effect.

The Office of State Budget and Management shall ensure the savings from any authorized agreement shall be included in the Information Technology Internal Service Fund rate calculations before the Office of State Budget and Management annually approves proposed rates. Any savings resulting from the agreements shall be returned to agencies included in the contract in the form of reduced rates.

SECTION 6A.4.(e) Service Level Agreements. – Service level agreements developed with supported State agencies shall include metrics for the Office of Information Technology Services as well as the supported agencies. When the Office of Information Technology Services or an agency fails to meet metrics established by the service level agreement, a report shall be provided to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly within 10 days, detailing the shortfall and providing a corrective action plan with a time line.

SECTION 6A.4.(f) The Office of Information Technology Services shall assist State agencies in identifying the least expensive source and best value for the purchase of IT goods and services and shall ensure that agencies receive every available discount when purchasing IT goods and services. When the best value and the least expensive sources are different, the Office of Information Technology Services shall report to the Office of State Budget and Management and the Fiscal Research Division on why the least expensive vendor was not the best value.

SECTION 6A.4.(g) Agency Billing and Payments. – The State CIO shall ensure that bills from the Office of Information Technology Services are easily understood and fully transparent. If a State agency fails to pay its IT Internal Service Fund bills within 30 days of receipt, the Office of State Budget and Management may transfer funds from the agency to cover the cost of the bill from that agency to the IT Internal Service Fund.

COORDINATION OF INFORMATION TECHNOLOGY REQUIREMENTS

SECTION 6A.5. The State Chief Information Officer shall avoid the duplication of information technology capabilities and resources across State agencies. The State Chief Information Officer shall:

1. Review all ongoing and future technology projects to determine whether the capabilities required for each project, or the specific requirements comprising a component within a project, already exist in a planned, ongoing, or completed information technology project developed by another State agency. Information Technology Procurement shall work to develop
contracts for information technology projects to allow the addition of other agencies' requirements within the terms of the existing contract.

(2) Identify existing projects that can best support a particular requirement for multiple agencies and work to transition agencies to those projects.

(3) When State agencies request approval for new projects, determine if the information technology project has transferable applicability to current or future capabilities required by another State agency.

(4) Upon identifying an existing information technology capability needed by a State agency, assist that agency in determining how best to access existing projects.

(5) Deny approval for any new project that duplicates existing capabilities within State agencies. If the State CIO determines that a project does not duplicate existing capabilities, the CIO must provide the reasons in writing.

COORDINATION OF GEOGRAPHIC INFORMATION SYSTEM REQUIREMENTS

SECTION 6A.6. All State agencies shall coordinate any Geographic Information System (GIS) initiatives through the Center for Geographic Information and Analysis (CGIA) to ensure that they are not duplicating an existing function. The CGIA shall monitor and approve all new GIS-related information technology projects and expansion budget requests.

TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE PARTNERSHIP AUTHORIZED

SECTION 6A.7.(a) Additional Public-Private Partnership. – The Secretary of Revenue may enter into an additional public-private arrangement in order to expand the implementation of the Tax Information Management System (TIMS). All such arrangements will terminate June 30, 2018. The public-private arrangement may include terms necessary to implement additional revenue-increasing or cost-savings components if all of the following conditions are met:

(1) The funding of the project under the arrangement comes from revenue generated by or cost savings resulting from the project.

(2) The funding of the project is dependent on increased-revenue or cost-savings streams that are different from the existing benefits stream for the implementation of TIMS.

(3) The project involves additional identified initiatives that will be integrated into the TIMS solution.

SECTION 6A.7.(b) Contracts. – Work under an additional public-private arrangement that is authorized by this section may be contracted by requests for proposals, modifications to the existing contracts, purchases using existing contracts, or other related contract vehicles.

SECTION 6A.7.(c) Management/Performance Measurement. – The Secretary of Revenue shall follow the existing model for public-private arrangement oversight and shall establish a measurement process to determine the increased revenue or cost savings attributed to the additional public-private arrangement authorized by this section. To accomplish this, the Secretary shall consult subject matter experts in the Department of Revenue, in other governmental units, and in the private sector, as necessary. At a minimum, the measurement process shall include all of the following:

(1) Calculation of a revenue baseline against which the increased revenue attributable to the project is measured and a cost-basis baseline against which the cost savings resulting from the project are measured.

(2) Periodic evaluation to determine whether the baselines need to be modified based on significant measurable changes in the economic environment.
(3) Monthly calculation of increased revenue and cost savings attributable to contracts executed under this section.

SECTION 6A.7.(d) Internal Costs. – For the 2013-2015 biennium, the Department of Revenue may retain an additional sum of eight million eight hundred seventy-four thousand three hundred nineteen dollars ($8,874,319) from benefits generated for the General Fund since the beginning of the public-private partnership described under Section 6A.5(a) of S.L. 2011-145. These funds shall be used as payment of internal costs for the fiscal biennium, and such funds are hereby appropriated for this purpose.

SECTION 6A.7.(e) Expert Counsel Required. – Notwithstanding G.S. 114-2.3, the Department of Revenue shall engage the services of private counsel with the pertinent information technology and computer law expertise to negotiate and review contracts associated with an additional public-private arrangement authorized under this section.

SECTION 6A.7.(f) Oversight Committee. – The Oversight Committee established under Section 6A.5(c) of S.L. 2011-145 shall have the same responsibilities and duties with respect to an additional public-private arrangement authorized by this section as it does with respect to public-private arrangements to implement TIMS and the additional PDP components.

SECTION 6A.7.(g) Reporting. – Beginning August 1, 2013, and quarterly thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the House of Representatives and Senate Committees on Appropriations, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the General Assembly. The report shall include an explanation of all of the following:
   (1) Details of each public-private contract.
   (2) The benefits from each contract.
   (3) A comprehensive forecast of the benefits of using public-private agreements to implement TIMS, the additional PDP components, and additional components authorized by this section, including cost savings and the acceleration of the project time line.
   (4) Any issues associated with the operation of the public-private partnership.

SECTION 6A.7.(h) Information Technology Project Oversight. – In addition to the oversight provided by the Oversight Committee established in Section 6A.5(c) of S.L. 2011-145, the additional public-private arrangement authorized by this section shall be subject to existing State information technology project oversight laws and statutes, and the project management shall comply with all statutory requirements and other criteria established by the State Chief Information Officer and the Office of State Budget and Management for information technology projects. The State Chief Information Officer and the Office of State Budget and Management shall immediately report any failure to do so to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

SECTION 6A.7.(i) Extension. – Section 6A.5(c) of S.L. 2011-145 reads as rewritten:

"SECTION 6A.5.(c) There is established within the Department of Revenue the Oversight Committee for reviewing and approving the benefits measurement methodology and calculation process. The Oversight Committee shall review and approve in writing all contracts, including change orders, amendments to contracts, and addendums to contracts, before they are executed under this section. This shall include (i) details of each public-private contract, (ii) the benefits from each contract, and (iii) a comprehensive forecast of the benefits of using public-private agreements to implement TIMS and the additional PDP components, including the measurement process established for the Secretary of Revenue. The Oversight Committee shall approve all of the fund transfers for this project. Within five days of entering into a contract, the Department shall provide copies of each contract and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House
of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

The members of the Committee shall include the following:

1. The State Budget Director;
2. The Secretary of the Department of Revenue;
3. The State Chief Information Officer;
4. Two persons appointed by the Governor;
5. One member of the general public having expertise in information technology appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives; and
6. One member of the general public having expertise in economic and revenue forecasting appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate.

The State Budget Director shall serve as chair of the Committee. The Committee shall set its meeting schedule and adopt its rules of operation by majority vote. A majority of the members constitutes a quorum. Vacancies shall be filled by the appointing authority. Administrative support staff shall be provided by the Department of Revenue. Members of the Committee shall receive reimbursements for subsistence and travel expenses as provided by Chapter 138 of the General Statutes. The Committee shall terminate on June 30, 2015 June 30, 2018.

The Department shall provide copies of the minutes of each meeting and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division."

ENTERPRISE GRANTS MANAGEMENT

SECTION 6A.8. Section 6A.7(b2) of S.L. 2011-145, as amended by Section 6A.10 of S.L. 2012-142, is repealed.

DPI INFORMATION TECHNOLOGY OVERSIGHT CAPACITY

SECTION 6A.9. Notwithstanding G.S."143C-6, the State Superintendent shall realign existing resources within the Department of Public Instruction to increase the information technology oversight capacity of the Department. The Superintendent shall identify resources to establish three new positions: a Chief Information Officer, a Chief Technology Officer, and a Project Management Officer by September 30, 2013. The realignment of the positions and resources is subject to the approval of the Office of State Budget and Management.

PART VII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand seven hundred forty-three dollars and forty-eight cents ($3,743.48) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2013-2014 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN
SECTION 7.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred thirty-three dollars and one cent ($1,233.01) per child for fiscal year 2013-2014 and 2014-2015. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2013-2014 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.3.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and children who are performing at Level I or II in grades 4 and 7.

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

1. "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.

2. "Anticipated total county revenue availability" means the sum of the following:
   a. Anticipated county property tax revenue availability.
   b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
   c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521.
   d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

3. "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.

4. "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.

5. "Average daily membership” means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.

6. "County-adjusted property tax base” shall be computed as follows:
   a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county.
b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies.

c. Add to the resulting amount the following:

1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2.

2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes.

3. Personal property value for the county.

(7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.

(8) "County wealth as a percentage of State average wealth" shall be computed as follows:

a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths.

b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths.

c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.

d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

(9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.

(10) "Effective State average tax rate" means the average of effective county tax rates for all counties.

(11) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

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

(13) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

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

(15) "State average adjusted property tax base per square mile" means the sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.

(16) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.
(17) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

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

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

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

SECTION 7.3.(f) Minimum Effort Required. – Counties that had effective tax rates in the 1996-1997 fiscal year that were above the State average effective tax rate but that had effective rates below the State average in the 1997-1998 fiscal year or thereafter shall receive reduced funding under this section. This reduction in funding shall be determined by subtracting the amount that the county would have received pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount that the county would have received if qualified for full funding and multiplying the difference by ten percent (10%). This method of calculating reduced funding shall apply one time only. This method of calculating reduced funding shall not apply in cases in which the effective tax rate fell below the statewide average effective tax rate as a result of a reduction in the actual property tax rate. In these cases, the minimum effort required shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the 1995 Session Laws. If the county documents that it has increased the per student appropriation to the school current expense fund in the current fiscal year, the State Board of Education shall include this additional per pupil appropriation when calculating minimum effort pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

SECTION 7.3.(g) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2013-2015
fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if the following apply: (1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years; and (2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section. The State Board of Education shall adopt rules to implement this section.

SECTION 7.3.(h) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2014, if it determines that counties have supplanted funds.

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

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.4.(a) Funds for Small School Systems. – Except as provided in subsection (b) of this section, the State Board of Education shall allocate funds appropriated for small school system supplemental funding (i) to each county school administrative unit with an average daily membership of fewer than 3,175 students and (ii) to each county school administrative unit with an average daily membership from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county-adjusted property tax base per student that is below the State-adjusted property tax base per student and if the total average daily membership of all local school administrative units located within the county is from 3,239 to 4,080 students. The allocation formula shall do all of the following:

(1) Round all fractions of positions to the next whole position.
(2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four and provide seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.
(3) Provide additional program enhancement teachers adequate to offer the standard course of study.
(4) Change the duty-free period allocation to one teacher assistant per 400 average daily membership.
(5) Provide a base for the consolidated funds allotment of at least seven hundred seventeen thousand three hundred sixty dollars ($717,360), excluding textbooks, for the 2013-2014 fiscal year and a base of seven hundred seventeen thousand three hundred sixty dollars ($717,360) for the 2014-2015 fiscal year.
(6) Allot vocational education funds for grade 6 as well as for grades 7-12. If funds appropriated for each fiscal year for small school system supplemental funding are not adequate to fully fund the program, the State Board of Education shall reduce the amount allocated to each county school.
administrative unit on a pro rata basis. This formula is solely a basis for
distribution of supplemental funding for certain county school administrative
units and is not intended to reflect any measure of the adequacy of the
educational program or funding for public schools. The formula also is not
intended to reflect any commitment by the General Assembly to appropriate
any additional supplemental funds for such county administrative units.

SECTION 7.4.(b) Non-supplant Requirement. – A county in which a local school
administrative unit receives funds under this section shall use the funds to supplement local
current expense funds and shall not supplant local current expense funds. For the 2013-2015
fiscal biennium, the State Board of Education shall not allocate funds under this section to a
county found to have used these funds to supplant local per student current expense funds. The
State Board of Education shall make a finding that a county has used these funds to supplant local
current expense funds in the prior year, or the year for which the most recent data are
available, if the following apply:

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

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

SECTION 7.4.(c) Phase-Out Provisions. – If a local school administrative unit
becomes ineligible for funding under this formula because of (i) an increase in the population
of the county in which the local school administrative unit is located or (ii) an increase in the
county-adjusted property tax base per student of the county in which the local school
administrative unit is located, funding for that unit shall be continued for seven years after the
unit becomes ineligible.

SECTION 7.4.(d) Definitions. – As used in this section, the following definitions
apply:

(1) "Average daily membership" means within two percent (2%) of the average
daily membership as defined in the North Carolina Public Schools Allotment
Policy Manual adopted by the State Board of Education.

(2) "County-adjusted property tax base per student" means the total assessed
property valuation for each county, adjusted using a weighted average of the
three most recent annual sales assessment ratio studies, divided by the total
number of students in average daily membership who reside within the
county.

(3) "Local current expense funds" means the most recent county current expense
 appropriations to public schools, as reported by local boards of education in
the audit report filed with the Secretary of the Local Government
Commission pursuant to G.S. 115C-447.

(4) "Sales assessment ratio studies" means sales assessment ratio studies
performed by the Department of Revenue under G.S. 105-289(h).

(5) "State-adjusted property tax base per student" means the sum of all
county-adjusted property tax bases divided by the total number of students in
average daily membership who reside within the State.

(6) "Supplant" means to decrease local per student current expense
appropriations from one fiscal year to the next fiscal year.

(7) "Weighted average of the three most recent annual sales assessment ratio
studies" means the weighted average of the three most recent annual sales
assessment ratio studies in the most recent years for which county current
expense appropriations and adjusted property tax valuations are available. If
real property in a county has been revalued one year prior to the most recent
sales assessment ratio study, a weighted average of the two most recent sales
assessment ratios shall be used. If property has been revalued during the year
of the most recent sales assessment ratio study, the sales assessment ratio for
the year of revaluation shall be used.

SECTION 7.4.(e) Reports. – The State Board of Education shall report to the Joint
Legislative Education Oversight Committee prior to May 1, 2014, if it determines that counties
have supplanted funds.

SECTION 7.4.(f) Use of Funds. – Local boards of education are encouraged to use
at least twenty percent (20%) of the funds they receive pursuant to this section to improve the
academic performance of children who are performing at Level I or II on either reading or
mathematics end-of-grade tests in grades 3-8.

LITIGATION RESERVE FUNDS

SECTION 7.5. The State Board of Education may expend up to five hundred
thousand dollars ($500,000) each year for the 2013-2014 and 2014-2015 fiscal years from
unexpended funds for certified employees' salaries to pay expenses related to litigation.

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

SECTION 7.6.(a) Funds appropriated for the Uniform Education Reporting
System shall not revert at the end of the 2012-2013 fiscal year. Funds appropriated for the
Uniform Education Reporting System for the 2013-15 fiscal biennium shall not revert at the
end of each fiscal year but shall remain available until expended.

SECTION 7.6.(b) This section becomes effective June 30, 2013.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

SECTION 7.7.(a) Funds appropriated for disadvantaged student supplemental
funding shall be used, consistent with the policies and procedures adopted by the State Board of
Education, only to:

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

The State Board of Education may require districts receiving funding under the
Disadvantaged Student Supplemental Fund to purchase the Education Value Added
Assessment System in order to provide in-depth analysis of student performance and help
identify strategies for improving student achievement. This data shall be used exclusively for
instructional and curriculum decisions made in the best interest of children and for professional
development for their teachers and administrators.

SECTION 7.7.(b) Funds appropriated to a local school administrative unit for
disadvantaged student supplemental funding shall be allotted based on (i) the local school
administrative unit's eligible DSSF population and (ii) the difference between a
teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

(1) For counties with wealth greater than ninety percent (90%) of the statewide
average, a ratio of 1:19.9.
(2) For counties with wealth not less than eighty percent (80%) and not greater
than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.1.

For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These LEAs shall receive no less than the DSSF amount allotted in 2006-2007. For the purpose of this subsection, wealth shall be calculated under the low-wealth supplemental formula.

SECTION 7.7.(c) If a local school administrative unit's wealth increases to a level that adversely affects the unit's DSSF allotment ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional fiscal year.

LEA BUDGET ADJUSTMENT

SECTION 7.8.(a) Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit and charter school of the amount the unit or charter school must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit and charter school on the basis of average daily membership.

SECTION 7.8.(b) Each unit or charter school shall report to the Department of Public Instruction on the flexibility budget reductions it has identified for the unit within 30 days of the date this act becomes law.

RESIDENTIAL SCHOOLS

SECTION 7.9.(a) The Department of Public Instruction shall not transfer any school-based personnel from the residential schools to central office administrative positions.

SECTION 7.9.(b) Notwithstanding G.S. 146-30 or any other provision of law, the Department of Public Instruction shall retain all proceeds generated from the rental of building space on the residential school campuses. The Department of Public Instruction shall use all receipts generated from these leases to staff and operate the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School. These receipts shall not be used to support administrative functions within the Department.

NORTH CAROLINA CENTER FOR THE ADVANCEMENT OF TEACHING

SECTION 7.10.(a) G.S. 296.5 and G.S. 296.6. are repealed.

SECTION 7.10.(b) This section is effective June 30, 2013.

ASSESSMENT RESULTS REPORTING

SECTION 7.11.(a) The State Board of Education shall report the results of the ACT and assessments aligned with the ACT annually by November 1 to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee.

SECTION 7.11.(b) The report shall include aggregate results for each component of the ACT battery of assessments including Explore, Plan, ACT, and WorkKeys; identifying the number and percentage of students who receive scores indicating adequate preparation and the number and percentage of students who receive scores indicating less than adequate preparation to remain on track for graduation, college and a career.

SECTION 7.11.(c) The report should also include (1) a plan for data use and incorporation into the accountability model; (2) a description of local school administrative unit reporting requirements, and (3) a description of technical assistance provided by the department to local school administrative units including instructional practices to provide remediation for those students identified as not being on track as documented by assessment scores.

REPORT ON USE OF TEXTBOOK FUNDS FOR DIGITAL MATERIALS
SECTION 7.12.(a) The State Board of Education shall report the types of digital purchases and expenditures by local school administrative units for digital instructional materials from the textbook allotment.

SECTION 7.12.(b) The report shall be submitted to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee by March 1 of each year.

REVISE NCVPS COST CALCULATION DATE FOR LEAS

SECTION 7.13. Section 7.22(d)(6) of S.L. 2011-145 reads as rewritten:

"(6) No later than February 28 of each year, calculate the actual instructional cost for each local school administrative unit and charter school based upon actual NCVPS enrollment as of that date."

USE OF LOW WEALTH AND SMALL COUNTY FUNDS FOR EVAAS DATA

SECTION 7.14. Notwithstanding the provisions of Section 7.12 of S.L. 2011-145 and Section 7.6 of S.L. 2007-323, local school administrative units may utilize funds made available through the Low-Wealth School Funding and Small County Supplemental Funding to purchase services that allow for extraction of data from the Education Value Added Assessment System.

LEA BUDGETARY FLEXIBILITY

SECTION 7.15.(a) For fiscal years 2013-2014 and 2014-2015, the State Board of Education is authorized to extend its emergency rules, in accordance with G.S. 150B-21.1A, granting maximum flexibility to local school administrative units regarding the expenditure of State funds. These rules shall not be subject to the limitations on transfers of funds between funding allotment categories set out in G.S. 115C-105.25. However, these rules shall not permit the following transfers:

(1) The transfer of funds into central office administration.
(2) The transfer of funds from the classroom teacher allotment to any allotment other than teacher assistants allotment.
(3) The transfer of funds from the teacher assistant allotment to any allotment other than the classroom teachers allotment.

For funds related to classroom teacher positions, the salary transferred shall be based on the first step of the "A" Teachers salary schedule.

SECTION 7.15.(b) Local school administrative units may transfer funds for certified instructional support personnel for any purpose not otherwise prohibited by the State Board of Education's ABC transfer policy by submitting an ABC Transfer Form to the Department of Public Instruction. For funds related to certified instructional support personnel positions, the salary transferred shall be based on the first step of the "A" Teachers salary schedule. No local school administrative unit shall convert certified position allotments to dollars in order to hire the same type of position.

SECTION 7.15.(c) For fiscal years 2013-2014 and 2014-2015, local school administrative units shall make every effort to reduce spending whenever and wherever such budget reductions are appropriate, with the goal of protecting direct classroom services such as teacher assistants and classroom teachers. In making reductions, local school administrative units shall first consider reductions to central office administration and other administrative functions. Notwithstanding G.S. 115C-301 or any other law, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement in grades 4-12. Class size requirements in grades K-3 shall remain unchanged.

PART VIII. COMMUNITY COLLEGES
REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 8.1.(a) Notwithstanding any other provision of law, and consistent with
the authority established in G.S. 115D-3, the President of the North Carolina Community
College System may reorganize the System Office in accordance with recommendations and
plans submitted to and approved by the State Board of Community Colleges.

SECTION 8.1.(b) This section expires June 30, 2014.

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 8.2. Of the funds appropriated to the Community Colleges System
Office for the 2013-2015 fiscal biennium for the College Information System, up to one million
two hundred and fifty thousand dollars ($1,250,000) shall not revert at the end of each fiscal
year but shall remain available until expended. These funds may be used only to purchase
periodic system upgrades.

BASIC SKILLS PLUS

SECTION 8.3.(a) Notwithstanding any other provision of law, the State Board
may authorize a local community college to use up to twenty percent (20%) of the State
Literacy Funds allocated to it to provide employability skills, job-specific occupational and
technical skills, and developmental education instruction to students concurrently enrolled in a
community college course leading to a high school diploma or equivalent certificate.

SECTION 8.3.(b) Notwithstanding any other provision of law, if a community
college is authorized by the State Board to provide employability skills, job-specific
occupational or technical skills, or developmental education instruction, to students
concurrently enrolled in a community college course leading to a high school diploma or
equivalent certificate, the college may waive the tuition and registration fees associated with
this instruction.

COMMUNITY COLLEGE ENROLLMENT SHALL BE CALCULATED USING
HIGHER OF CURRENT YEAR OR AVERAGE OF LAST TWO YEARS

SECTION 8.4. Beginning with the 2013-2015 fiscal biennium, community
colleges shall receive funding based on the number of full-time equivalent (FTE) students
enrolled in curriculum, continuing education, and Basic Skills courses. Community colleges
shall calculate this enrollment as the higher of the current year's total enrollment or the average
enrollment of the last two academic years.

REPEAL OF SENIOR CITIZEN TUITION WAIVER

SECTION 8.5.(a) G.S. 115D-5(b)(11) is repealed.

SECTION 8.5.(b) This section is effective July 1, 2013.

TECHNICAL EDUCATION INFRASTRUCTURE

SECTION 8.6.(a) Of the funds appropriated in this act to the North Carolina
Community College System, the sum of fourteen million ($14 million) annually shall be used
to enhance the equipment and facilities for technical education and health sciences programs
funded in Tier 1A of the community college's funding formula. The State Board of Community
Colleges shall award these funds to community colleges based on a competitive application.
Factors the State Board should consider when making these awards should include, but are not
limited to:

The impact on enrollment in the college's courses;

(1) The ability of students completing credentials in those programs to gain
employment in North Carolina;
The contributions made by outside business and entities to these programs.

SECTION 8.6.(b) For the 2013-2015 fiscal biennium, community colleges receiving awards under subsection (a) may use these allocations to purchase equipment and make necessary repairs and renovations of existing facilities to accommodate program enhancements. Notwithstanding any other provision of law, community colleges are not required to match funds expended on repairs and renovations of existing facilities. Colleges must have capital improvement projects approved by the State Board of Community Colleges by May 31, 2015.

NC BACK-TO-WORK FUNDS

SECTION 8.7.(a) Of the funds appropriated in this act to the Community Colleges System Office for the 2013-2014 fiscal year, the sum of three million dollars ($3,000,000) shall be used for the North Carolina Back-to-Work Program, a retraining program focused on unemployed and underemployed North Carolinians as well as military veterans and North Carolina National Guard members. The program shall provide students with occupational skills; employability skills, including a Career Readiness Certificate; and opportunities to earn third-party, industry-recognized credentials. Funds may only be allocated to colleges whose training plans include support for one or more of the following: employers who have committed to assist colleges with the design and implementation their training plans and interview program completers for available jobs; companies with registered apprenticeship programs with the North Carolina Department of Labor; coordinated projects among two or more colleges that focus on serving the needs of an industry cluster; or, programs developed in collaboration with the North Carolina National Guard or veteran organizations. Funds may only be used for the following activities: student instruction, student support and coaching, and targeted financial assistance for students, including assistance with tuition, registration fees, books, and certification costs.

SECTION 8.7.(b) Of the funds appropriated in this act to the Community Colleges System Office for the 2014-15 fiscal year, the sum of five million dollars ($5,000,000) shall be used for the North Carolina Back-to-Work Program.

SECTION 8.7.(c) Of the funds appropriated in fiscal year 2012-2013 for the NC Back-to-Work program, funds shall not revert at the end of the fiscal year, but shall remain available for expenditure in fiscal year 2013-2014.

SECTION 8.7.(d) Subsection (c) of this section is effective June 30, 2013.

EXPAND INDUSTRIAL AND ENGINEERING TECHNOLOGIES EDUCATION TO FRESHMEN AND SOPHOMORE HIGH SCHOOL STUDENTS

SECTION 8.9. G.S. 115D-20 reads as rewritten:

"§ 115D-20. Powers and duties of trustees.

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

…

(4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. Notwithstanding any law or administrative rule to the contrary, local community colleges are permitted to offer the following programs:

a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:
1. Cooperative innovative high school programs as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.

2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate or diploma and academic transition pathways for qualified freshman and sophomore high school students that lead to a career technical education certificate or diploma in industrial and engineering technologies.

3. College transfer certificates requiring the successful completion of thirty semester credit hours of transfer courses, including English and mathematics, for qualified junior and senior high school students.

CLARIFY EMPLOYEE ACADEMIC ASSISTANCE

SECTION 8.10. G.S. 115D-5(b1) reads as rewritten:

"(b1) The State Board of Community Colleges shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, ten-, eleven-, or twelve-month term. Notwithstanding this limitation, colleges may use State funds to support college employee academic assistance programs that are consistent with the academic assistance policy adopted by the State Personnel Commission under the provisions of G.S. 126-4.

IMPLEMENTATION OF PERFORMANCE-BASED FUNDING FOR THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM AND THE UNIVERSITY OF NORTH CAROLINA

SECTION 8.11.(a) Notwithstanding any other provision of law, for the 2013-2014 fiscal year, the State Board of Community Colleges and the UNC Board of Governors may allocate performance-based funding consistent with the models they have developed.

SECTION 8.11.(b) The Education Cabinet shall conduct a study of performance-based funding models. This study shall include the analysis of the models funded under (a) of this section as well as funding the higher education systems based on outcomes. These outcomes shall include, but are not limited to, the employment status of their graduates. The Education Cabinet shall report their recommendations to the Governor and the Joint Legislative Education Oversight Committee no later than March 1, 2014.

SECTION 8.11.(c) Recommendations on performance-based funding made under (b) of this section shall be considered for implementation effective July 1, 2014.

SECTION 8.12. G.S. 115D-40.1(b) reads as rewritten:

"(b) Targeted Assistance. – Notwithstanding subsection (a) of this section, the State Board may allocate no more than ten percent (10%) of the funds appropriated for Financial Assistance for Community College Students to:

(1) Students who do not qualify for need based assistance but who demonstrate financial need and enroll in low-enrollment programs that prepare students for high-demand occupations, and

(2) Students with disabilities who have been referred by the Division of Vocational Rehabilitation and are enrolled in a community college."

PART IX. UNIVERSITIES
UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 9.1.(a) The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but in a manner that recognizes the importance of the academic mission and differences among The University of North Carolina entities.

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

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

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

SECTION 9.1.(b) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2013-2015 biennium to any of the following:

1. UNC Need-Based Financial Aid.
2. North Carolina Need Based Scholarship.

SECTION 9.1.(c) The University of North Carolina shall report on the implementation of the management flexibility reduction in Section 9.1.(a) to the Office of State Budget and Management and the Fiscal Research Division no later than October 1, 2013. This report shall identify by campus:

1. the total number of positions eliminated by type (faculty/non-faculty);
2. low-performing, redundant, and low-enrollment programs that were eliminated.

CHANCELLORS OF CONSTITUENT INSTITUTIONS TO APPROVE EMERGENCY REPAIRS AND MAINTENANCE PROJECTS WITH AVAILABLE OPERATING FUNDS

SECTION 9.2. G.S. 116-13.1(c) reads as rewritten:

"(c) Approval of Certain Emergency Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, when necessary to ensure public safety, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars ($1,000,000) per project for repairs to institution facilities, renovations to institution facilities, maintenance of those facilities, repairs, renovations, maintenance, and related equipment purchases related to institution facilities supported entirely by the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. Funds authorized under this subsection shall be transferred to the capital fund before expenditure and shall be in accord with applicable laws.
governing capital improvement projects. By September 1, 2013 and annually thereafter, the
Board of Governors shall report on all projects authorized under this subsection to the Office of
State Budget and Management and the Fiscal Research Division."

USE OF ESCHET FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.3.(a) There is appropriated from the Escheat Fund income to the
Board of Governors of The University of North Carolina the sum of thirty-eight million three
hundred seventy-five thousand eight hundred sixty-nine dollars ($38,375,869) for the
2013-2014 fiscal year and the sum of thirty-seven million two hundred eighty-seven thousand
two hundred forty-two dollars ($37,287,242) for the 2014-2015 fiscal year to be used for The
University of North Carolina Need-Based Financial Aid Program.

SECTION 9.3.(b) There is appropriated from the Escheat Fund income to the State
Board of Community Colleges the sum of fifteen million four hundred eleven thousand three
hundred seventy-three dollars ($15,411,373) for the 2013-2014 fiscal year and the sum of
sixteen million five hundred thousand dollars ($16,500,000) for the 2014-2015 fiscal year to be
used for community college grants.

SECTION 9.3.(c) There is appropriated from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs, the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2013-2014 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2014-2015 fiscal year to be used for need-based student financial aid.

SECTION 9.3.(d) The funds appropriated by this section shall be allocated by the State Educational Assistance Authority (SEAA) for need-based student financial aid in accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; 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 under this section remain uncommitted for need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 9.3.(e) The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the scholarship programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. SEAA may make recommendations for redistribution of funds to The University of North Carolina, Department of Administration, and the President of the Community College System regarding their respective scholarship programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

REPEAL UNC TUITION WAIVERS FOR NONRESIDENT STUDENTS RECEIVING FULL SCHOLARSHIPS

SECTION 9.4.(a) G.S. 116-143.6 is repealed.

SECTION 9.4.(b) This section becomes effective June 30, 2013.

REDUCE UTILITY BUDGETS

SECTION 9.5. Notwithstanding G.S. 116-30.3B and any other law to the contrary, appropriations from the General Fund for campus utility budgets are reduced by the sum of eight million eighty-eight thousand seven hundred nineteen dollars ($8,088,719) for the 2013-2014 and 2014-2015 fiscal years.
RESTORE THE NORTH CAROLINA SCHOOL OF SCIENCE AND MATH TUITION GRANT

SECTION 9.6.(a) Section 9.6.(b) of Session Law 2009-451 is repealed.

SECTION 9.6.(b) G.S. 116-238.1(a) reads as rewritten:

"(a) There is granted to each State resident who graduates from the North Carolina School of Science and Mathematics and who enrolls as a full-time student in a constituent institution of The University of North Carolina a sum to be determined by the General Assembly as a tuition grant. The tuition grant shall be for four consecutive academic years and shall cover the tuition cost at the constituent institution in which the student is enrolled. The tuition grant shall be distributed to the student as provided by this section. The grant provided by this section is only available to a student enrolled at the North Carolina School of Science and Mathematics for the 2008-2009 academic year or earlier the 2013-2014 academic year and thereafter."

UNIVERSITY CANCER RESEARCH FUND

SECTION 9.7.(a) In accordance with G.S. 105-113.40A, there is appropriated from the Tax on Other Tobacco Products the sum of twenty four million four hundred thirteen thousand dollars ($24,413,200) for the 2013-2014 fiscal year and the sum of twenty four million seven hundred fourteen thousand eight hundred ninety two ($24,714,892) for the 2014-15 fiscal year to the University Cancer Research Fund. These funds shall be reflected in the certified budget of Budget Code 16011.

SECTION 9.7.(b) In accordance with G.S. 116.29.1, there is appropriated from Budget Code 69430 in the Department of State Treasurer, the sum of eight million dollars ($8,000,000) in each fiscal year of the 2013-2015 biennium to the University Cancer Research Fund. These funds shall be reflected in the certified budget of Budget Code 16011.

UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS

SECTION 9.8. Section 31.14 of S.L. 2001-424 is amended to read:

"SECTION 31.14. The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee and the Office of State Budget and Management by March 1, 2002, March 1, 2014 and annually thereafter, on the amount of facilities and administrative fees and overhead receipts for The University System and the use of those receipts collected and expended by each institution. The report shall reflect the collections of facilities and administrative fees and overhead receipts by line item and by grant or program. The report shall also reflect the use of facilities and administrative fees and overhead receipts showing line item expenditures by grant or program. The report shall also include the amount of facilities and administrative fees and overhead receipts collected or expended by each institution for maintenance and operation of facilities that were constructed or at any time operated by the General Fund."

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FLEXIBILITY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO MOVE POSITIONS TO MEET DEPARTMENTAL PRIORITIES

SECTION 10.1.(a) Notwithstanding any other provision of law, and consistent with the intent of G.S. 143B-10, the Secretary of the Department of Health and Human Services may reorganize positions and related operational costs within the Department when cost-effectiveness can be demonstrated. Actions under this section may only be implemented after the Office of State Budget and Management has approved a proposal submitted by the Department. Proposals under this section shall include, at a minimum, the positions involved and strategies to achieve efficiencies.
SECTION 10.1.(b) The Department shall report on any actions under this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. The report shall include the positions involved and strategies to achieve efficiencies. The report is due to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division not later than June 30, 2014.

DHHS INTERNAL AUDIT CAPACITY

SECTION 10.2. Notwithstanding G.S. 143C-6-4, the Secretary of the Department of Health and Human Services, to enhance the fiscal oversight and accountability, may realign existing resources to increase the internal audit capacity of the department. The Secretary is authorized to identify up to 32 existing positions for this purpose. The expanded Office of Internal Audit will provide DHHS management independent reviews and analysis of various functions and services within the department, including operational audits, performance audits, compliance audits, financial audits and other special reviews. The realignment of the positions and resources is subject to the approval of the Office of State Budget and Management.

CHILD CARE SUBSIDY RATES

SECTION 10.3.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 10.3.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

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SECTION 10.3.(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 Section 10.7(g) of this act.

(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 Section 10.7(g) of this act.

(3) Non-licensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) No payments shall be made for transportation services or registration fees charged by child care facilities.

(5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.

(6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

SECTION 10.3.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:
(1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 10.3.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group of enrollees and shall be representative of fees charged to parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category.

SECTION 10.3.(f) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. Except as authorized by Section 10.7(g) of this act, no separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

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

SECTION 10.3.(g) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.3.(h) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.

(3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 10.3.(i) Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K program or Head Start.

CHILD CARE ALLOCATION FORMULA/DIRECTION

SECTION 10.4.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) Smart Start subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:
Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.

For fiscal year 2013-2014, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2012-2013 fiscal year.

The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2013-2014 fiscal year.

SECTION 10.4.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including Smart Start funds, within a county.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.5. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-4(1).

CHILD CARE REVOLVING LOAN

SECTION 10.6. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.7. The Division of Child Development and Early Education of the Department of Health and Human Services shall fund the allowance that county departments of social services may use for administrative costs at three percent (3%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan.

NC PRE-K

SECTION 10.8.(a) The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiple-year contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 10.8.(b) The Division of Child Development and Early Education (Division) shall create a pilot program that provides funding for NC Pre-K classrooms on a per classroom basis. The pilot program shall include three different NC Pre-K contractual regions that are geographically diverse. The local NC Pre-K administrator shall contract with the provider for operation of a classroom established pursuant to the pilot program. The Division shall provide an interim report on the status of the pilot program development to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations/Base Budget Committee on Health and Human Services, and the Fiscal
Research Division on the pilot program no later than May 1, 2013 and a final report by January 31, 2014. The report shall include the following:

(1) The number of students served.
(2) The amount of funds paid for each classroom.
(3) The amount of funds paid per student.
(4) The attendance information on students in the pilot program as compared to those students in a classroom having a traditional funding structure.
(5) Information on the number of students and students’ families using the Subsidized Early Education for Kids (SEEK) system.
(6) A cost comparison of the classroom pilots to the average cost per student through the per student funding methodology.

SECTION 10.8.(c) The Division of Child Development and Early Education shall continue the implementation of the NC Pre-K program. The NC Pre-K program shall serve children who reach the age of four on or before August 31 of that school year and who meet eligibility criteria.

SECTION 10.8.(d) The Division of Child Development and Early Education shall establish income eligibility requirements for the program not to exceed one hundred thirty percent (130%) of the Federal Poverty Level, and eligibility for any age-eligible child who has one or more of the following: identified developmental disability; Limited English Proficiency (LEP); an educational need as indicated by the child's performance results on an approved developmental screening; an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces, who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months; or a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces, who was injured or killed while serving on active duty.

SECTION 10.8.(e) Other than developmental disabilities or other chronic health issues, the Division of Child Development and Early Education shall not consider the health of a child as a factor in determining eligibility for participation in the NC Pre-K program.

SECTION 10.8.(f) All entities operating NC Pre-K classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements.

SECTION 10.8.(g) The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding NC Pre-K classroom slots and student selection.

SECTION 10.8.(h) The Division of Child Development and Early Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in the NC Pre-K program.
(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs, such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.
(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.
(4) The results of an annual evaluation of the NC Pre-K program.
EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES
ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT
ADJUSTMENTS

SECTION 10.9.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall develop a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract management system and shall be directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 10.9.(b) The North Carolina Partnership for Children, Inc., shall develop and implement a salary schedule for the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of local partnerships. The salary schedule shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. In establishing a salary schedule, the North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

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

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

SECTION 10.9.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall equal to at least ten percent (10%) and in-kind donated resources equal to no more than three percent (3%) for a total match requirement of thirteen percent (13%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the
required private match. In order to qualify to meet the required private match, the expenses shall:

1. Be verifiable from the contractor's records.
2. If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
3. Not include expenses funded by State funds.
4. Be supplemental to and not supplant preexisting resources for related program activities.
5. Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
6. Be otherwise allowable under federal or State law.
7. Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
8. Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a thirteen percent (13%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc. shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 10.9.(d) To the extent possible, the North Carolina Partnership for Children, Inc., shall not reduce subsidy expenditures for the 2013-2014 fiscal year.

DELAY LOCAL RECEIPT OF LARGER PORTION OF FOOD & LODGING FEES

SECTION 10.11. Section 31.11A(c) of S.L. 2011-145, as amended by Section 61A of S.L. 2011-391, reads as rewritten:

"SECTION 31.11A.(c) Subsection (a) of this section becomes effective July 1, 2014."

AIDS DRUG ASSISTANCE PROGRAM PILOT

SECTION 10.12.(a) The Department of Health and Human Services, Division of Public Health, shall develop a pilot program to enroll individuals receiving services under the Aids Drug Assistance Program (ADAP) in Inclusive Health North Carolina. The Department shall not implement the pilot program until it obtains actuarial services to ensure the cost neutrality or cost savings of enrolling ADAP recipients in Inclusive Health North Carolina. If an actuary determines that implementation will be cost neutral or achieve savings, the Department shall implement the pilot program for the period commencing January 1, 2013, and terminating December 31, 2013. The purposes of the pilot are to determine cost savings to ADAP through enrollment of ADAP recipients in a preexisting conditions insurance program (PCIP). The Department shall select up to three HIV/AIDS care provider agencies with the highest number of ADAP recipients to participate in the pilot. The Department shall ensure that the total number of ADAP recipients participating in the pilot meets all of the following requirements:

1. Participation does not exceed ten percent (10%) of the total number of ADAP recipients.
2. ADAP recipients shall be enrolled in Inclusive Health North Carolina only up to the point that enrollment remains cost neutral or achieves cost savings to ADAP, as determined by an actuary.
SECTION 10.12.(b) The Department may contract with a vendor to evaluate the results of the pilot program. By no later than April 1, 2014, the Department shall report to the Joint Legislative Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the House Appropriations Subcommittee on Health and Human Services on the results of the pilot program. The report shall include all of the following:

1. The number of pilot program participants.
2. A cost analysis for the pilot program, including a cost comparison between ADAP recipients who received services through Inclusive Health North Carolina and ADAP recipients who received services only through ADAP.
3. Feedback from pilot program participants.
4. Best practices identified by the Department for transitioning ADAP recipients to Medicaid as they become eligible.
5. Improved health outcomes.

SECTION 10.12.(c) The Department shall use funds appropriated to it to develop and implement the pilot program authorized by this section. The Division of Public Health shall manage the number of ADAP recipients enrolled in Inclusive Health North Carolina as part of the pilot program and the number of ADAP recipients receiving services only through ADAP in order to ensure that pilot program expenditures do not exceed available funds.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.13.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services (Department) for the Community-Focused Eliminating Health Disparities Initiative (CFEHDII) shall be used to provide a maximum of 12 grants-in-aid to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 10.13.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

1. The amount of any grant-in-aid is limited to three hundred thousand dollars ($300,000).
2. Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.
3. Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants, in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.
4. Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:
   a. Heart Disease.
   b. Stroke.
   c. Diabetes.
d. Obesity.
e. Asthma.
f. HIV/AIDS.
g. Cancer.

(5) The minimum duration of the grant period for any grant-in-aid is two years.

(6) The maximum duration of the grant period for any grant-in-aid is three years.

(7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

(8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 10.13.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, Vernon Malone, William Martin, and Pete Cunningham. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 10.13.(d) By October 1, 2012, and annually thereafter, the Department shall submit a report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on funds appropriated to the CFEHDI. The report shall include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State, and shall also address all of the following:

(1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.

(2) The amount of funding awarded to each grantee.

(3) Which of the minority populations were served by each grantee.

(4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.

(5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations, and the specific success in reducing particular incidences.

FUNDS FOR SCHOOL NURSES

SECTION 10.14.(a) All funds appropriated in this act for the School Nurse Funding Initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.
(2) Percentage of students eligible for free or reduced meals.

(3) Percentage of children in poverty.

(4) Per capita income.

(5) Eligibility as a low-wealth county.

(6) Mortality rates for children between 1 and 19 years of age.

(7) Percentage of students with chronic illnesses.

(8) Percentage of county population consisting of minority persons.

SECTION 10.14.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

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

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.15. The Department of Health and Human Services (DHHS) shall work with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the treatment of persons in the custody of DPS with HIV/AIDS in a manner that allows these funds to be accounted for as State matching funds in DHHS' drawdown of federal Ryan White funds.

MEN'S HEALTH

SECTION 10.16. The Department of Health and Human Services, Division of Public Health, shall delegate to the Chronic Disease Prevention and Control Office the responsibility for ensuring attention to the prevention of disease and improvement in the quality of life for men over their entire lifespan. The Department shall develop strategies for achieving these goals, which shall include (i) developing a strategic plan to improve health care services, (ii) building public health awareness, (iii) developing initiatives within existing programs, and (iv) pursuing federal and State funding for the screening, early detection, and treatment of prostate cancer and other diseases affecting men's health.

VACCINE INNOVATION

SECTION 10.17. The North Carolina Center for Vaccine Innovation (NCCVI) is a consortium of private and public institutions conducting vaccine-related research. In recognition of the value of vaccine research and education, the opportunity for industry-sponsored and federally funded research, the public health benefit, and the potential for enhanced tax revenue for the state and job creation, the state may study the feasibility of
collaboration with NCCVI. Funds appropriated to the department of Health and Human Services, Division of Public Health may be used to conduct the feasibility study.

TRANSITIONS TO COMMUNITY LIVING INITIATIVE

SECTION 10.18A.(a) Transitions to Community Living Funding. There is established funding for the Transitions to Community Living Initiative to facilitate implementation. The sum of three million eight hundred thirty-four thousand two hundred seventy-five dollars ($3,834,275) is appropriated for fiscal year 2013-2014 and nine million three hundred ninety-four thousand six hundred fifty-eight dollars ($9,394,658) for fiscal year 2014-2015 to support the Department of Health and Human Services in its plan for transitioning individuals with severe mental illness and severe and persistent mental illness into community living arrangements. The Department may issue temporary rules to implement this subsection.

SECTION 10.18A.(b) Nothing in this section is intended to create or shall be construed to create a right or entitlement for any individual, facility, or provider of services.

HEALTH INFORMATION TECHNOLOGY

SECTION 10.19.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities does so within the area of its greatest expertise and technical capability and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

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

SECTION 10.19.(b) The Department of Health and Human Services shall establish and direct a HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

1. Developing a State plan for implementing and ensuring compliance with national HIT standards and for the most efficient, effective, and widespread adoption of HIT.
2. Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system; and (ii)
unserved and underserved populations receive priority consideration for HIT
support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation
from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into
the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and
maintenance of health information technology, including identifying
resources and available opportunities for North Carolina institutions of
higher education.

(7) Ensuring that potential State plan participants are aware of HIT policies and
programs and the opportunity for improved health information technology.

(8) Monitoring HIT efforts and initiatives in other states and replicating
successful efforts and initiatives in North Carolina.

(9) Monitoring the development of the National Coordinator's strategic plan and
ensuring that all stakeholders are aware of and in compliance with its
requirements.

(10) Monitoring the progress and recommendations of the HIT Policy and
Standards Committee and ensuring that all stakeholders remain informed of
the Committee's recommendations.

(11) Monitoring all studies and reports provided to the United States Congress
and reporting to the Joint Legislative Oversight Committee on Information
Technology and the Fiscal Research Division on the impact of report
recommendations on State efforts to implement coordinated HIT.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS)

SECTION 10.20.(a) The Secretary of the Department of Health and Human
Services may utilize prior year earned revenue received for the replacement MMIS in the
amount of nine million six hundred fifty-eight thousand one hundred fifty-two dollars
($9,658,152) in fiscal year 2013-2014 and one million six hundred sixty-six thousand six
hundred twenty-five dollars ($1,666,625) in fiscal year 2014-2015. The Department shall
utilize prior year earned revenues received for the implementation of the replacement MMIS. In
the event the Department does not receive prior year earned revenues in the amounts authorized
by this section, or funds are insufficient to advance the project, the Department is authorized,
with approval of the Office of State Budget and Management (OSBM), to utilize overrealized
receipts and funds appropriated to the Department to achieve the level of funding specified in
this section for the replacement MMIS.

SECTION 10.20.(b) The Department shall make full development of the
replacement MMIS a top priority. During the development and implementation of the
replacement MMIS, the Department shall develop plans to ensure the timely and effective
implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premiums or other payments required by law.

(2) Compatibility with the Health Information System.

SECTION 10.20.(c) The Department shall make every effort to expedite the
implementation of the enhancements. The replacement MMIS shall have the capability to fully
implement the administration of NC Health Choice, Ticket to Work, CAP Children’s Program,
all relevant Medicaid waivers and the Medicare 646 waiver as it applies to Medicaid eligibles.

SECTION 10.20.(d) The Office of the State Chief Information Officer (SCIO) and
the Office of Information Technology Services (ITS) shall work in cooperation with the
Department to ensure the timely and effective implementation of the replacement MMIS and enhancements. The SCIO shall ensure that the replacement MMIS meets all State requirements for project management and shall immediately report any failure to meet State project management requirements to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The SCIO shall also immediately report if any replacement MMIS project, or portion of a project, is listed as red in the project portfolio management tool.

SECTION 10.20.(e) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with pertinent information technology and computer law expertise to negotiate and review contract amendments associated with the replacement MMIS that exceed ten million dollars ($10,000,000). The counsel engaged by the Department shall review the replacement MMIS contract amendments between the Department and the vendor to ensure that the requirements of subsection (c) of this section are met in their entirety and that the terms of the contract amendments are in the State's best interest.

SECTION 10.20.(f) Any changes to the design, development, and implementation schedules shall be reported as part of the Department's monthly MMIS reporting requirements. Any changes to key milestones shall be immediately reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management, with a full explanation of the reason for the change and any associated costs.

SECTION 10.20.(g) Beginning July 1, 2013, the Department shall make quarterly reports on the progress of the development and implementation of the replacement MMIS, the Reporting and Analytics Project, and the Division of Health Services Regulation Project. This report shall include any changes, or anticipated changes, in scope, functionality, or projected costs. This report shall include any changes to any replacement MMIS vendor contracts and shall provide a detailed explanation of those changes and any associated cost increases. Each report shall be made to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. A copy of the final report on each contract or amendment award shall also be submitted to the Joint Legislative Oversight Commission on Governmental Operations.

SECTION 10.20.(h) The Reporting and Analytics Project solution must be completed simultaneously with the replacement MMIS.

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

SECTION 10.21. Funds appropriated in this Act in the amount of eight hundred sixty-four thousand six hundred fifty-five dollars ($864,655) for state fiscal year 2014-2015 along with cash balance in budget code 24410 fund 2411 for the NC FAST project shall be used to match federal funds in fiscal year 2013-2014 and 2014-2015 to expedite the
development and implementation of the Eligibility Information System (EIS), Child Care, Low
Income Energy Assistance, and Crisis Intervention Programs, and Child Service components of
the North Carolina Families Accessing Services through Technology (NC FAST) project.

USE OF DHHS E-COMMERCE FUNDS FOR DIGITAL TRANSACTION FEES

SECTION 10.22. Notwithstanding the provisions of G.S. 66-58-12(c), funds
generated from digital transaction fees may be used by the Department of Health and Human
Services to support operational expenses as approved by the Office of State Budget and
Management.

MH/DD/SAS COMMUNITY SERVICE FUNDS AND FUNDS FOR INPATIENT
PSYCHIATRIC BEDS OR BED DAYS

SECTION 10.23. Section 10.8(a) and 10.8(b) of S.L. 2011-145 reads as rewritten:
"SECTION 10.8.(a) For the purpose of mitigating cash flow problems that many
non-single-stream managed care organizations (MCOs)/local management entities (LMEs)
experience at the beginning of each fiscal year, the Department of Health and Human Services,
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall
adjust the timing and method by which allocations of service dollars are distributed to each
non-single-stream LME/MCO. To this end, the allocations shall be adjusted such that at the
beginning of the fiscal year the Department shall distribute not less than one-twelfth of the
LME's/MCO's continuation allocation and subtract the amount of the adjusted distribution from
the LME's/MCO's total reimbursements for the fiscal year.

"SECTION 10.8.(b) Of the funds appropriated in this act to the Department of Health and
Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
Services, the sum of thirty-eight million one hundred twenty-one thousand six hundred
forty-four dollars ($38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight
million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the
2014-2015 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or
bed days In addition, at the discretion of the Secretary of Health and Human Services, existing
funds allocated to LMEs/MCOs for community-based mental health, developmental
disabilities, and substance abuse services may be used to purchase additional local inpatient
psychiatric beds or bed days. These beds or bed days shall be distributed across the State in
LME/MCO catchment areas, including any catchment areas served by managed care
organizations, and according to need as determined by the Department. The Department shall
enter into contracts with the LMEs/MCOs and community hospitals for the management of
these beds or bed days. The Department shall work to ensure that these contracts are awarded
equitably around all regions of the State. Local inpatient psychiatric beds or bed days shall be
managed and controlled by the LME/MCO, including the determination of which local or State
hospital the individual should be admitted to pursuant to an involuntary commitment order.
Funds shall not be allocated to LMEs/MCOs but shall be held in a statewide reserve at the
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay
for services authorized by the LMEs/MCOs and billed by the hospitals through the
LMEs/MCOs. LMEs/MCOs shall remit claims for payment to the Division within 15 working
days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working
days of receipt of payment from the Division. If the Department determines (i) that an
LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as
evidenced by beds or bed days in the local hospital not being utilized while demand for services
at the State psychiatric hospitals has not reduced, or (ii) the LME/MCO has failed to comply
with the prompt payment provisions of this subsection, the Department may contract with
another LME/MCO to manage the beds or bed days, or, notwithstanding any other provision of
law to the contrary, may pay the hospital directly. The Department shall develop reporting
requirements for LMEs/MCOs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs/MCOs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323.

MH/DD/SAS COMMUNITY SERVICE FUNDS AND FUNDS FOR INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 10.23.(a) For the purpose of mitigating cash flow problems that many non-single-stream managed care organizations (MCOs)/local management entities (LMEs) experience at the beginning of each fiscal year, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME/MCO. To this end, the allocations shall be adjusted such that at the beginning of the fiscal year the Department shall distribute not less than one-twelfth of the LME's/MCO's continuation allocation and subtract the amount of the adjusted distribution from the LME's/MCO's total reimbursements for the fiscal year.

SECTION 10.23.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the 2013-2014 fiscal year and the sum of thirty-eight million one hundred twenty-one thousand six hundred forty-four dollars ($38,121,644) for the 2014-2015 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LMEs/MCOs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in LME/MCO catchment areas, including any catchment areas served by managed care organizations, and according to need as determined by the Department. The Department shall enter into contracts with the LMEs/MCOs and community hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME/MCO, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs/MCOs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs/MCOs and billed by the hospitals through the LMEs/MCOs. LMEs/MCOs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME/MCO is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME/MCO has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME/MCO to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs/MCOs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through
LMEs/MCOs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323.

SECTION 10.23.(c) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis diversion and services, the sum of five million seven hundred thousand dollars ($5,700,000) shall be distributed to LMEs/MCOs to support crisis diversion and services throughout the State according to need as determined by the Department.

SECTION 10.23.(d) The Secretary of the Department of Health and Human Services shall have the authority to realign or reallocate funds appropriated in this act to fund new priorities of the State funded community mental health, developmental disabilities and substance abuse services. Not later than March 1, 2014, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a prioritized plan for system reform.

SECTION 10.23.(e) The Division is directed, through consultation with LME/MCO representatives and stakeholders, to develop a set of standardized covered benefits for recipients of LME/MCO Service Funds that shall become the only services paid for by community service funds through LMEs/MCOs. These services shall be best practices for developmental disabilities, mental illness, and substance abuse.

MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT

SECTION 10.24. Of the funds appropriated to the Department of Health and Human Services for the 2013-2015 fiscal biennium, the Department may use a portion of these funds to continue to develop and implement a health care information system for State institutions operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. G.S. 143C-6-5 does not apply to this section.

LME/MCO FUNDS FOR SUBSTANCE ABUSE SERVICES

SECTION 10.25.(a) Consistent with G.S. 122C-2, the General Assembly strongly encourages Local Management Entities (LMEs)/Managed Care Organizations (MCOs) to use a portion of the funds appropriated for substance abuse treatment services to support prevention and education activities.

SECTION 10.25.(b) An LME/MCO may use up to one percent (1%) of funds allocated to it for substance abuse treatment services to provide nominal incentives for consumers who achieve specified treatment benchmarks, in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

SECTION 10.25.(c) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate punishment offenders, community punishment offenders at risk for revocation, and Department of Public Safety releasees who have completed substance abuse treatment while in custody.

In addition to the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide substance abuse services for adult offenders and to increase the number of TASC case managers, the Department shall allocate up to three hundred thousand dollars
($300,000) to TASC. These funds shall be allocated to TASC before funds are allocated to
LMEs for mental health services, substance abuse services, and crisis services.

SECTION 10.25.(d)  In providing drug treatment court services, LMEs/MCOs
shall consult with the local drug treatment court team and shall select a treatment provider that
meets all provider qualification requirements and the drug treatment court's needs. A single
treatment provider may be chosen for non-Medicaid-eligible participants only. A single
provider may be chosen who can work with all of the non-Medicaid-eligible drug treatment
court participants in a single group. During the 52-week drug treatment court program,
participants shall receive an array of treatment and aftercare services that meets the participant's
level of need, including step-down services that support continued recovery.

SECTION 10.25.(e)  The Division of Mental Health, Developmental Disabilities
and Substance Abuse Services, with the approval of the Office of State Budget and
Management, may use up to two million two hundred thousand dollars ($2,200,000) in prior
year earned revenue to support services to clients in the drug treatment court program.

LIABILITY INSURANCE

SECTION 10.26.(a)  The Secretary of the Department of Health and Human
Services, the Secretary of the Department of Environment and Natural Resources, and the
Secretary of the Department of Public Safety may provide medical liability coverage not to
exceed one million dollars ($1,000,000) per incident on behalf of employees of the
Departments licensed to practice medicine or dentistry, on behalf of all licensed physicians who
are faculty members of The University of North Carolina who work on contract for the
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for
incidents that occur in Division programs, and on behalf of physicians in all residency training
programs from The University of North Carolina who are in training at institutions operated by
the Department of Health and Human Services. This coverage may include commercial
insurance or self-insurance and shall cover these individuals for their acts or omissions only
while they are engaged in providing medical and dental services pursuant to their State
employment or training.

SECTION 10.26.(b)  The coverage provided under this section shall not cover any
individual for any act or omission that the individual knows or reasonably should know
constitutes a violation of the applicable criminal laws of any state or the United States or that
arises out of any sexual, fraudulent, criminal, or malicious act or out of any act amounting to
willful or wanton negligence.

SECTION 10.26.(c)  The coverage provided pursuant to this section shall not
require any additional appropriations and shall not apply to any individual providing
contractual service to the Department of Health and Human Services, the Department of
Environment and Natural Resources, or the Department of Public Safety, with the exception
that coverage may include physicians in all residency training programs from The University of
North Carolina who are in training at institutions operated by the Department of Health and
Human Services and licensed physicians who are faculty members of The University of North
Carolina who work for the Division of Mental Health, Developmental Disabilities, and
Substance Abuse Services.

LME/MCO RISK RESERVE

SECTION 10.27.  Effective with the 2014 State fiscal year, of the funds
appropriated in this act to the Department of Health and Human Services, Division of Mental
Health, Developmental Disabilities, and Substance Abuse Services for LME/MCO Community
Services, 2% of non-Medicaid funds annually shall be identified as a risk reserve, and
designated as such in an non-reverting special reserve account titled "DMHDDSAS Risk
Reserve" until a target of 15% of the LME/MCO's Non-Medicaid Community service funding
is reached. The Risk Reserve Account shall be used only with prior approval by the Department and the Office of State Budget and Management to address the viability or solvency of an LME/MCO and the ability of the LME/MCO to meet obligations to its providers.

**FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE**

**SECTION 10.28** Of the fund available in the Foster Care budget the Department of Health and Human Services, Division of Social Services may provide for the financial support of children who are deemed to be in a permanent family placement setting, eligible for legal guardianship, and are otherwise unlikely to receive permanency. The Division of Social Services shall design this Guardianship Assistance Program (GAP) in manner so as to not incur additional expenses beyond the Foster Care budget. The Guardianship Assistance rates will reimburse the legal guardian for room and board, and be set at the same rate as the Foster Care room and board rates.

The Social Services Board is authorized to adopt administrative rules establishing a Guardianship Assistance Program. These rules shall be developed in such a manner as to provide financial support of children who are deemed to be in a licensed family placement setting and are otherwise unlikely to obtain legal permanency. The rules shall be developed in manner so as to not incur additional expenses beyond the approved Foster Care budget. The Guardianship Assistance rates will reimburse the legal guardian at the same rate as the Foster Care room and board rates.

**REVISE DATES/TANF BENEFIT IMPLEMENTATION**

**SECTION 10.29.(a)** The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan 2012-2015," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2012, through September 30, 2015. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2013 General Assembly.

**SECTION 10.29.(b)** The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan 2012-2015, as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

**SECTION 10.29.(c)** Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2012 through 2015 pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2012. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2015.

**SECTION 10.29.(d)** For the 2013-2014 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2012-2013 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

**SECTION 10.29.(e)** In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2013-2014 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to reallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to reallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth
in subsection (d) of this section, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM – NC REACH

SECTION 10.30.(a) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of two million six hundred seventy-eight thousand six hundred fifteen dollars ($2,678,615) for the 2013-2014 fiscal year and two million eight hundred five thousand seven hundred fifty-nine dollars ($2,805,759) for the 2014-2015 fiscal year shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. Funds appropriated by this subsection shall be allocated by the State Education Assistance Authority.

SECTION 10.30.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars ($50,000) for the 2013-2014 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2014-2015 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 10.30.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2013-2014 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2014-2015 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 10.30.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.31.(a) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child-placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent (50%) of the nonfederal share of the cost for a child placed in a family foster home or residential child care facility under an agreement with that provider as of October 31, 2008, until the child leaves foster care or experiences a placement change.

SECTION 10.31.(b) In addition to providing board payments to foster and adoptive families of HIV-infected children, any additional funds remaining that are appropriated for purposes described in G.S. 108A-49.1(c) shall be used to provide medical training in avoiding HIV transmission in the home.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.32.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is
not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.32.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

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

SECTION 10.32.(c) The Department shall establish a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

CHILD CARING INSTITUTIONS

SECTION 10.33. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

ELIMINATE MEDICATION ERROR REPORTS

As federal funding is no longer available for this report and as the report has served its purpose in reducing medication errors and since medication errors will still be reported through licensure and certification surveys,

SECTION 10.34. G.S. 131E-128.5 is repealed.

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.35.(a) The Department of Health and Human Services (Department) shall submit a report annually from a qualified entity with proven experience in conducting actuarial and health care studies on the Medicaid cost-savings achieved by the CCNC networks, which shall include children, adults, and the aged, blind, and disabled, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.35.(b) North Carolina Community Care Networks, Inc. (NCCCN), shall report quarterly to the Department and to the Office of State Budget and Management (OSBM) on the development of the statewide Enhanced Primary Care Case Management System and its defined goals and deliverables as agreed upon in the contract. NCCCN, Inc., shall submit biannual reports to the Secretary of Health and Human Services, OSBM, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.
Division on the progress and results of implementing the quantitative, analytical, utilization, quality, cost containment, and access goals and deliverables set out in the contract. NCCCN, Inc., shall conduct its own analysis of the CCNC system to identify any variations from the development plan for the Enhanced Primary Care Case Management System and its defined goals and deliverables set out in the contract between DMA and NCCCN, Inc. Upon identifying any variations, NCCCN, Inc., shall develop and implement a plan to address the variations. NCCCN, Inc., shall report the plan to DMA within 30 days after taking any action to implement the plan.

MEDICAID 1915(I) OPTION FOR BENEFICIARIES WITH INTELLECTUAL/DEVELOPMENTAL DISABILITIES (IDD)

SECTION 10.36.(a) The Department of Health and Human Services, Division of Medical Assistance (Division) shall develop and implement a home- and community–based services program under Medicaid State Plan 1915(i) or other federal authority to address the needs of Medicaid enrollees with intellectual or developmental disabilities (IDD) who are not enrolled in the Innovations Waiver and are not residing in an intermediate care facility for the mentally retarded (ICF-MR facility).

SECTION 10.36.(b) Upon approval by the Centers for Medicare and Medicaid Services (CMS), and in order to assure appropriate utilization management and qualitative oversight of this service, DMA will amend the 1915(b) waiver to delegate management and oversight of this benefit to the Local Management Entity-Managed Care Organizations (LME-MCOs).

ACCOUNTING FOR MEDICAID RECEIVABLES AS NON-TAX REVENUE

SECTION 10.37.(a) Receivables reserved at the end of the 2013-2014 and 2014-2015 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.37.(b) For the 2013-2014 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred ten million dollars ($110,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2014-2015 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred nine million dollars ($109,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances or other resources from State owned and operated hospitals which are used to provide indigent and non-indigent care services. The return from State owned and operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

MEDICAID FUNDING FOR ALZHEIMER’S AND RELATED DEMENTIAS

SECTION 10.38.(a) From funds available to the Department of Health and Human Services appropriated in this Act, the Department shall pursue, subject to approval by the Centers for Medicare and Medicaid Services, Medicaid funding for services for individuals with Alzheimer's and related dementias through a tiered Medicaid personal assistance program. Service authorization will require an Alzheimer's and dementia-related assessment component as part of the independent assessment process for personal care services. Eligible beneficiaries will be allowed up to 130 hours of service per month. The funding option shall be effective July 1, 2013 or upon approval by the Centers of Medicaid and Medicare Services (CMS).
SECTION 10.38.(b) The Department shall provide a report on status and implementation progress by December 1, 2013.

MEDICAID

SECTION 10.39.(a) Use of Funds, Allocation of Costs, Other Authorizations. –

(1) Use of funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.

(2) Allocation of nonfederal cost of Medicaid. – The State shall pay one hundred percent (100%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Use of funds for development and acquisition of equipment and software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software and related operational costs through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed funds allocated for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

(5) Medicaid as secondary payor claims. – The Department shall apply Medicaid medical policy to recipients who have primary insurance other than Medicare, Medicare Advantage, and Medicaid. The Department shall pay an amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

SECTION 10.39.(b) Policy. –

(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.
(3) Fraud and abuse. – The Division of Medical Assistance, Department of Health and Human Services, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

(4) Medical policy changes. – Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed medical policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. For medical policy changes exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000) by October 15th of each year for the previous two calendar quarters and by April 15th of each year for the previous two calendar quarters.

(5) Posting of notices of changes on Department Web site. – For any public notice of change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no later than seven business days after the date of publication, publish the same notice on its Web site on the same Web page as it publishes State Plan amendments, and the notice shall remain on the Web site continuously for 90 days.

At least 30 days prior to the adoption of new or amended medical coverage policies necessitated by the reductions to the Medicaid program enacted in this act, the Department shall (i) publish the proposed new or amended medical coverage policies via the Medicaid Bulletin published on the Department's Web site, which shall include an invitation to readers to send written comments on the proposed new or amended policies to the Department's mailing address, including e-mail, (ii) notify via direct mail the members of the Physician Advisory Group (PAG) of the proposed policies, (iii) update the policies published on the Web site to reflect any changes made as a result of written comments received from the PAG and others, and (iv) provide written notice to recipients about changes in policy.

(6) Electronic transactions. – Medicaid providers shall follow the Department's established procedures for securing electronic payments, and the Department shall not provide routine provider payments by check. Medicaid providers shall file claims electronically, except that nonelectronic claims submission
may be required when it is in the best interest of the Department. Medicaid providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor with interface capability to submit data into the Web-based PASARR.

Providers shall submit requests for prior authorizations electronically via the vendor's Web site. Providers shall access their authorizations via online portals rather than receiving hard copies by mail. Recipients shall continue to receive adverse decisions via certified mail. Providers shall receive copies electronically. Once Web portal is live for provider enrollment, providers shall submit their provider enrollment applications online. Thereafter, the Department shall accept electronic signatures, rather than require receipt of signed hard copies.

(7) Medicaid identification cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

(8) As a condition of participation in the North Carolina Medicaid and North Carolina Health Choice Programs, prior to submitting an initial application for enrollment providers shall submit an attestation, complete trainings and pay fees associated with such trainings.

(9) Provider application fee. – Effective September 1, 2009, the Department of Health and Human Services, Division of Medical Assistance, shall charge an application fee of one hundred dollars ($100.00), and the amount federally required, to each provider enrolling in the Medicaid program for the first time. The fee shall be charged to all providers at recredentialing every three years.

(10) Billing Agent, Clearinghouse and Alternate Payee; Registration Required-Effective July 1, 2012, as a condition of participation in the North Carolina Medicaid and North Carolina Health Choice Programs, in accordance with S.L. 2011-399, prior to submitting claims all billing agents, clearinghouses and alternate payees will register with the Division of Medical Assistance, and pay fees associated with enrollment in the registry. Providers that fail to register shall be excluded for a period of not to exceed one year.

(11) In order to ensure all claims presented by a provider for payment by the Department of Health and Human Services meet the Department's medical necessity criteria and all other applicable Medicaid, Health Choice, or other federal or State documentation requirements, a provider may be required to undergo prepayment claims review by DHHS. Claims reviews conducted pursuant to this section shall be in accordance with the provisions of the Patient Protection and Affordable Care Act, P.L. 111-148, and any implementing regulations.

SECTION 10.39.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance. –

a. Income eligibility standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

<table>
<thead>
<tr>
<th>CATEGORICALLY NEEDY – WFFA*</th>
<th>MEDICALLY NEEDY</th>
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### Standard of Need

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<td>9,256</td>
<td>4,680</td>
<td>6,300</td>
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*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

b. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need. These standards may be changed with the approval of the Director of the Budget.

c. The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds in accordance with federal rules and regulations.

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

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

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.
e. Children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

f. Family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources.

g. Workers with disabilities described in G.S. 108A-54.1 with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

(3) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs, regardless of the adoptive family's income.

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

(5) ICF and ICF/MR work incentive allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

<table>
<thead>
<tr>
<th>Monthly Net Wages</th>
<th>Monthly Incentive Allowance</th>
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<td>$1.00 to $100.99</td>
<td>Up to $50.00</td>
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<tr>
<td>$101.00 to $200.99</td>
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<td>$130.00</td>
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<tr>
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(6) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a.(a)(10)(A)(ii)(XVIII).

SECTION 10.39.(d) Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services in accordance with the following schedule of services and payment bases. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

The Department of Health and Human Services (DHHS) shall operate and manage the Medicaid program within the annual State appropriation. DHHS shall establish policies, practices, rates, and expenditure procedures that are in compliance with CMS regulations and approved State Plans, State laws, and regulations.

Additionally, the Department shall be required to use the Physician's Advisory Group for review and will collaborate with other stakeholder groups in the adoption and implementation of all clinical and payment policies, including all public notice and posting provisions in use as of the effective date of this provision.

(1) Mandatory Services. – In order to manage the Medicaid program within the annual State appropriation, the Secretary shall have the authority to submit
State Plan amendments and establish temporary rules affecting the amount of service and payment rate for the following mandatory services:

a. Hospital inpatient. – Payment for hospital inpatient services will be prescribed by the State Plan as established by the Department of Health and Human Services.

b. Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services. Effective October 1, 2013, hospital outpatient – seventy percent (70%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

c. Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare.

d. Physicians, certified nurse midwife services, nurse practitioners, physician assistants. – Fee schedules as developed by the Department of Health and Human Services. The Department shall reimburse certified nurse midwives, nurse practitioners, and physician assistants at 85 percent of the Medicaid physician fee schedule to mirror the Medicare payment methodology.

e. EPSDT screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

f. Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

g. Rural health clinical services. – Provider-based, reasonable cost, nonprovider-based, single-cost reimbursement rate per clinic visit.

h. Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g., hospitals, physicians.

i. Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

j. Medicare Buy-In. – Social Security Administration premium.

k. Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

l. Medicare crossover claims. – The Division of Medical Assistance shall apply Medicaid medical policy to recipients who have primary insurance of Medicare and Medicare Advantage plans (Medicare) for dually eligible recipients.

1. For payment of Medicare crossover claims the Division of Medical Assistance shall pay the Medicaid allowable payment less the amount paid by Medicare but not to exceed the sum of the Medicare cost share.

2. Cost share is defined as the sum of coinsurance, deductible, and co-pay.
3. Medicaid's payment shall be the lesser of Medicaid net allowable or the Medicare cost share as defined in sub-sub-subdivision 2 of this sub-subdivision.

4. Medicaid net allowable is calculated by reducing the Medicaid allowed minus Medicare cash payment minus the Medicare contractual adjustment minus patient medical liability.

5. This methodology shall apply to both Mandatory and Optional Medicaid covered services.

m. Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits as described in clinical policy.

n. Mental health services. – Coverage is limited to children eligible for EPSDT services provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

3. For the purpose of promoting cost-effective utilization of outpatient mental health services for children, DMA shall require prior authorization for outpatient services following the 16th visit

4. MH residential. – The Department of Health and Human Services shall restructure the Medicaid child mental health, developmental disabilities, and substance abuse residential services to ensure that total expenditures are within budgeted levels. All restructuring activities shall be in compliance with federal and State law or rule. The Divisions of Medical Assistance and Mental Health, Developmental Disabilities, and Substance Abuse Services shall establish a team inclusive of providers, LMEs, and other stakeholders to assure effective transition of recipients to appropriate treatment options. The restructuring shall address all of the following:

I. Submission of the therapeutic family service definition to CMS.
II. The Department shall reexamine the entrance and continued stay criteria for all residential services. The revised criteria shall promote least restrictive services in the home prior to residential placement. During treatment, there must be inclusion in community activities and parent or legal guardian participation in treatment.

III. Require all existing residential providers or agencies to be nationally accredited within one year of enactment of this act. Any providers enrolled after the enactment of this act shall be subject to existing endorsement and nationally accrediting requirements. In the interim, providers who are nationally accredited will be preferred providers for placement considerations.

IV. Before a child can be admitted to Level III or Level IV placement, an assessment shall be completed to ensure the appropriateness of placement, and one or more of the following shall apply:
   A. Placement shall be a step down from a higher level placement such as a psychiatric residential treatment facility or inpatient facility.
   B. Multisystemic therapy or intensive in-home therapy services have been unsuccessful.
   C. The Child and Family Team has reviewed all other alternatives and recommendations and recommends Level III or Level IV placement due to maintaining health and safety.
   D. Transition or discharge plan shall be submitted as part of the initial or concurrent request.

V. Length of stay is limited to no more than 180 days. Any exceptions granted will require (i) for non-CABHAs, an independent psychological or psychiatric assessment, (ii) for CABHAs, a psychological or psychiatric assessment that may be completed by the CABHA, and (iii) for both, a Child and Family Team review of goals and treatment progress, that family or discharge placement setting are actively engaged in treatment goals and objectives, and active participation of the prior authorization of vendor.

VI. Submission of discharge plan is required in order for the request for authorization for Level III or Level IV services to be considered complete, but the authorization approval is not conditional upon the receipt of the signature of the system of care coordinator. The LME will designate appropriate individuals who can sign the discharge plan within 24 hours of receipt of the discharge plan. Failure to
submit a complete discharge plan will result in the request being returned as unable to process.

VII. Any residential provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients, and the prior authorization vendor 30 days prior to closing of the business.

VIII. Record maintenance is the responsibility of the provider and must be in compliance with record retention requirements. Records shall also be available to State, federal, and local agencies.

IX. Failure to comply with notification, recipient transition planning, or record maintenance shall be grounds for withholding payment until such activity is concluded. In addition, failure to comply shall be conditions that prevent enrollment for any Medicaid or State-funded service. A provider (including its officers, directors, agents, or managing employees or individuals or entities having a direct or indirect ownership interest or control interest of five percent (5%) or more as set forth in Title XI of the Social Security Act) that fails to comply with the required record retention may be subject to sanctions, including exclusion from further participation in the Medicaid program, as set forth in Title XI.

(2) Optional Services. – In order to manage the Medicaid program within the annual State appropriation, the Secretary shall have the authority to submit State Plan amendments and establish temporary rules affecting the amount of service, payment rate, or elimination of the following optional services:

a. Certified registered nurse anesthetists shall be reimbursed at 85 percent of the Medicaid physician fee schedule to mirror the Medicare payment methodology.

b. Community Alternative Programs.

c. Hearing aids. – Wholesale cost plus dispensing fee to provider.

d. Ambulatory surgical centers.

e. Private duty nursing, clinic services, prepaid health plans.

f. Intermediate care facilities for the mentally retarded.

g. Chiropractors, podiatrists, optometrists, dentists.

h. Dental coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

i. Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

j. Physical therapy, occupational therapy, and speech therapy. – Services for adults. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services.

k. Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human Services.
l. Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.
m. Hospice and palliative care.
n. Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be licensed or certified by the occupational licensing board or the certification authority having authority over the provider’s license or certification. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.
o. Health insurance premiums.
p. Medical care/other remedial care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals.
q. Bariatric surgeries. – Covered as described in clinical policy 1A-15, Surgery for Clinically Severe Obesity. In order to raise the standard of bariatric care in North Carolina, approval for bariatric procedures shall be granted only to those providers who are privileged to provide bariatric procedures in a facility that is designated as a Bariatric Surgery Center of Excellence (BSCOE).
r. Drugs. –
   1. Reimbursements. – Reimbursements shall be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payments for drugs are subject to the provisions of this subdivision or in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be established by the Department. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.
   2. Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid program. The Department may impose prior authorization requirements on brand-name drugs for which the phrase “medically necessary” is written on the prescription.
   3. Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber
has determined, at the time the drug is prescribed, that the
brand-name drug is medically necessary and has written on
the prescription order the phrase "medically necessary." An
initial prescription order for a drug listed in the narrow
therapeutic drug index that does not contain the phrase
"medically necessary" shall be considered an order for the
drug by its established or generic name, except that a
pharmacy shall not substitute a generic or established name
prescription drug for subsequent brand or trade name
prescription orders of the same prescription drug without
explicit oral or written approval of the prescriber given at the
time the order is filled. Generic drugs shall be dispensed at a
lower cost to the Medical Assistance Program rather than
trade or brand-name drugs. Notwithstanding this subdivision
to the contrary, the Secretary of Health and Human Services
may prevent substitution of a generic equivalent drug,
including a generic equivalent that is on the State maximum
allowable cost list, when the net cost to the State of the
brand-name drug, after consideration of all rebates, is less
than the cost of the generic equivalent. As used in this
subsection, "brand name" means the proprietary name the
manufacturer places upon a drug product or on its container,
label, or wrapping at the time of packaging; and "established
name" has the same meaning as in section 502(e)(3) of the
Federal Food, Drug, and Cosmetic Act, as amended, 21

4. Specialty drug provider network. – The Department of Health
and Human Services shall work with specialty drug
providers, manufacturers of specialty drugs, Medicaid
recipients who are prescribed specialty drugs, and the medical
professionals that treat Medicaid recipients who are
prescribed specialty drugs to develop ways to ensure that best
practices and the prevention of overutilization are maintained
in the delivery and utilization of specialty drugs.

5. Lock controlled substances prescriptions into single
pharmacy/provider. – The Department of Health and Human
Services, Division of Medical Assistance, shall lock Medicaid
enrollees into a single pharmacy and provider when the
Medicaid enrollee’s utilization of selected controlled
substance medications meets the lock-in criteria approved by
the North Carolina Physicians Advisory Group, as follows:
I. Enrollees may be prescribed selected controlled
substance medications by only one prescribing
physician and may not change the prescribing
physician at any time without prior approval or
authorization by the Division.

II. Enrollees may have prescriptions for selected
controlled substance medications filled at only one
pharmacy and may not change to another pharmacy at
any time without prior approval or authorization by
the Division.
5A. Prior authorization. – The Department of Health and Human Services may impose prior authorization requirements and other restrictions on medications prescribed for Medicaid and Health Choice recipients for the treatment of HIV/AIDS and mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, and other medications prescribed for the treatment of mental illness on the Preferred Drug List (PDL). The Department of Health and Human Services, Division of Medical Assistance, may initiate prior authorization for the prescribing of drugs specified for the treatment of mental illness by providers who fail to prescribe those drugs in accordance with indications and dosage levels approved by the federal Food and Drug Administration.

6. Preferred Drug List. – The Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. Medications prescribed for the treatment of mental illness shall be included on the Preferred Drug List (PDL).

The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list, including the implementation of prior authorization on identified drugs. Members of the committee shall submit conflict of interest disclosure statements to the Department and shall have an ongoing duty to disclose conflicts of interest not included in the original disclosure.

The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including the following:

I. Guidelines for the presentation and review of drugs for inclusion on the preferred drug list.

II. The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness.

III. An appeals process for the resolution of disputes.

IV. Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated
discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates.

The Secretary of the Department of Health and Human Services shall establish a Preferred Drug List (PDL) Policy Review Panel to review the Medicaid PDL recommendations from the Department of Health and Human Services, Division of Medical Assistance, and the Physician Advisory Group Pharmacy and Therapeutics (PAG P&T) Committee.

The Secretary shall appoint the following individuals to the review panel: (i) the Director of Pharmacy for the Division of Medical Assistance, (ii) a representative from the PAG P&T Committee, (iii) a representative from the Old North State Medical Society, (iv) a representative from the North Carolina Association of Pharmacists, (v) a representative from Community Care of North Carolina, (vi) a representative from the North Carolina Psychiatric Association, (vii) a representative from the North Carolina Pediatric Society, (viii) a representative from the North Carolina Academy of Family Physicians, (ix) a representative from the North Carolina Chapter of the American College of Physicians, (x) a representative from a research-based pharmaceutical company, (xi) a representative from a hospital-based pharmacy.

Individuals appointed to the Review Panel, except for the Division's Director of Pharmacy, shall serve only a two-year term.

After the Department, in consultation with the PAG P&T Committee, publishes a proposed policy or procedure related to the Medicaid PDL, the Review Panel shall hold an open meeting to review the recommended policy or procedure along with any written public comments received as a result of the posting. The Review Panel shall provide an opportunity for public comment at the meeting. After the conclusion of the meeting, the Review Panel shall submit policy recommendations about the proposed Medicaid PDL policy or procedure to the Secretary.

The Department may establish a Preferred Drug List for the North Carolina Health Choice for Children program and pursue negotiated discounts or rebates for all prescription drugs under the program in order to achieve the lowest available price for such drugs under such program. The
Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for these discounts or rebates. The PAG P&T Committee and Preferred Drug List Policy Review Panel will provide recommendations on policies and procedures for the NC Health Choice Preferred Drug List.

s. Incentive Payments as outlined in the State Medicaid Health Information Plan for Electronic Health Records.

t. Other mental health services. – Unless otherwise covered by this section, coverage is limited to the following:

1. Services as established by the Division of Medical Assistance in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services, not to exceed the upper limits established in federal regulations.

2. For Medicaid-eligible adults, services provided by licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, certified clinical addictions specialists, and licensed clinical supervisors may be self-referred.

3. Payments made for services rendered in accordance with this subdivision shall be qualified providers in accordance with approved policies and the State Plan. Nothing in subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

4. Community Support Team. – Authorization for a Community Support Team shall be based upon medical necessity as defined by the Department and shall not exceed 18 hours per week.

Notwithstanding G.S. 150B-21.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services established by the Division of Medical Assistance in consultation with the Division of Mental Health, Developmental Disabilities, and
Substance Abuse Services under this subdivision shall be established by the Division of Medical Assistance.

u. Experimental/investigational medical procedures. – Coverage is limited to services, supplies, drugs, or devices recognized as standard medical care for the condition, disease, illness, or injury being treated as determined by nationally recognized scientific professional organizations or scientifically based federal organizations such as the Food and Drug Administration, the National Institutes of Health, the Centers for Disease Control, or the Agency for Health Care Research and Quality.

v. Clinical trials. – The Division of Medical Assistance shall develop clinical policy for the coverage of routine costs in clinical trial services for life-threatening conditions using resources such as coverage criteria from Medicare, NC State Health Plan, and the input of the Physicians Advisory Group.

w. Organ transplants.

x. Mobile health screenings and assessments – In order to receive reimbursement by the NC Medical Assistance program, mobile providers of health and dental screenings, assessments and preventive services must:
   1. refer patients to an established provider of comprehensive care when follow up care is required;
   2. be linked through either ownership or a legally binding contract to a primary care, dental, or other provider with a permanent and fixed location;
   3. have electronic technology that enables the same day exchange of patient records with the provider of referral;
   4. have a service area that is limited to 100 miles in a rural setting and 50 miles in an urban setting from the primary provider to which they are linked.

(3) Never Events and Hospital Acquired Conditions (HACs) shall not be reimbursed. Medicaid will adhere to Medicare requirements for definition of events and conditions.

SECTION 10.39.(e) Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:
   a. The provider fails to demonstrate financial viability.
   b. The Department determines there is significant potential for fraud and abuse.
   c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.
The Department may waive or limit the requirements of this subsection for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.

b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.

d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

e. The need to ensure adequate access to care.

In waiving or limiting requirements of this subsection, the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

Reimbursement is available for up to 30 visits per recipient per fiscal year for the following professional services: physicians, nurse practitioners, nurse midwives, physician assistants, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life-threatening disorder or as an alternative to more costly care options.

SECTION 10.39.(f) Exceptions and Limitations on Services; Authorization of Co-Payments and Other Services.

Exceptions to service limitations, eligibility requirements, and payments. – Service limitations, eligibility requirements, and payment bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver or innovation projects will result in a reduction in the total Medicaid costs.

Co-payment for Medicaid services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation.

SECTION 10.39.(g) Rules, Reports, and Other Matters.
Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. The Department of Health and Human Services shall adopt rules requiring providers to attend training as a condition of enrollment and may adopt temporary or emergency rules to implement the training requirement.

Prior to the filing of the temporary or emergency rules authorized under this subsection with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

Any changes to the Medicaid program that must receive federal approval from the Centers for Medicare and Medicaid Services (CMS) in the North Carolina State Plan are exempt from rulemaking. The Department shall send a copy of the state plan amendment and fiscal note to the Office of State Budget and Management at the same time it submits a state plan amendment to CMS. All clinical policy, including components required to implement the policy such as provider qualifications and documentation standards, are subject to the approval of the North Carolina Physicians' Advisory Group.

The Department of Health and Human Services shall not implement any actions directed by this act if the Department determines that such actions would jeopardize the receipt of federal funds appropriated or allocated to the Department.

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 10.40.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2013-2014 fiscal year and up to five million dollars ($5,000,000) in the 2014-2015 fiscal year in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services, hiring additional staff, funding pilot programs, Health Information Exchange and Health Information Technology (HIE/HIT) administrative activities, or providing grants through the Office of Rural Health and Community Care to plan, develop, and implement cost containment programs.

Medicaid cost containment activities may include preparation and planning activities for the Partnership for a Health North Carolina initiative, prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, plastic magnetic-stripped Medicaid identification cards for issuance to Medicaid enrollees, fraud detection software or other fraud detection activities, technology that improves clinical decision making, credit balance recovery and data mining services, and other cost containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the cost containment activity and documentation of the amount of savings expected to be realized from the cost containment activity.

SECTION 10.40.(b) The Department shall report annually on the expenditures under this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. The report shall include the methods used to achieve savings and the amount saved by these methods. The report is due to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division not later than December 1 of each year for the activities of the previous State fiscal year.
MEDICAID SPECIAL FUND TRANSFER

SECTION 10.41. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2013-2014 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2014-2015 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.42 Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds one million dollars ($1,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed medical policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding one million dollars ($1,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. For medical policy changes exceeding one million dollars ($1,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with a five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a report itemizing all medical policy changes with total requirements of less than one million dollars ($1,000,000) by October 15th of each year for the previous two calendar quarters and by April 15th of each year for the previous two calendar quarters.

PERSONAL CARE SERVICES/ADL ELIGIBILITY

SECTION 10.43.(a) The Department of Health and Human Services, Division of Medical Assistance, may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary:

(1) Personal Care Services. The Department of Health and Human Services, Division of Medical Assistance (DMA), shall:

a. Provide services to assist families to meet the personal care needs of adults and children, including those individuals under the age of 21 receiving comprehensive and preventive child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

i. The beneficiary shall have a medical condition, disability, or cognitive impairment and demonstrates unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level.
ii. The beneficiary resides either in a private living arrangement, a residential facility licensed by the State of North Carolina as an adult care home, or a combination home as defined in G.S. 131E-101(1a).

iii. The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. Personal care services shall not include nonmedical transportation; financial management; non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting; and household chores not directly related to the qualifying ADLs.

b. Establish, in accordance with G.S. 108A-54.2, a Medical Coverage Policy to include up to 60 hours per month for children in accordance with an independent assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee. Additional hours may be authorized when the services are required to correct or ameliorate defects and physical and mental illnesses and conditions in this age group, as defined in 42 U.S.C. § 1396d(r)(5), in accordance with a plan of care approved by DMA or its designee. Personal care services shall be available for up to 80 hours per month for adults in accordance with an assessment conducted under subsection d of this section and a plan of care developed by the service provider and approved by the Department of Health and Human Services, Division of Medical Assistance, or its designee.

c. Implement the following limitations and restrictions:

1. Additional services to children required under federal EPSDT requirements shall be provided to qualified beneficiaries.

2. Services shall be provided in a manner that supplements, rather than supplants, family roles and responsibilities.

3. Services shall be authorized in amounts based on assessed need of each beneficiary, taking into account care and services provided by the family, other public and private agencies, and other informal caregivers who may be available to assist the family. All available resources shall be utilized fully, and services provided by such agencies and individuals shall be disclosed to the DMA assessor.

4. Services shall be directly related to the personal care service assessment and plan of care, as applicable.

5. Services shall not include household chores not directly related to nonmedical transportation, financial management, and non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting.

d. Utilize the following process for evaluation or reevaluation to provide personal care services:

1. All assessments for personal care services, continuation of service, and change of status reviews shall be performed by an independent assessment entity (IAE).

   i. The IAE shall not be an owner of a provider business or provider of personal care services of any type.

   ii. A beneficiary shall be assessed by the IAE after the beneficiary's primary or attending physician provides
written authorization for referral for the service and
written attestation to the medical necessity for the

iii. The IAE shall determine and authorize the amount of
service to be provided as determined by its review and
findings of each beneficiary's degree of functional
disability and level of unmet needs for personal care
services in the five qualifying ADLs.

2. All assessments for the provision of services, continuation of
these services, and change of status reviews for these services
shall be performed by DMA or its designee. The DMA
designee may not be an owner of a provider business or
provider of personal care services of any type.

3. DMA or its designee shall determine and authorize the
amount of service to be provided on a "needs basis," as
determined by its review and findings of each beneficiary's
degree of functional disability and level of unmet needs.

e. Take all appropriate actions to manage the cost, quality, program
compliance, and utilization of personal care services, including, but
not limited to:

1. Priority independent reassessment of beneficiaries before the
anniversary date of their initial assessment.

2. Priority independent reassessment of beneficiaries requesting
a change of service provider.

3. Targeted independent reassessments of beneficiaries prior to
their anniversary dates when the current provider assessment
indicates they may not qualify for personal care services or
for the amount of services they are currently receiving.

4. Targeted independent reassessment of beneficiaries receiving
services from providers with a history of noncompliance in
providing personal care services to children.

5. The use of mandated electronic transmission of referral
forms, plans of care, and reporting forms.

6. The use of mandated electronic transmission of uniform
reporting forms for beneficiary complaints and critical
incidents.

7. The use of automated systems to monitor, evaluate, and
profile provider performance against established performance
indicators.

8. Establishment of rules that implement the requirements of 42
C.F.R. § 441.16.

TRANSFER TO OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 10.44. From funds available to the Department of Health and Human
Services (Department) for the 2013-2014 fiscal year, the sum of one million dollars
($1,000,000), and for the 2014-2015 fiscal year the sum of one million dollars ($1,000,000),
shall be transferred by the Department of Health and Human Services to the Office of
Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation
services provided for Medicaid applicant and recipient appeals and to contract for other
services necessary to conduct the appeals process. OAH shall continue the Memorandum of
Agreement (MOA) with the Department for mediation services provided for Medicaid recipient
appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

MEDICAID PROVIDER ASSESSMENTS

SECTION 10.45. The Secretary of Health and Human Services may implement a Medicaid assessment program for any willing provider category allowed under federal regulations up to the maximum percentage allowed by federal regulation. The Department may retain up to sixty-five percent (65%) of the amount from an assessment program implemented after December 31, 2010, that can be used by the Department to support Medicaid expenditures. Any assessment funds not retained by the Department shall be used to draw federal Medicaid matching funds for implementing increased rates or new reimbursement plans for each provider category being assessed.

Receipts from the assessment program are hereby appropriated for the 2013-2014 fiscal year and the 2014-2015 fiscal year for the purposes set out in this section.

HOSPITAL ASSESSMENTS

SECTION 10.46. G.S. 108A-121 reads as rewritten:


The following definitions apply in this Article:

(1) CMS. – Centers for Medicare and Medicaid Services.
(3) Department. – The Department of Health and Human Services.
(4) Equity assessment. – The assessment payable under G.S. 108A-123.
(5) Medicaid equity payment. – The amount required to be paid under G.S. 108A-124.
(6) Public hospital. – A hospital that certifies its public expenditures to the Department pursuant to 42 C.F.R. § 433.51(b) during the fiscal year for which the assessment applies.
(7) Secretary. – The Secretary of Health and Human Services.
(8) State's annual Medicaid payment. – Forty-three million dollars ($43,000,000), Twenty-eight and eighty-five hundredths percent (28.85%) of the assessment.

...."

SECTION 10.46.(b) G.S. 108A-124 reads as rewritten:


(a) Use. – The proceeds of the assessments imposed under this Article and all corresponding matching federal funds must be used to make the State annual Medicaid payment to the State and the Medicaid equity payments and UPL payments to hospitals.

(b) Quarterly Payments. – Within seven business days following the due date for each quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

(1) Transfer to the State Controller twenty five percent (25%) of the State's annual Medicaid payment amount.

(2)(1) Pay to each hospital that has paid its equity assessment for the respective quarter twenty-five percent (25%) of its Medicaid equity payment amount. A hospital's Medicaid equity payment amount is the sum of the hospital's Medicaid inpatient and outpatient deficits after calculating all other Medicaid payments, excluding disproportionate share hospital payments and
the UPL payment remitted to the hospital under subdivision (3) of this
subsection.

(3)(2) Pay to the primary affiliated teaching hospital for the East Carolina
University Brody School of Medicine, to the critical access hospitals, and to
each hospital that has paid its UPL assessment for the respective quarter
twenty-five percent (25%) of its UPL payment amount, as determined under
subsection (c) of this section.

(c) UPL Payment Amount. – The aggregate UPL payments made to eligible hospitals
that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL
payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for
these hospitals. UPL payments are payable to the individual hospitals in the ratio of each
hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.
(d) Refund of Assessment. – If all or any part of a payment required to be made under
this section is not made to one or more hospitals when due, the Secretary must promptly refund
to each such hospital the corresponding assessment proceeds collected in proportion to the
amount of assessment paid by that hospital."

MEDICAID PROVIDER SCREENING

SECTION 10.47 G.S. 108C-3 reads as rewritten:

... (c) Limited Categorical Risk Provider Types. – The following provider types are hereby
designated as "limited" categorical risk:

... (16) Portable X-ray suppliers
(17) Religious non-medical health care institutions
(18) Registered dieticians
(19) Clearinghouses, Billing Agents and Alternate Payees

... (e) Moderate Categorical Risk Provider Types. – The following provider types are hereby
designated as "moderate" categorical risk:

... (14) Local Health Departments
(15) Non-Emergency Medical Transportation

..."

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.48.(a) The maximum monthly rate for residents in adult care home
facilities shall be one thousand one hundred eighty-two dollars ($1,182) per month per resident
unless adjusted by the Department in accordance with subsection (d) of this section. The
eligibility of Special Assistance recipients residing in adult care homes on September 30, 2009,
shall not be affected by an income reduction in the Special Assistance eligibility criteria
resulting from the adoption of this maximum monthly rate, provided these recipients are
otherwise eligible.

SECTION 10.48.(b) The maximum monthly rate for residents in
Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars
($1,515) per month per resident unless adjusted by the Department in accordance with
subsection (d) of this section.

SECTION 10.48.(c) Notwithstanding any other provision of this section, the
Department of Health and Human Services shall review activities and costs related to the
provision of care in adult care homes and shall determine what costs may be considered to
properly maximize allowable reimbursement available through Medicaid personal care services
for adult care homes (ACH-PCS) under federal law. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State-County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Subject to approval by the Centers for Medicare and Medicaid Services (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual’s personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.48.(d) The Department of Health and Human Services shall recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds and shall ensure that cost reporting is done for State-County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

DHHS BLOCK GRANTS

SECTION 10.50.(a) Appropriations from the federal block grant funds are made for the fiscal year ending June 30, 2014, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01. Work First Family Assistance $ 62,403,650
02. Work First County Block Grants 82,485,495
03. Work First Electing Counties 2,352,521
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adoption Services – Special Children's Adoption Fund</td>
<td>2,026,877</td>
</tr>
<tr>
<td>2</td>
<td>Child Protective Services – Child Welfare Workers for Local DSS</td>
<td>9,412,391</td>
</tr>
<tr>
<td>3</td>
<td>Child Welfare Collaborative</td>
<td>632,416</td>
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<tr>
<td>4</td>
<td>Division of Child Development</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Subsidized Child Care Program</td>
<td>49,942,609</td>
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<tr>
<td>6</td>
<td>Swap Child Care Subsidy</td>
<td>6,352,644</td>
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<tr>
<td>7</td>
<td>Division of Public Health</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Teen Pregnancy Initiatives</td>
<td>2,500,000</td>
</tr>
<tr>
<td>9</td>
<td>DHHS Administration</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Division of Social Services</td>
<td>2,482,260</td>
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<td>11</td>
<td>Office of the Secretary</td>
<td>34,042</td>
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<td>12</td>
<td>Transfers to Other Block Grants</td>
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<tr>
<td>13</td>
<td>Division of Child Development</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Transfer to the Child Care and Development Fund</td>
<td>71,773,001</td>
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<tr>
<td>15</td>
<td>Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties</td>
<td>1,300,000</td>
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<tr>
<td>16</td>
<td>Transfer to Social Services Block Grant for Child Protective Services</td>
<td>5,040,000</td>
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<tr>
<td>17</td>
<td>Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services</td>
<td>4,148,001</td>
</tr>
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<td>18</td>
<td>TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS</td>
<td>$ 302,885,907</td>
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<td>19</td>
<td>TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS</td>
<td></td>
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<tr>
<td>20</td>
<td>Local Program Expenditures</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Division of Social Services</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Work First County Block Grants</td>
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<td>Description</td>
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<td>Work First Electing Counties</td>
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<td>2</td>
<td>Subsidized Child Care Programs</td>
<td>6,189,559</td>
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<td>3</td>
<td><strong>TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)</strong></td>
<td><strong>$ 12,156,086</strong></td>
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<td>4</td>
<td><strong>EMERGENCY CONTINGENCY FUNDS</strong></td>
<td><strong>$ 12,156,086</strong></td>
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<td>5</td>
<td><strong>SOCIAL SERVICES BLOCK GRANT</strong></td>
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<tr>
<td>6</td>
<td>Local Program Expenditures</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Divisions of Social Services and Aging and Adult Services</td>
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<td>8</td>
<td>01. County Departments of Social Services</td>
<td><strong>$ 31,799,210</strong></td>
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<tr>
<td>9</td>
<td>(Transfer from TANF 4,148,001)</td>
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<tr>
<td>10</td>
<td>02. Child Protective Services (Transfer from TANF)</td>
<td>5,040,000</td>
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<td>11</td>
<td>03. State In-Home Services Fund</td>
<td>2,101,113</td>
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<td>12</td>
<td>04. Adult Protective Services</td>
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<td>13</td>
<td>05. State Adult Day Care Fund</td>
<td>2,155,301</td>
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<td>14</td>
<td>06. Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program</td>
<td>609,455</td>
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<td>15</td>
<td>07. Special Children Adoption Incentive Fund</td>
<td>500,000</td>
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<tr>
<td>16</td>
<td>08. Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)</td>
<td>1,300,000</td>
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<td>17</td>
<td>09. Home and Community Care Block Grant (HCCBG)</td>
<td>1,834,077</td>
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<td>18</td>
<td>10. Guardianship</td>
<td>4,300,000</td>
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<td>19</td>
<td>11. UNC Cares Contract</td>
<td>247,920</td>
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<td>20</td>
<td>12. Foster Care Services</td>
<td>1,497,138</td>
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<tr>
<td>21</td>
<td><strong>DHHS Program Expenditures</strong></td>
<td></td>
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<tr>
<td>22</td>
<td>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</td>
<td></td>
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<tr>
<td>23</td>
<td>13. Mental Health Services-Adult and Child/Developmental Disabilities Program/Substance Abuse Services-Adult</td>
<td>4,356,604</td>
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<td>24</td>
<td>Division of Services for the Blind</td>
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<td>Division of Health Service Regulation</td>
<td>411,897</td>
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<tr>
<td>Adult Care Licensure Program</td>
<td>205,668</td>
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<tr>
<td>Mental Health Licensure and Certification Program</td>
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<td>DHHS Administration</td>
<td></td>
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<tr>
<td>Division of Aging and Adult Services</td>
<td>624,454</td>
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<td>Division of Social Services</td>
<td>604,311</td>
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<tr>
<td>Office of the Secretary/Controller's Office</td>
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<tr>
<td>Division of Child Development</td>
<td>15,000</td>
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<td>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</td>
<td>29,665</td>
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<td>Division of Health Service Regulation</td>
<td>128,562</td>
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<tr>
<td><strong>TOTAL SOCIAL SERVICES BLOCK GRANT</strong></td>
<td><strong>$ 62,877,557</strong></td>
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**LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

Local Program Expenditures

<table>
<thead>
<tr>
<th>Division of Social Services</th>
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<tbody>
<tr>
<td>Low-Income Energy Assistance Program (LIEAP)</td>
<td>$ 50,799,293</td>
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<tr>
<td>Crisis Intervention Program (CIP)</td>
<td>33,866,195</td>
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Local Administration

<table>
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<tr>
<th>Division of Social Services</th>
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<tbody>
<tr>
<td>County DSS Administration</td>
<td>6,757,731</td>
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DHHS Administration

| Office of the Secretary/DIRM | 412,488 |
| Office of the Secretary/Controller's Office | 18,378 |

Transfers to Other State Agencies

<table>
<thead>
<tr>
<th>Department of Commerce</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Weatherization Program</td>
<td>14,947,789</td>
</tr>
</tbody>
</table>
07. Heating Air Repair and Replacement Program (HARRP) 7,193,873

08. Local Residential Energy Efficiency Service Providers – Weatherization 37,257

09. Local Residential Energy Efficiency Service Providers – HARRP 338,352

10. Department of Commerce Administration – Weatherization 37,257

11. Department of Commerce Administration – HARRP 338,352

12. N.C. Commission on Indian Affairs 164,883

TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT $ 114,911,848

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development

01. Child Care Services (Smart Start $7,000,000) $ 156,566,345

02. Electronic Tracking System 3,000,000

03. Transfer from TANF Block Grant for Child Care Subsidies 71,773,001

04. Quality and Availability Initiatives (TEACH Program $3,800,000) 24,262,402

DHHS Administration

Division of Child Development

05. DCDEE Administrative Expenses 6,000,000

06. Local Subsidized Child Care Services Support (3% Administrative Allowance) 13,274,413

Division of Central Administration

07. DHHS Central Administration – DIRM
### General Assembly of North Carolina

**Session 2013**

<table>
<thead>
<tr>
<th>Local Program Expenditures</th>
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</thead>
<tbody>
<tr>
<td><strong>Technical Services</strong></td>
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<tr>
<td><strong>TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</strong></td>
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</table>

#### MENTAL HEALTH SERVICES BLOCK GRANT

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<thead>
<tr>
<th>Division of Mental Health, Developmental Disabilities, and Substance Abuse Services</th>
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</thead>
<tbody>
<tr>
<td><strong>01. Mental Health Services – Adult</strong></td>
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<tr>
<td><strong>02. Mental Health Services – Child</strong></td>
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<tr>
<td><strong>03. Administration</strong></td>
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<tr>
<td><strong>TOTAL MENTAL HEALTH SERVICES BLOCK GRANT</strong></td>
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#### SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

<table>
<thead>
<tr>
<th>Division of Public Health</th>
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<tbody>
<tr>
<td><strong>01. Substance Abuse Services – Adult</strong></td>
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<td><strong>02. Substance Abuse Treatment Alternative for Women</strong></td>
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<td><strong>03. Substance Abuse – HIV and IV Drug</strong></td>
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<tr>
<td><strong>04. Substance Abuse Prevention – Child</strong></td>
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<td><strong>05. Substance Abuse Services – Child</strong></td>
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<td><strong>06. Administration</strong></td>
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<tr>
<td><strong>07. Risk Reduction Projects</strong></td>
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<td><strong>08. Aid-to-Counties</strong></td>
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<td><strong>TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT</strong></td>
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#### MATERNAL AND CHILD HEATH BLOCK GRANT

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>01. Children’s Health Services</strong></td>
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S725 [Edition 1]
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<thead>
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<th></th>
<th>General Assembly of North Carolina</th>
<th>Session 2013</th>
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<td>Genetic Newborn Screening</td>
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<td>3</td>
<td>Best Practices in Children's Health</td>
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<td>4</td>
<td>School Health Services</td>
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<td>$8,042,531</td>
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<td>Community Focus Infant Mortality</td>
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<td>11</td>
<td>Women's Health Public Education</td>
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<td>13</td>
<td>03. Oral Health – Preventive Services</td>
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<td></td>
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<tr>
<td>15</td>
<td>DHHS Program Expenditures</td>
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</tr>
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<td>Division of Public Health</td>
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<td>04. Children's Health Services</td>
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<td>06. State Center for Health Statistics</td>
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<td>07. Health Promotion – Injury and Violence Prevention</td>
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<td>08. Division of Public Health Administration</td>
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<td>TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT</td>
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<td>LOCAL PROGRAM EXPENDITURES</td>
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<td>PREVENTIVE HEALTH SERVICES BLOCK GRANT</td>
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<tr>
<td>37</td>
<td>Local Program Expenditures</td>
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### DHHS Program Expenditures

<table>
<thead>
<tr>
<th>Division of Public Health</th>
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<tbody>
<tr>
<td>03. State Center for Health Statistics</td>
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<tr>
<td>04. Oral Health Preventive Services</td>
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<td>05. Laboratory Services – Testing, Training, and Consultation</td>
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<td>06. Injury and Violence Prevention (Services for Rape Victims Set-Aside)</td>
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<td>07. Heart Disease and Stroke Prevention</td>
<td>$162,249</td>
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<td>08. Performance Improvement and Accountability</td>
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<td>09. Physical Activity and Nutrition</td>
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<td>10. HIV/STD Prevention Activities (Transfer from Social Services Block Grant)</td>
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<td><strong>TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT</strong></td>
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### COMMUNITY SERVICES BLOCK GRANT

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<tr>
<th>Local Program Expenditures</th>
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<tr>
<td>Office of Economic Opportunity</td>
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<tr>
<td>01. Community Action Agencies</td>
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<tr>
<td>02. Limited Purpose Agencies</td>
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</tr>
<tr>
<td><strong>DHHS Administration</strong></td>
<td></td>
</tr>
<tr>
<td>03. Office of Economic Opportunity</td>
<td><strong>$1,244,596</strong></td>
</tr>
<tr>
<td><strong>TOTAL COMMUNITY SERVICES BLOCK GRANT</strong></td>
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</table>

### GENERAL PROVISIONS

**SECTION 10.50.(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 10.50.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall develop a plan to adjust the block grants based on reduced federal funding.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.50.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2014, according to the schedule enacted for State fiscal year 2013-2014 or until a new schedule is enacted by the General Assembly.

SECTION 10.50.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 10.50.(f) The sum of eighty-two million four hundred eighty-five thousand four hundred ninety five dollars ($82,485,495) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2013-2014 fiscal year shall be used for Work First County Block Grants. The Division shall
certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 10.50.(g) The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2013-2014 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.50.(h) The sum of nine million four hundred twelve thousand three hundred ninety-one dollars ($9,412,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2013-2014 fiscal year for child welfare improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 10.50.(i) The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2013-2014 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in Section 10.48 of S.L. 2009-451. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 10.50.(j) The sum of six hundred thirty-two thousand four hundred sixteen dollars ($632,416) appropriated in this section in TANF funds to the Department of Health and Human Services in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2013-2014 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.50.(k) The sum of thirty one million seven hundred ninety-two thousand ten dollars ($31,799,210) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2013-2014 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 10.50.(l) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2013-2014 fiscal year shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Provide training for residential child caring facilities.
(3) Provide for various other child welfare training initiatives.

SECTION 10.50.(m) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.
SECTION 10.50.(n) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.50.(o) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for the 2013-2014 fiscal year shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 10.50.(p) Social Services Block Grant funds allocated for the 2013-2014 fiscal year for child medical evaluations and the Carousel Center for Abused Children are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.50.(q) The sum of four million three hundred thousand dollars ($4,300,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2013-2014 fiscal year and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2013-2014 fiscal year.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.50.(r) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 10.50.(s) The sum of fifty million seven hundred ninety-nine thousand two hundred ninety-three dollars ($50,799,293) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2013-2014 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.50.(t) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.50.(u) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.
MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.50.(v) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2013-2014 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.50.(w) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PREVENTIVE HEALTH SERVICES BLOCK GRANT

SECTION 10.50.(x) Of the federal funds received under the Preventive Health Services Block Grant, funds in the amount of three hundred sixty-nine thousand three hundred sixty-four dollars ($369,364) for the 2013-2014 fiscal year are appropriated as a set aside for Services to Rape Victims.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SUPPORT PRESERVATION OF HOFMANN FOREST TRACT

SECTION 11.1 The Department of Agriculture and Consumer Services shall study the feasibility of acquiring the Hofmann Forest tract of approximately 80,000 acres, including utilizing a like-kind exchange of one or more parcels of state forest land or other real property of equal value. In February 2013 the Board of Directors of the NC State University Natural Resources Foundation placed the Hofmann Forest tract up for sale in order to better support a range of internal College of Natural Resource programs. Hofmann Forest is the last large tract of working land adjacent to Camp Lejeune and offers a natural buffer from encroachment to the installation and enhances military training.

PART XII. DEPARTMENT OF LABOR

SECTION 12.1. Of the Workforce Investment Act funds awarded to the NC Department of Commerce by the U.S. Department of Labor, three hundred fifty thousand dollars ($350,000) shall be transferred to the North Carolina Department of Labor for the Apprenticeship Program each year in the 2013-2015 biennium.

PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

SCRAP TIRE DISPOSAL TAX

SECTION 13.1.(a) G.S.105-87.19 reads as rewritten:

"§ 105-187.19. Use of tax proceeds.

(a) The Secretary shall distribute the taxes collected under this Article, less the allowance to the Department of Revenue for administrative expenses, in accordance with this section. The Secretary may retain the cost of collection by the Department, not to exceed four hundred twenty-five thousand dollars ($425,000) a year, as reimbursement to the Department.

(b) Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund, seventeen percent (17%) of the net tax proceeds to the Scrap Tire Disposal Account, two and one-half percent (2.5%) of the net tax proceeds to the Inactive Hazardous Sites Cleanup Fund, and two and one-half percent (2.5%) of the net tax proceeds to..."
proceeds to the Bernard Allen Memorial Emergency Drinking Water Fund and twenty-five percent (25%) of the net tax proceeds to the general fund. The Secretary shall distribute the remaining seventy percent (70%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer.

(c) A county may use funds distributed to it under this section only as provided in G.S. 130A-309.54. A county that receives funds under this section and that has an agreement with another unit of local government under which the other unit of local government provides for the disposal of solid waste for the county shall transfer the amount received under this section to the other unit of local government. A unit of local government to which funds are transferred is subject to the same restrictions on use of the funds as the county."

SECTION 13.1.(b) Of the funds appropriated by the General Assembly for the 2013-2015 biennium for the Scrap Tire Program, the funds shall be allocated as follows: (i) up to seventy nine thousand seven hundred seventeen dollars ($79,717) shall be used for operating expenses and (ii) one million dollars ($1,000,000) shall be used for Aid and Public Assistance.

WHITE GOODS DISPOSAL TAX

SECTION 13.2.(a) G.S. 105-187.24 reads as rewritten:

"§ 105-187.24. Use of tax proceeds.

The Secretary shall distribute the taxes collected under this Article, less the Department of Revenue's allowance for administrative expenses, in accordance with this section. The Secretary may retain the Department's cost of collection, not to exceed four hundred twenty-five thousand dollars ($425,000) a year, as reimbursement to the Department.

Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to the Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the net tax proceeds to the White Goods Management Account—twenty-eight percent (28%) of the net tax proceeds to the general fund. The Secretary shall distribute the remaining seventy-two percent (72%) of the net tax proceeds among the counties on a per capita basis according to the most recent annual population estimates certified to the Secretary by the State Budget Officer. The Department shall not distribute the tax proceeds to a county when notified not to do so by the Department of Environment and Natural Resources under G.S. 130A-309.87. If a county is not entitled to a distribution, the proceeds allocated for that county will be credited to the White Goods Management Account.

A county may use funds distributed to it under this section only as provided in G.S. 130A-309.82. A county that receives funds under this section and that has an interlocal agreement with another unit of local government under which the other unit provides for the disposal of solid waste for the county must transfer the amount received under this section to that other unit. A unit to which funds are transferred is subject to the same restrictions on use of the funds as the county."

SECTION 13.2.(b) G.S. 103A-309.83 reads as rewritten:

§ 130A-309.83. White goods management account.

(a) The White Goods Management Account is established within the Department. The Account consists of revenue previously credited to the Account from the proceeds of the white goods disposal tax imposed by Article 5C of Chapter 105 of the General Statutes and funds appropriated by the General Assembly.

(b) The Department shall use revenue in the Account to make grants to units of local government to assist them in managing discarded white goods. To administer the grants, the Department shall establish procedures for applying for a grant and the criteria for selecting among grant applicants. The criteria shall include the financial ability of a unit to manage white goods, the severity of a unit's white goods management problem, and the effort made by a unit to manage white goods within the resources available to it.
(c) A unit of local government is not eligible for a grant unless its costs of managing white goods for a six-month period preceding the date the unit files an application for a grant exceeded the amount the unit received during that period from the proceeds of the white goods disposal tax under G.S. 105-187.24 or funds appropriated to the Account by the General Assembly. The Department shall determine the six-month period to be used in determining who is eligible for a grant. A grant to a unit may not exceed the unit's unreimbursed cost for the six-month period.

(d) If a unit of local government anticipates that its costs of managing white goods during a six-month period will exceed the amount the unit will receive during that period because the unit will make a capital expenditure for the management of white goods or because the unit will incur other costs resulting from improvements to that unit's white goods management program, the unit may request that the Department make an advance determination that the costs are eligible to be paid by a grant from the White Goods Management Account and that there will be sufficient funds available in the Account to cover those costs. If the Department determines that the costs are eligible for reimbursement and that funds will be available, the Department shall reserve funds for that unit of local government in the amount necessary to reimburse allowable costs. The Department shall notify the unit of its determination and fund availability within 60 days of the request from the unit of local government. This subsection applies only to capital expenditures for the management of white goods and to costs resulting from improvements to a unit's white goods management program.

SOLID WASTE DISPOSAL TAX

SECTION 13.3. G.S. 105-187.63 reads as rewritten:

"§ 105-187.63. Use of tax proceeds.
From the taxes received pursuant to this Article, the Secretary may retain the costs of collection, not to exceed two hundred twenty-five thousand dollars ($225,000) a year, as reimbursement to the Department. The Secretary must credit or distribute taxes received pursuant to this Article, less the cost of collection, on a quarterly basis as follows:

(1) Fifty percent (50%) to the Inactive Hazardous Sites Cleanup Fund established by G.S. 130A-310.11.

(2) Thirty-seven and one-half percent (37.5%) to cities and counties in the State on a per capita basis, using the most recent annual estimate of population certified by the State Budget Officer. One-half of this amount must be distributed to cities, and one-half of this amount must be distributed to counties. For purposes of this distribution, the population of a county does not include the population of a city located in the county.

A city or county is excluded from the distribution under this subdivision if it does not provide solid waste management programs and services and is not responsible by contract for payment for these programs and services. The Department of Environment and Natural Resources must provide the Secretary with a list of the cities and counties that are excluded under this subdivision. The list must be provided by May 15 of each year and applies to distributions made in the fiscal year that begins on July 1 of that year.

Funds distributed under this subdivision must be used by a city or county solely for solid waste management programs and services.

(3) Twelve and one-half percent (12.5%) to the Solid Waste Management Trust Fund established by G.S. 130A-309.12. Twelve and one-half percent (12.5%) to the General Fund."

SOLID WASTE MANAGEMENT TRUST FUND

SECTION 13.4. G.S. 130A-309.12 reads as rewritten:
(a) The Solid Waste Management Trust Fund is created and is to be administered by the Department for the purposes of:
(1) Funding activities of the Department to promote waste reduction and recycling including but not limited to public education programs and technical assistance to units of local government;
(2) Funding research on the solid waste stream in North Carolina;
(3) Funding activities related to the development of secondary materials markets;
(4) Providing funding for demonstration projects as provided by this Part; and
(5) Providing funding for research by The University of North Carolina and independent nonprofit colleges and universities within the State which are accredited by the Southern Association of Colleges and Schools as provided by this Part.
(6) Providing funding for the activities of the Division of Environmental Assistance and Outreach.
(b) The Solid Waste Management Trust Fund shall consist of the following:
(1) Funds appropriated by the General Assembly. Assembly to be used as follows:
   a. Up to one million four hundred sixty-two thousand dollars ($1,462,000) to be used for operating expenses.
   b. Up to one million dollars ($1,000,000) to be used for aid and public assistance.
(2) Contributions and grants from public or private sources.
(3) Eight percent (8%) of the proceeds of the scrap tire disposal tax imposed under Article 5B of Chapter 105 of the General Statutes.
(4) Eight percent (8%) of the proceeds of the white goods disposal tax imposed under Article 5C of Chapter 105 of the General Statutes.
(5) Twelve and one half percent (12.5%) of the proceeds of the solid waste disposal tax imposed under Article 5G of Chapter 105 of the General Statutes.
(c) The Department shall include in the report required by G.S. 130A-309.06(c) a description of the condition of the Solid Waste Management Trust Fund and the use of all funds allocated from the Solid Waste Management Trust Fund.
...

TRANSFER THE CLEAN WATER MANAGEMENT TRUST FUND INTO THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES AS A TYPE II TRANSFER SO THAT MANAGEMENT FUNCTIONS OF THE CLEAN WATER MANAGEMENT TRUST FUND CAN BE COMBINED WITH MANAGEMENT FUNCTIONS OF THE PARKS AND RECREATION TRUST FUND, NATURAL HERITAGE TRUST FUND OR OTHER DEPARTMENTAL FUNDS TO PROMOTE EFFICIENCY AND COST SAVINGS.

SECTION 13.5.(a) The Clean Water Management Trust Fund is transferred into the Department of Environment and Natural Resources as a Type II transfer, as defined in G.S. 143A-6.

SECTION 13.5.(b) G.S. 113A-255 reads as rewritten:
§ 113A-255. Clean Water Management Trust Fund: Board of Trustees established; membership qualifications; vacancies; meetings and meeting facilities.
Board of Trustees Established. – There is established the Clean Water Management Trust Fund Board of Trustees. The Clean Water Management Trust Fund Board of Trustees shall be administratively located within the Department of Environment and Natural Resources but shall be independent of the Department.

Membership. – The Clean Water Management Trust Fund Board of Trustees shall be composed of 21 members appointed to four-year terms as follows:

1. One member appointed by the Governor to a term that expires on 1 July of years that precede by one year those years that are evenly divisible by four.
2. One member appointed by the Governor to a term that expires on 1 July of years that precede by one year those years that are evenly divisible by four.
3. One member appointed by the Governor to a term that expires on 1 July of years that are evenly divisible by four.
4. One member appointed by the Governor to a term that expires on 1 July of years that are evenly divisible by four.
5. One member appointed by the Governor to a term that expires on 1 July of years that follow by one year those years that are evenly divisible by four.
6. One member appointed by the Governor to a term that expires on 1 July of years that follow by two years those years that are evenly divisible by four.
7. One member appointed by the Governor to a term that expires on 1 July of years that follow by two years those years that are evenly divisible by four.
8. One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on 1 July of years that precede by one year those years that are evenly divisible by four.
9. One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on 1 July of years that precede by one year those years that are evenly divisible by four.
10. One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on 1 July of years that are evenly divisible by four.
11. One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on 1 July of years that follow by one year those years that are evenly divisible by four.
12. One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on 1 July of years that follow by two years those years that are evenly divisible by four.
13. One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that precede by one year those years that are evenly divisible by four.
(16) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that are evenly divisible by four.

(17) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that are evenly divisible by four.

(18) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that follow by one year those years that are evenly divisible by four.

(19) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that follow by two years those years that are evenly divisible by four.

(20) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that follow by two years those years that are evenly divisible by four.

(21) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on 1 July of years that follow by two years those years that are evenly divisible by four.

(b1) Qualifications. – The office of Trustee is declared to be an office that may be held concurrently with any other executive or appointive office, under the authority of Article VI, Section 9, of the North Carolina Constitution. Persons appointed shall be knowledgeable in at least one of the following areas:

(1) Acquisition and management of natural areas.

(2) Conservation and restoration of water quality.

(3) Wildlife and fisheries habitats and resources.

(4) Environmental management.

(b2) Limitation on Length of Service. – No member of the Board of Trustees shall serve more than two consecutive four-year terms or a total of 10 years.

(c) Chair. – The Governor shall appoint one member to serve as Chair of the Board of Trustees.

(d) Vacancies. – An appointment to fill a vacancy on the Board of Trustees created by the resignation, removal, disability, or death of a member shall be for the balance of the unexpired term. Vacancies in appointments made by the General Assembly shall be filled as provided in G.S. 120-122.

(e) Frequency of Meetings. – The Board of Trustees shall meet at least twice each year and may hold special meetings at the call of the Chair or a majority of the members.

(e1) Quorum. – A majority of the membership of the Board of Trustees constitutes a quorum for the transaction of business.

(f) Per Diem and Expenses. – Each member of the Board of Trustees shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5. Per diem, subsistence, and travel expenses of the Trustees shall be paid from the Fund.

(g) Staff Support and Meeting Facilities. – The Secretary of Environment and Natural Resources shall provide staff support and meeting facilities for the Board of Trustees and its staff as requested by the Chair."
SECTION 13.5.(c) G.S. 113A-258 is repealed.
SECTION 13.5.(d) All staff employed by the Clean Water Management Trust Fund shall be transferred into the Department of Environment and Natural Resources effective July 1, 2013.

DRINKING WATER STATE REVOLVING FUND

SECTION 13.6. Notwithstanding G.S. 159G-22, the Department of Environment and Natural Resources may transfer State funds from the Drinking Water Reserve to the Drinking Water State Revolving Fund for the 2013-2014 fiscal year. The funds shall be used to match maximum available federal grant moneys authorized by section 1453 of the federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.

PARKS AND RECREATION TRUST FUND; ALLOCATION OF DEED STAMP TAX PROCEEDS CREDITED TO FUND

SECTION 13.7. G.S. 105-228.30 reads as rewritten:
"§ 105-228.30. Imposition of excise tax; distribution of proceeds.
(a) An excise tax is levied on each instrument by which any interest in real property is conveyed to another person. The tax rate is one dollar ($1.00) on each five hundred dollars ($500.00) or fractional part thereof of the consideration or value of the interest conveyed. The transferor must pay the tax to the register of deeds of the county in which the real estate is located before recording the instrument of conveyance. If the instrument transfers a parcel of real estate lying in two or more counties, however, the tax must be paid to the register of deeds of the county in which the greater part of the real estate with respect to value lies.

(b) The register of deeds of each county must remit the proceeds of the tax levied by this section to the county finance officer. The finance officer of each county must credit one-half of the proceeds to the county's general fund and remit the remaining one-half of the proceeds, less taxes refunded and the county's allowance for administrative expenses, to the Department of Revenue on a monthly basis. A county may retain two percent (2%) of the amount of tax proceeds allocated for remittance to the Department of Revenue as compensation for the county's cost in collecting and remitting the State's share of the tax. Of the funds remitted to it pursuant to this section, the Department of Revenue must credit seventy-five percent (75%) to the Parks and Recreation Trust Fund established under G.S. 113-44.15 and twenty-five percent (25%) to the Natural Heritage Trust Fund established under G.S. 113-77.7, one hundred percent (100%) to the General Fund."

PARKS AND RECREATION TRUST FUND

SECTION 13.8. G.S. 113-44.15 reads as rewritten:
"§ 113-44.15. Parks and recreation trust fund.
(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to G.S. 105-228.30(b), and other monies appropriated to the Trust Fund by the General Assembly. Investment earnings credited to the assets of the Fund shall become part of the Fund.

(b) Use. – Funds in the Trust Fund are annually appropriated to the North Carolina Parks and Recreation Authority and, unless otherwise specified by the General Assembly or the terms or conditions of a gift or grant, shall be allocated and used as follows:
(1) Sixty-five percent (65%) for the State Parks System for capital projects, repairs and renovations of park facilities, and land acquisition, and to retire
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General Statutes. Six million dollars ($6,000,000) for each year in the 2013-2015 biennium shall be used for the operating expenses of the Division of Parks and Recreation of the Department of Environment and Natural Resources.

(2) Debt. – The Authority shall allocate seven million one hundred seventy thousand one hundred seventy-eight dollars ($7,170,178) in fiscal year 2013-2014 and seven million one hundred forty-eight thousand six hundred forty-two dollars ($7,148,642) in fiscal year 2014-2015 to be used to retire debt incurred for the purposes under Article 9 of Chapter 142 of the General Statutes.

(3) The remaining funds appropriated to the Parks and Recreation Trust Fund shall be allocated as follows

a. Sixty-five percent (65%) for the State Parks System for capital projects, repairs and renovations of park facilities, and land acquisition.

b. Thirty percent (30%) Thirty-five percent (35%) to provide matching funds to local governmental units or public authorities as defined in G.S. 159-7 on a dollar-for-dollar basis for local park and recreation purposes and for the Coastal and Estuarine Water Beach Access Program. The appraised value of land that is donated to a local government unit or public authority may be applied to the matching requirement of this subdivision. These funds shall be allocated by the North Carolina Parks and Recreation Authority based on criteria patterned after the Open Project Selection Process established for the Land and Water Conservation Fund administered by the National Park Service of the United States Department of the Interior.

(3) Five percent (5%) for the Coastal and Estuarine Water Beach Access Program.

(b1) Geographic Distribution. – In allocating funds in the Trust Fund under this section, the North Carolina Parks and Recreation Authority shall make geographic distribution across the State to the extent practicable.

(b2) Administrative Expenses. – Of the funds appropriated to the North Carolina Parks and Recreation Authority from the Trust Fund each year, no more than three percent (3%) may be used by the Department for operating expenses associated with managing capital improvements projects, acquiring land, and administration of local grants programs.

(b3) Operating Expenses for State Parks System Allocations. – In allocating funds in the Trust Fund under subdivision (1) of subsection (b) of this section, the North Carolina Parks and Recreation Authority shall consider the operating expenses associated with each capital project, repair and renovation project, and each land acquisition. In considering the operating expenses, the North Carolina Parks and Recreation Authority shall determine both:

(1) The minimal anticipated operating expenses, which are determined by the minimum staff and other operating expenses needed to maintain the project.

(2) The optimal anticipated operating budget, which is determined by the level of staff and other operating expenses required to achieve a more satisfactory level of operation under the project.

(c) Reports. – The North Carolina Parks and Recreation Authority shall report no later than October 1 of each year to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the Fiscal Research Division, and the Environmental Review Commission on allocations from the Trust Fund from the prior fiscal year. For funds allocated from the Trust Fund under
subdivision (b1) [subsection (b1)] of this section, this report shall include the operating expenses determined under subdivisions (1) and (2) of subsection (b3) of this section.

(d) Debt. The Authority may allocate up to fifty percent (50%) of the portion of the annual appropriation identified in subdivision (b)(1) of this section to reimburse the General Fund for debt service on special indebtedness to be issued or incurred under Article 9 of Chapter 142 of the General Statutes for the purposes provided in subdivision (b)(1) of this section and for waterfront access. In order to allocate funds for debt service reimbursement, the Authority must identify to the State Treasurer the specific parks projects for which it would like special indebtedness to be issued or incurred and the annual amount it intends to make available, and request the State Treasurer to issue or incur the indebtedness. After special indebtedness has been issued or incurred for a parks project requested by the Authority, the Authority must credit to the General Fund each year the actual aggregate principal and interest payments to be made in that year on the special indebtedness, as identified by the State Treasurer."

ACQUISITION OF LAND WITH FUNDS FROM THE NATURAL HERITAGE TRUST FUND.

SECTION 13.9. G.S. 113-77.9 reads as rewritten:

"§ 113-77.9. Acquisition of land with funds from the natural heritage trust fund.

(a) Proposals. – From time to time, but at least once each year, the Secretary, the Chairman of the North Carolina Wildlife Resources Commission, the Commissioner of Agriculture, and the Secretary of Cultural Resources may propose to the Trustees lands to be acquired with funds from the Fund. For each tract or interest proposed, the Secretary, the Chairman of the North Carolina Wildlife Resources Commission, the Commissioner of Agriculture, and the Secretary of Cultural Resources shall provide the Trustees with the following information:

(1) The value of the land for recreation, forestry, fish and wildlife habitat, and wilderness purposes, and its consistency with the plan developed pursuant to the State Parks Act, the State's comprehensive plan for outdoor recreation, parks, natural areas development, and wildlife management goals and objectives.

(2) Any rare or endangered species on or near the land.

(3) Whether the land contains a relatively undisturbed and outstanding example of a native North Carolina ecological community that is now uncommon.

(4) Whether the land contains a major river or tributary, watershed, wetland, significant littoral, estuarine, or aquatic site, or important geologic feature.

(5) The extent to which the land represents a type of landscape, natural feature, or natural area that is not currently in the State's inventory of parks and natural areas.

(6) Other sources of funds that may be available to assist in acquiring the land.

(7) The State department or division that will be responsible for managing the land.

(8) What assurances exist that the land will not be used for purposes other than those for which it is being acquired.

(9) Whether the site or structure is of such historical significance as to be essential to the development of a balanced State program of historic properties.

(b) Land Acquisition and Debt Service. – The Trustees may authorize expenditures from the Fund for the following purposes:

(1) To acquire land that represents the ecological diversity of North Carolina, including natural features such as riverine, montane, coastal, and geologic
systems and other natural areas to ensure their preservation and conservation
for recreational, scientific, educational, cultural, and aesthetic purposes, and
to retire debt incurred for this purpose under Article 9 of Chapter 142 of the
General Statutes.

(2) To acquire land as additions to the system of parks, State trails, aesthetic
forests, fish and wildlife management areas, wild and scenic rivers, and
natural areas for the beneficial use and enjoyment of the public, and to retire
debt incurred for this purpose under Article 9 of Chapter 142 of the General
Statutes.

(3) Subject to the limitations of subsection (b2) of this section, to acquire land
that contributes to the development of a balanced State program of historic
properties.

(b1) Priorities. In authorizing expenditures from the Fund to acquire land pursuant to
this Article, the first priority shall be the protection of land with outstanding natural or cultural
heritage values. Land with outstanding natural heritage values is land that is identified by the
North Carolina Natural Heritage Program as having State or national significance. Land with
outstanding cultural heritage values is land that is identified, inventoried, or evaluated by the
Department of Cultural Resources. The Trustees shall be guided by any priorities established
by the Secretary, the Chairman of the Wildlife Resources Commission, the Commissioner of
Agriculture, and the Secretary of Cultural Resources in their proposals made pursuant to
subsection (a) of this section.

(b2) Historic Properties. The Trustees may authorize expenditure of up to twenty-five
percent (25%) of the funds credited to the Fund pursuant to G.S. 105-228.30 during the
preceding fiscal year to acquire land under subdivision (3) of subsection (b) of this section. No
other funds in the Fund may be used for expenditures to acquire land under subdivision (3) of
subsection (b) of this section.

(b3) Debt. Of the funds credited annually to the Fund pursuant to G.S. 105-228.30, the
Trustees may authorize expenditure of up to sixty percent (60%) to reimburse the General Fund
for debt service on special indebtedness to be issued or incurred under Article 9 of Chapter 142
of the General Statutes for the purposes provided in subdivisions (b)(1) and (2) of this section.
In order to authorize expenditure of funds for debt service reimbursement, the Trustees must
identify to the State Treasurer and the Department of Administration the specific natural
heritage projects for which they would like special indebtedness to be issued or incurred and
the annual amount they intend to make available, and request the State Treasurer to issue or
incur the indebtedness. After special indebtedness has been issued or incurred for a natural
heritage project requested by the Trustees, the Trustees must direct the State Treasurer to credit
to the General Fund each year the actual aggregate principal and interest payments to be made
in that year on the special indebtedness, as identified by the State Treasurer.

(c) Other Purposes. The Trustees may authorize expenditures from the Fund to pay
for the inventory of natural areas conducted under the Natural Heritage Program established
pursuant to the Nature Preserves Act, Article 9A of Chapter 113A of the General Statutes. The
Trustees may also authorize expenditures from the Fund to pay for conservation and protection
planning and for informational programs for owners of natural areas, as defined in
G.S. 113A-164.3. The Trustees shall authorize expenditures from the Fund not to exceed
seventy-five thousand dollars ($75,000) to pay the cost of the Department of Agriculture and
Consumer Services to administer the Plant Conservation Program. The Trustees shall authorize
expenditures from the Fund not to exceed three hundred twenty-five thousand dollars
($325,000) to pay the cost of supporting staff in the Office of Conservation Planning and
Community Affairs of the Department of Environment and Natural Resources for activities in
addition to those conducted in support of the purposes set forth in this section.
(d) Acquisition. – The Department of Administration may, pursuant to G.S. 143-341, acquire by purchase, gift, or devise all lands selected by the Trustees for acquisition pursuant to this Article. Title to any land acquired pursuant to this Article shall be vested in the State. A State agency with management responsibility for land acquired pursuant to this Article may enter into a management agreement or lease with a county, city, town, or private nonprofit organization qualified under G.S. 105-151.12 and G.S. 105-130.34 and certified under section 501(c)(3) of the Internal Revenue Code to aid in managing the land. A management agreement or lease shall be executed by the Department of Administration pursuant to G.S. 143-341.

(d1) Local Reimbursement. – In any county in which real property was purchased pursuant to subsection (d) of this section as additions to the fish and wildlife management areas and where less than twenty-five percent (25%) of the land area is privately owned at the time of purchase, that county and any other local taxing unit shall be annually reimbursed, for a period of 20 years, from funds available to the North Carolina Wildlife Resources Commission in an amount equal to the amount of ad valorem taxes that would have been paid to the taxing unit if the property had remained subject to taxation.

(e) Reports. – The Secretary shall maintain and annually revise a list of grants made pursuant to this Article. The list shall include the acreage of each tract, the county in which the tract is located, the amount awarded from the Fund to acquire the tract, and the State department or division responsible for managing the tract. The Secretary shall furnish a copy of the list to each Trustee, the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the Fiscal Research Division, and the Environmental Review Commission no later than October 1 of each year.

(f) Hunting and Fishing. – No provision of this Article shall be construed to eliminate hunting and fishing, as regulated by the laws of the State of North Carolina, upon properties purchased pursuant to this Article."

SECTION 13.10. Article 14A of Chapter 113 of the General Statutes reads as rewritten:

"§ 113-68. Definitions."

As used in this Article:

(1) "Commercial fishing operation" means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, either with the use of commercial fishing equipment or gear, or by any means if the purpose of the taking is to obtain fish for sale. Commercial fishing operation does not include (i) the taking of fish as part of a recreational fishing tournament, unless commercial fishing equipment or gear is used, (ii) the taking of fish under a RCGL, or (iii) the taking of fish as provided in G.S. 113-261.

(2) "Commission" means the Marine Fisheries Commission.

(3) "Division" means the Division of Marine Fisheries in the Department of Environment and Natural Resources.

(3a) "Immediate family" means the mother, father, brothers, sisters, spouse, children, stepparents, stepbrothers, stepsisters, and stepchildren of a person.

(4) "License year" means the period beginning 1 July of a year and ending on 30 June of the following year.

(5) "North Carolina resident" means a person who is a resident within the meaning of G.S. 113-130(4).

(6) "RCGL" means Recreational Commercial Gear License.

(7) "RSCFL" means Retired Standard Commercial Fishing License.

(8) "SCFL" means Standard Commercial Fishing License.

"§ 113-168.1. General provisions governing licenses and endorsements."
(a) Duration, Fees. – Except as provided in G.S. 113-173(f), all licenses and endorsements issued under this Article expire on the last day of the license year. An applicant for any license or endorsement shall pay the full annual fee at the time the applicant applies for the license or endorsement regardless of when application is made.

(b) Licenses Required to Engage in Commercial Fishing. – It is unlawful for any person to engage in a commercial fishing operation without holding a license and any endorsements required by this Article. It is unlawful for anyone to command a vessel engaged in a commercial fishing operation without complying with the provisions of this Article and rules adopted by the Commission under this Article.

(c) Licenses, Assignments, and Endorsements Available for Inspection. – It is unlawful for any person to engage in a commercial fishing operation in the State without having ready at hand for inspection all valid licenses, assignments, and endorsements required under this Article. To comply with this subsection, a person must have any required endorsements and either a currently valid (i) license issued in the person's true name and bearing the person's current address or (ii) SCFL and an assignment of the SCFL authorized under this Article. It is unlawful for a person to refuse to exhibit any license, assignment, or endorsement required by this Article upon the request of an inspector or other law enforcement officer authorized to enforce federal or State laws, regulations, or rules relating to marine fisheries.

(d) No Dual Residency. – It is unlawful for any person to hold any currently valid license issued under this Article to the person as a North Carolina resident if that person holds any currently valid commercial or recreational fishing license issued by another state to the person as a resident of that state.

(e) License Format. – Licenses issued under this Article shall be issued in the name of the applicant. Each license shall show the type of license and any endorsements; the name, mailing address, physical or residence address, and date of birth of the licensee; the date on which the license is issued; the date on which the license expires; and any other information that the Commission or the Division determines to be necessary to accomplish the purposes of this Subchapter.

(f) License Issuance and Renewal. – Except as provided in G.S. 113-173(d), the Division shall issue licenses and endorsements under this Article to eligible applicants at any office of the Division or by mail from the Morehead City office of the Division. A license or endorsement may be renewed in person at any office of the Division or by mail to the Morehead City office of the Division. Eligibility to renew an expired SCFL shall end one year after the date of expiration of the SCFL.

(g) Limitations on Eligibility. – A person is not eligible to obtain or renew a license or endorsement under this Article if, at the time the person applies for the license or endorsement, any other license or endorsement issued to the person under this Article is suspended or revoked. A person is not eligible to obtain a license or endorsement under this Article if, within the three years prior to the date of application, the person has been determined to be responsible for four or more violations of state laws, regulations, or rules governing the management of marine and estuarine resources. An applicant shall certify that the applicant has not been determined to be responsible for four or more violations of state laws, regulations, or rules governing the management of marine and estuarine resources during the previous three years. The Division may also consider violations of federal law and regulations governing the management of marine and estuarine resources in determining whether an applicant is eligible for a license.

(h) Replacement Licenses and Endorsements. – The Division shall issue a replacement license, including any endorsements, to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any
office of the Division or by mail to the Morehead City office of the Division. A licensee may use a copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed ten-fifteen dollars ($10.00, ($15.00), that compensates the Division for the administrative costs associated with issuing the replacement license.

(i) Cancellation. – The Division may cancel a license or endorsement issued on the basis of an application that contains false information supplied by the applicant. A cancelled license or endorsement is void from the date of issuance. A person in possession of a cancelled license or endorsement shall surrender the cancelled license or endorsement to the Division. It is unlawful to refuse to surrender a cancelled license or endorsement upon demand of any authorized agent of the Division.

(j) Advance Sale of Licenses, License Revenue. – To ensure an orderly transition from one license year to the next, the Division may issue a license or endorsement prior to 1 July of the license year for which the license or endorsement is valid. Revenue that the Division receives for the issuance of a license or endorsement prior to the beginning of a license year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the license year in which the license or endorsement is valid.

§ 113-168.2. Standard Commercial Fishing License.

(a) Requirement. – Except as otherwise provided in this Article, it is unlawful for any person to engage in a commercial fishing operation in the coastal fishing waters without holding a SCFL issued by the Division. A person who works as a member of the crew of a vessel engaged in a commercial fishing operation under the direction of a person who holds a valid SCFL is not required to hold a SCFL. A person who holds a SCFL is not authorized to take shellfish unless the SCFL is endorsed as provided in G.S. 113-168.5(d) or the person holds a shellfish license issued pursuant to G.S. 113-169.2.

(a1) Use of Vessels. – The holder of a SCFL is authorized to use only one vessel in a commercial fishing operation at any given time. The Commission may adopt a rule to exempt from this requirement a person in command of a vessel that is auxiliary to a vessel engaged in a pound net operation, long-haul operation, beach seine operation, or menhaden operation. A person who works as a member of the crew of a vessel engaged in a mechanical shellfish operation under the direction of a person who holds a valid SCFL with a shellfish endorsement is not required to hold a shellfish license.

(b) through (d) Repealed by Session Laws 1998-225, s. 4.11.

(e) Fees. – The annual SCFL fee for a resident of this State shall be two-three hundred dollars ($200.00-$300.00). The annual SCFL fee for a person who is not a resident of this State shall be eight hundred dollars ($800.00) or the amount charged to a resident of this state in the nonresident’s state, whichever is less. In no event, however, may the fee be less than one-three hundred dollars ($100-$300). For purposes of this section, a "resident of this state" is a person who is a resident within the meaning of:

(1) Sub-divisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar year, or

(2) G.S. 113-130(4)e.

(f) Assignment. – The holder of a SCFL may assign the SCFL to any individual who is eligible to hold a SCFL under this Article. The assignment shall be in writing on a form provided by the Division and shall include the name of the licensee, the license number, any endorsements, the assignee's name, mailing address, physical or residence address, and the duration of the assignment. If a notarized copy of an assignment is not filed with the Morehead City office of the Division within five days of the date of the assignment, the assignment shall
expire. It is unlawful for the assignee of a SCFL to assign the SCFL. It is unlawful to assign a shellfish endorsement of a SCFL to a non-North Carolina resident. The assignment shall terminate:

(1) Upon written notification by the assignor to the assignee and the Division that the assignment has been terminated.

(2) Upon written notification by the estate of the assignor to the assignee and the Division that the assignment has been terminated.

(3) If the Division determines that the assignee is operating in violation of the terms and conditions applicable to the assignment.

(4) If the assignee becomes ineligible to hold a license under this Article.

(5) Upon the death of the assignee.

(6) If the Division suspends or revokes the assigned SCFL.

(7) At the end of the license year.

(g) Transfer. – A SCFL may be transferred only by the Division. A SCFL may be transferred pursuant to rules adopted by the Commission or upon the request of:

(1) A licensee, from the licensee to a member of the licensee's immediate family who is eligible to hold a SCFL under this Article.

(2) The administrator or executor of the estate of a deceased licensee, to the administrator or executor of the estate if a surviving member of the deceased licensee's immediate family is eligible to hold a SCFL under this Article.

The administrator or executor must request a transfer under this subdivision within six months after the administrator or executor qualifies under Chapter 28A of the General Statutes. An administrator or executor who holds a SCFL under this subdivision may, for the benefit of the estate of the deceased licensee:

a. Engage in a commercial fishing operation under the SCFL if the administrator or executor is eligible to hold a SCFL under this Article.

b. Assign the SCFL as provided in subsection (f) of this section.

c. Renew the SCFL as provided in G.S. 113-168.1.

(3) An administrator or executor to whom a SCFL was transferred pursuant to subdivision (2) of this subsection, to a surviving member of the deceased licensee's immediate family who is eligible to hold a SCFL under this Article.

(4) The surviving member of the deceased licensee's immediate family to whom a SCFL was transferred pursuant to subdivision (3) of this subsection, to a third-party purchaser of the deceased licensee's fishing vessel.

(5) A licensee who is retiring from commercial fishing, to a third-party purchaser of the licensee's fishing vessel.

(h) Identification as Commercial Fisherman. – The receipt of a current and valid SCFL or shellfish license issued by the Division shall serve as proper identification of the licensee as a commercial fisherman.

(i) Record-Keeping Requirements. – The fish dealer shall record each transaction at the time and place of landing on a form provided by the Division. The transaction form shall include the information on the SCFL or shellfish license, the quantity of the fish, the identity of the fish dealer, and other information as the Division deems necessary to accomplish the purposes of this Subchapter. The person who records the transaction shall provide a completed copy of the transaction form to the Division and to the other party of the transaction. The Division's copy of each transaction form shall be transmitted to the Division by the fish dealer on or before the tenth day of the month following the transaction.

“§ 113-168.3. Retired Standard Commercial Fishing License.
(a) SCFL Provisions Applicable. – Except as provided in this section, the provisions set forth in this Article concerning the SCFL shall apply to the RSCFL.

(b) Eligibility; Fees. – Any individual who is 65 years of age or older and who is eligible for a SCFL under G.S. 113-168.2 may apply for either a SCFL or RSCFL. An applicant for a RSCFL shall provide proof of age at the time the application is made. The annual fee for a RSCFL for a resident of this State shall be one hundred dollars ($100.00) one hundred fifty ($150.00). The annual fee for a RSCFL for a person who is not a resident of this State shall be two hundred twenty-five dollars ($225.00) eight hundred dollars ($800) or the amount charged to a resident of this State in the nonresident’s state, whichever is less. In no event, however, shall the fee be less than one hundred dollars ($100.00). For purposes of this subsection, a "resident of this State" is a person who is a resident within the meaning of:

(1) Sub-subdivisions a. through d. of G.S. 113-130(4) and who filed a State income tax return as a resident of North Carolina for the previous calendar year, or
(2) G.S. 113-130(4)e.

(c) Transfer. – The holder of a RSCFL may transfer the RSCFL as provided in G.S. 113-168.2.

(1) If the transferee is less than 65 years of age, the transferee holds a SCFL. When the transferee renews the SCFL, the transferee shall pay the fee set out in G.S. 113-168.2.
(2) If the transferee is 65 years of age or older, the transferee may elect to hold either a SCFL or RSCFL. If the transferee elects to hold a SCFL, the transferee shall pay the fee set out in G.S. 113-168.2. If the transferee elects to hold a RSCFL, the transferee shall pay the fee set out in this section.

(d) Assignment. – The RSCFL shall not be assignable.

§ 113-168.4. Sale of fish.

(a) Except as otherwise provided in this section, it is unlawful for any person who takes or lands any species of fish under the authority of the Commission from coastal fishing waters by any means whatever, including mariculture operations, to sell, offer for sale, barter or exchange these fish for anything of value without holding a license required to sell the type of fish being offered.

(b) Except as otherwise provided in this section, it is unlawful for any person licensed under this Article to sell fish taken outside the territorial waters of the State or to sell fish taken from coastal fishing waters. A person licensed under this Article may sell fish taken outside the territorial waters of the State or sell fish taken from coastal fishing waters under any of the following circumstances:

(1) The sale is to a fish dealer licensed under G.S. 113-169.3.
(2) The sale is to the public and the seller is a licensed fish dealer under G.S. 113-169.3.
(3) The sale is of oysters or clams from a hatchery or aquaculture operation to the holder of an Aquaculture Operation Permit, an Under Dock Culture Permit, or a shellfish cultivation lease for further grow out.

(c) A person who organizes a recreational fishing tournament may sell fish taken in connection with the tournament pursuant to a recreational fishing tournament license to sell fish. A person who organizes a recreational fishing tournament may obtain a recreational fishing tournament license to sell fish upon application to the Division and payment of a fee of one hundred dollars ($100.00) one hundred fifty dollars ($150.00). It is unlawful for any person licensed under this subsection to sell fish to any person other than a fish dealer licensed under G.S. 113-169.3 unless the seller is also a licensed fish dealer. A recreational fishing tournament is an organized fishing competition occurring within a specified time period not to exceed one week and that is not a commercial fishing operation. Gross proceeds from the sale of fish may
be used only for charitable, religious, educational, civic, or conservation purposes and shall not
be used to pay tournament expenses.

§ 113-168.6. Commercial fishing vessel registration.

(a) As used in this subsection, a North Carolina vessel is a vessel that has its primary
situs in the State. A vessel has its primary situs in the State if:

1. A certificate of number has been issued for the vessel under Article 1 of
Chapter 75A of the General Statutes;
2. A certificate of title has been issued for the vessel under Article 4 of Chapter
75A of the General Statutes; or
3. A certification of documentation has been issued for the vessel that lists a

(b) The owner of a vessel used in a commercial fishing operation in the coastal fishing
waters of the State or a North Carolina vessel used to land or sell fish in the State shall register
the vessel with the Division. It is unlawful to use a vessel that is not registered with the
Division in a commercial fishing or For Hire operation in the coastal fishing waters of the
State. It is unlawful to use a North Carolina vessel that is not registered with the Division to
land or sell fish in the State. No registration is required for a vessel of any length that does not
have a motor if the vessel is used only in connection with another vessel that is properly
registered.

(c) The annual fee for a commercial fishing vessel registration shall be determined by
the length of the vessel and shall be in addition to the fee for other licenses issued under this
Article. The length of a vessel shall be determined by measuring the distance between the ends
of the vessel along the deck and through the cabin, excluding the sheer. The annual fee for a
commercial fishing vessel registration is:

1. One dollar ($1.00), One dollar and fifty cents ($1.50) per foot for a vessel not
over 18 feet in length.
2. One dollar and fifty cents ($1.50), Two dollars and twenty five cents ($2.25)
per foot for a vessel over 18 feet but not over 38 feet in length.
3. Three dollars ($3.00), Four dollars and fifty cents ($4.50) per foot for a
vessel over 38 feet but not over 50 feet in length.
4. Six dollars ($6.00), Nine dollars ($9.00) per foot for a vessel over 50 feet in
length.

(d) A vessel may be registered at any office of the Division. A commercial fishing
vessel registration expires on the last day of the license year. The vessel owner at time of
application shall obtain either a commercial vessel endorsement if the vessel is intended
primarily for harvest of fish for sale, a For Hire endorsement if the vessel is intended primarily
for For Hire activities, or both endorsements if the vessel is engaged in both activities.

(e) Within 30 days of the date on which the owner of a registered vessel transfers
ownership of the vessel, the new owner of the vessel shall notify the Division of the change in
ownership and apply for a replacement commercial fishing vessel registration. An application
for a replacement commercial fishing vessel registration shall be accompanied by proof of the
transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial
fishing vessel registration. Vessel owners who obtain a For Hire endorsement will be required
to submit logbooks summarizing catch and effort statistical data to the Division. The
commission may adopt rules detailing effective means and methods to accomplish this
requirement.

(f) A vessel may be registered at any office of the Division. A commercial fishing
vessel registration expires on the last day of the license year.
(g) The owner of a vessel applying for a Commercial Fishing Vessel Registration with a For Hire endorsement must affirm liability coverage and knowledge of U.S. Coast Guard safety requirements.

(h) Within 30 days of the date on which the owner of a registered vessel transfers ownership of the vessel, the new owner of the vessel shall notify the Division of the change in ownership and apply for a replacement commercial fishing vessel registration. An application for a replacement commercial fishing vessel registration shall be accompanied by proof of the transfer of the vessel. The provisions of G.S. 113-168.1(h) apply to a replacement commercial fishing vessel registration.

§ 113-169.1. Permits for gear, equipment, and other specialized activities authorized.

(a) The Commission may adopt rules to establish permits for gear, equipment, and specialized activities, including commercial fishing operations that do not involve the use of a vessel and transplanting oysters or clams. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed two hundred dollars ($200.00) per permit.

(b) The Commission may adopt rules to establish gear specific permits to take striped bass from the Atlantic Ocean and to limit the number and type of these permits that may be issued to a person. The Commission may establish a fee for each permit established pursuant to this subsection in an amount that compensates the Division for the administrative costs associated with the permit but that does not exceed ten dollars ($10.00) fifty dollars ($50.00) per permit.

(c) Advance Sale of Permits, Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to 1 July of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a license year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid.

§ 113-169.2. Shellfish license for North Carolina residents without a SCFL.

(a) License or Endorsement Necessary to Take or Sell Shellfish. – It is unlawful for an individual to take shellfish from the public or private grounds of the State by mechanical means or as part of a commercial fishing operation by hand methods any means without holding either a shellfish license or a shellfish endorsement of a SCFL. A North Carolina resident who seeks only to take and sell shellfish by hand methods shall be eligible to obtain a shellfish license without holding a SCFL. The shellfish license authorizes the licensee to sell shellfish.

(b) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

(c) Fees. – Shellfish licenses shall be issued annually upon payment of a fee of twenty-five dollars ($25.00) thirty-seven dollars and fifty cents ($37.50) upon proof that the license applicant is a North Carolina resident.

(d) License Available for Inspection. – It is unlawful for any individual to take shellfish as part of a commercial fishing operation from the public or private grounds of the State without having ready at hand for inspection a current and valid shellfish license issued to the licensee personally and bearing the licensee's correct name and address. It is unlawful for any individual taking or possessing freshly taken shellfish to refuse to exhibit the individual's license upon the request of an officer authorized to enforce the fishing laws.

(e) Repealed by Session Laws 1998-225, s. 4.17, effective July 1, 1999.

(f) Name or Address Change. – In the event of a change in name or address or upon receipt of an erroneous shellfish license, the licensee shall, within 30 days, apply for a replacement shellfish license bearing the correct name and address. Upon a showing by the
individual that the name or address change occurred within the past 30 days, the trial court or
prosecutor shall dismiss any charges brought pursuant to this subsection.

(g) Transfer Prohibited. – It is unlawful for an individual issued a shellfish license to
transfer or offer to transfer the license, either temporarily or permanently, to another. It is
unlawful for an individual to secure or attempt to secure a shellfish license from a source not
authorized by the Commission.

(h) Exemption. – Persons under 16 years of age are exempt from the license
requirements of this section if accompanied by a parent, grandparent, or guardian who is in
compliance with the requirements of this section or if in possession of a parent's, grandparent's
or guardian's shellfish license.

(i) Taking Shellfish Without a License for Personal Use. – Shellfish may be taken
without a license for personal use in quantities established by rules of the Marine Fisheries
Commission.

(j) Taking shellfish by mechanical means. – Shellfish taken by mechanical means is
covered under G.S. 113-168.2.

§ 113-169.3. Licenses for fish dealers.

(a) Eligibility. – A fish dealer license shall be issued to a North Carolina resident upon
receipt of a proper application at any office of the Division together with all license fees
including the total number of dealer categories set forth in this section. The license shall be
issued in the name of the applicant and shall include all dealer categories on the license.

(b) Application for License. – Applications shall not be accepted from persons
ineligible to hold a license issued by the Division, including any applicant whose license is
suspended or revoked on the date of the application. The applicant shall be provided with a
copy of the application marked received. The copy shall serve as the fish dealer's license until
the license issued by the Division is received, or the Division determines that the applicant is
ineligible to hold a license. Where an applicant does not have an established location for
transacting the fisheries business within the State, the license application shall be denied unless
the applicant satisfies the Secretary that his residence, or some other office or address within
the State, is a suitable substitute for an established location and that records kept in connection
with licensing, sale, and purchase requirements will be available for inspection when necessary.

Fish dealers' licenses are issued on a fiscal year basis upon payment of a fee as set forth herein
upon proof, satisfactory to the Secretary, that the license applicant is a North Carolina resident.

(c) License Requirement. – Any person subject to the licensing requirements of this
section is a fish dealer. Any person subject to the licensing requirements of this section shall
obtain a separate license for each physical location conducting activities required to be licensed
under this section. Except as otherwise provided in this section, it is unlawful for any person
not licensed pursuant to this Article:

(1) To buy fish for resale from any person involved in a commercial fishing
operation that takes any species of fish from coastal fishing waters. For
purposes of this subdivision, a retailer who purchases fish from a fish dealer
shall not be liable if the fish dealer has not complied with the licensing
requirements of this section;

(2) To sell fish to the public; or

(3) To sell to the public any species of fish under the authority of the
Commission taken from coastal fishing waters.

(d) Exceptions to License Requirements. – The Commission may adopt rules to
implement this subsection including rules to clarify the status of the listed classes of exempted
persons, require submission of statistical data, and require that records be kept in order to
establish compliance with this section. Any person not licensed pursuant to this section is
exempt from the licensing requirements of this section if all fish handled within any particular
licensing category meet one or more of the following requirements:
The fish are sold by persons whose dealings in fish are primarily educational, scientific, or official, and who have been issued a permit by the Division that authorizes the educational, scientific, or official agency to sell fish taken or processed in connection with research or demonstration projects;

(2) The fish are sold by individual employees of fish dealers when transacting the business of their duly licensed employer;

(3) The fish are shipped to a person by a dealer from without the State;

(4) The fish are of a kind the sale of which is regulated exclusively by the Wildlife Resources Commission; or

(5) The fish are purchased from a licensed dealer.

(e) Application Fee for New Fish Dealers. – An applicant for a new fish dealer license shall pay a nonrefundable application fee of fifty dollars ($50.00) seventy-five dollars ($75.00) in addition to the license category fees set forth in this section.

(f) License Category Fees. – Every fish dealer subject to licensing requirements shall secure an annual license at each established location for each of the following activities transacted there, upon payment of the fee set out:

(1) Dealing in oysters: $50.00-$75.00;

(2) Dealing in scallops: $50.00-$75.00;

(3) Dealing in clams: $50.00-$75.00;

(4) Dealing in hard or soft crabs: $50.00-$75.00;

(5) Dealing in shrimp, including bait: $50.00-$75.00;

(6) Dealing in finfish, including bait: $50.00-$75.00;

(7) Operating menhaden or other fish-dehydrating or oil-extracting processing plants: $50.00-$75.00; or

(8) Consolidated license (all categories): $300.00-$450.00.

(f1) Other License Categories. – Any person subject to fish dealer licensing requirements who deals in fish not included in the categories listed in subsection (f) of this section shall secure a finfish dealer license. The Commission may adopt rules implementing and clarifying the dealer categories of this section. Bait operations shall be licensed under either the finfish or shrimp dealer license categories.

(g) Repealed by Session Laws 1998-225, s. 4.18.

(h) Replacement License. – If the licensee fails to comply with the requirements of G.S. 113-168.1(h), the license is revoked.

(i) Unlawful Purchase and Sale of Fish. – It is unlawful for a fish dealer to purchase, possess, or sell fish taken from coastal fishing waters in violation of this Subchapter or the rules adopted by the Commission implementing this Subchapter. It is unlawful for a fish dealer to buy or accept fish unless, at the time of the transaction:

(1) The seller or donor presents a current and valid license to sell the type of fish being offered;

(2) The seller or donor presents the commercial fishing vessel registration of the vessel that was used to take the fish being offered; and

(3) The dealer records the transaction consistent with the record-keeping requirements of G.S. 113-168.2(i).

(j) Transfer Prohibited. – Any fish dealer license issued under this section is nontransferable. It is unlawful to use a fish dealer license issued to another person in the sale or attempted sale of fish or for a licensee to lend or transfer a fish dealer license for the purpose of circumventing the requirements of this section.

"§ 113-169.4. Licensing of ocean fishing piers; fees.

(a) The owner or operator of an ocean fishing pier within the coastal fishing waters who charges the public a fee to fish in any manner from the pier shall secure a current and valid pier
license from the Division. An application for a pier license shall disclose the names of all
parties involved in the pier operations, including the owner of the property, owner of the pier if
different, and all leasehold or other corporate arrangements, and all persons with a substantial
financial interest in the pier.

(b) Within 30 days following a change of ownership of a pier, or a change as to the
manager, the manager or new manager shall secure a replacement pier license as provided in
G.S. 113-168.1(h).

(c) Pier licenses are issued upon payment of fifty cents ($0.50), seven dollars and fifty
cents ($7.50) per linear foot, to the nearest foot, that the pier extends into coastal fishing waters
beyond the mean high waterline. The length of the pier shall be measured to include all
extensions of the pier. The Ocean Pier license authorizes all individuals who do not hold a
Coastal Recreational Fishing License to engage in recreational fishing while on the pier.

(d) The manager who secures the pier license shall be the individual with the duty of
executive-level supervision of pier operations.

"§ 113-169.5. Land or sell license; vessels fishing beyond territorial waters.

(a) Persons aboard vessels not having their primary situs in the State that are carrying a
cargo of fish taken outside the waters of the State may land or sell their catch in the State by
purchasing a land or sell license as set forth in this section with respect to the vessel in
question. The Commission may by rule modify the land or sell licensing procedure in order to
devise an efficient and convenient procedure for licensing out-of-state vessels to only land, or
after landing to permit sale of cargo.

(b) The fee for a land or sell license for a vessel not having its primary situs in North
Carolina is two hundred dollars ($200.00), three hundred ($300.00), or an amount equal to the
nonresident fee charged by the nonresident's state, whichever is greater. Persons aboard vessels
having a primary situs in a jurisdiction that would allow North Carolina vessels without
restriction to land or sell their catch, taken outside the jurisdiction, may land or sell their catch
in the State without complying with this section if the persons are in possession of a valid
license from their state of residence.

..."§ 113-171.1. Use of spotter planes in commercial fishing operations regulated.

(a) Spotter Plane Defined. – A "spotter plane" is an aircraft used for aerial identification
of the location of fish in coastal fishing waters so that a vessel may be directed to the fish.

(b) License. – Before an aircraft is used as a spotter plane in a commercial fishing
operation, the owner or operator of the aircraft must obtain a license for the aircraft from the
Division. The fee for a license for a spotter plane is one hundred dollars ($100.00), one hundred
fifty dollars ($150.00). An applicant for a license for a spotter plane shall include in the
application the identity, either by boat or by company, of the specific commercial fishing
operations in which the spotter plane will be used during the license year. If, during the course
of the license year, the aircraft is used as a spotter plane in a commercial fishing operation that
is not identified in the original license application, the owner or operator of the aircraft shall
amend the license application to add the identity of the additional commercial fishing
operation.

(c) Unlawful Activity. – It shall be unlawful to:

(1) Use a spotter plane directed at food fish, except in connection with a purse
seine operation authorized by a rule of the Commission.

(2) Use or permit the use of an unlicensed spotter plane or a licensed spotter
plane whose license application does not identify the specific commercial
fishing operation involved.

(3) Participate knowingly in a commercial fishing operation that uses an
unlicensed spotter plane or a licensed spotter plane whose license application
does not identify the specific commercial fishing operation involved.
"§ 113-173. Recreational Commercial Gear License.

(a) License Required. – Except as provided in subsection (j) of this section, it is unlawful for any person to take or attempt to take fish for recreational purposes by means of commercial fishing equipment or gear in coastal fishing waters without holding a RCGL. As used in this section, fish are taken for recreational purposes if the fish are not taken for the purpose of sale. The RCGL entitles the licensee to use authorized commercial gear to take fish for personal use subject to recreational possession limits. It is unlawful for any person licensed under this section or fishing under a RCGL to possess fish in excess of recreational possession limits.

(b) Sale of Fish Prohibited. – It is unlawful for the holder of a RCGL or for a person who is exempt under subsection (j) of this section to sell fish taken under the RCGL or pursuant to the exemption.

(c) Authorized Commercial Gear. –

(1) The Commission shall adopt rules authorizing the use of a limited amount of commercial fishing equipment or gear for recreational fishing under a RCGL. The Commission may authorize the limited use of commercial gear on a uniform basis in all coastal fishing waters or may vary the limited use of commercial gear within specified areas of the coastal fishing waters. The Commission shall periodically evaluate and revise the authorized use of commercial gear for recreational fishing. Authorized commercial gear shall be identified by visible colored tags or other means specified by the Commission in order to distinguish between commercial gear used in a commercial operation and commercial gear used for recreational purposes.

(2) A person who holds a RCGL may use up to 100 yards of gill net to take fish for recreational purposes. Two persons who each hold a RCGL and who are fishing from a single vessel may use up to a combined 200 yards of gill net to take fish for recreational purposes. No more than 200 yards of gill net may be used to take fish for recreational purposes from a single vessel regardless of the number of persons aboard the vessel who hold a RCGL.

(d) Purchase; Renewal. – A RCGL may be purchased at designated offices of the Division and from a license agent authorized under G.S. 113-172. A RCGL may be renewed by mail.

(e) Replacement RCGL. – The provisions of G.S. 113-168.1(h) apply to this section.

(f) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be thirty-five dollars ($35.00) fifty–two dollars and fifty cents ($52.50). The fee for a RCGL for an individual who is not a North Carolina resident shall be two hundred fifty dollars ($250.00) three hundred seventy–five dollars ($375.00).

(g) RCGL Available for Inspection. – It is unlawful for any person to engage in recreational fishing by means of restricted commercial gear in the State without having ready at hand for inspection a valid RCGL. A holder of a RCGL shall not refuse to exhibit the RCGL upon the request of an inspector or any other law enforcement officer authorized to enforce federal or State laws, regulations, or rules relating to marine fisheries.

(h) Assignment and Transfer Prohibited. – A RCGL is not transferable. Except as provided in subsection (j) of this section, it is unlawful to buy, sell, lend, borrow, assign, or otherwise transfer a RCGL, or to attempt to buy, sell, lend, borrow, assign, or otherwise transfer a RCGL.
(i) Reporting Requirements. – The holder of a RCGL shall comply with the biological data sampling and survey programs of the Commission and the Division.

(j) Exemptions. –

(1) A person who is under 16 years of age may take fish for recreational purposes by means of authorized commercial gear without holding a RCGL if the person is accompanied by a parent, grandparent, or guardian who holds a valid RCGL or if the person has in the person's possession a valid RCGL issued to the person's parent, grandparent, or guardian.

(2) A person may take crabs for recreational purposes by means of one or more crab pots attached to the shore along privately owned land or to a privately owned pier without holding a RCGL provided that the crab pots are attached with the permission of the owner of the land or pier.

(3) A person who is on a vessel may take fish for recreational purposes by means of authorized commercial gear without holding a RCGL if there is another person on the vessel who holds a valid RCGL. This exemption does not authorize the use of commercial gear in excess of that authorized for use by the person who holds the valid RCGL or, if more than one person on the vessel holds a RCGL, in excess of that authorized for use by those persons.

(4) A person using nonmechanical means may take shellfish for personal use within the limits specified in G.S. 113-169.2(i) without holding a RCGL.

(5) A person may take fish for recreational purposes by means of a gig without holding a RCGL.

SECTION 13.11. G.S. 113-203 reads as rewritten:

"§ 113.203. Transplanting of oysters and clams.

(a) It is unlawful to transplant oysters taken from public grounds to private beds except:

(1) When lawfully taken during open season and transported directly to a private bed in accordance with rules of the Marine Fisheries Commission.

(2) Repealed by Session Laws 2009-433, s. 6, effective August 7, 2009.

(3) When the transplanting is done in accordance with the provisions of this section and implementing rules.

(a1) It is lawful to transplant seed clams less than 12 millimeters in their largest dimension and seed oysters less than 25 millimeters in their largest dimension and when the seed clams and seed oysters originate from an aquaculture operation permitted by the Secretary.

(b) It is lawful to transplant to private beds oysters or clams taken from polluted waters with a permit from the Secretary setting out the waters from which the oysters or clams may be taken, the quantities which may be taken, the times during which the taking is permissible, and other reasonable restrictions imposed by the Secretary for the regulation of transplanting operations. Any transplanting operation which does not substantially comply with the restrictions of the permit issued is unlawful.

(c) Repealed by Session Laws 2009-433, s. 6, effective August 7, 2009.

(d) It is lawful to transplant to private beds in North Carolina oysters taken from natural or managed public beds designated by the Marine Fisheries Commission as seed oyster management areas. The Secretary shall issue permits to all qualified individuals who are residents of North Carolina without regard to county of residence to transplant seed oysters from said designated seed oyster management areas, setting out the quantity which may be taken, the times which the taking is permissible and other reasonable restrictions imposed to aid the Secretary in the Secretary's duty of regulating such transplanting operations. Persons taking such seed oysters may, in the discretion of the Marine Fisheries Commission, be required to pay to the Department for oysters taken an amount to reimburse the Department in full or in part for the costs of seed oyster management operations. Any transplanting operation which does not substantially comply with the restrictions of the permit issued is unlawful.
The Marine Fisheries Commission may implement the provisions of this section by
rules governing sale, possession, transportation, storage, handling, planting, and harvesting of
oysters and clams and setting out any system of marking oysters and clams or of permits or
receipts relating to them generally, from both public and private beds, as necessary to regulate
the lawful transplanting of seed oysters and oysters or clams taken from or placed on public or
private beds.

The Commission may establish a fee for each permit established pursuant to this
subsection in an amount that compensates the Division for the administrative costs associated
with the permit but that does not exceed two hundred dollars ($200.00) per permit.

Advance Sale of Permits, Permit Revenue. – To ensure an orderly transition from
one permit year to the next, the Division may issue a permit prior to 1 July of the permit year
for which the permit is valid. Revenue that the Division receives for the issuance of a permit
prior to the beginning of a license year shall not revert at the end of the fiscal year in which the
revenue is received and shall be credited and available to the Division for the permit year in
which the permit is valid."

"§ 113-174.4. Ocean Fishing Pier Blanket CRFL.

Ocean Fishing Pier Blanket CRFL. – A person who owns or operates an ocean fishing pier
and who charges a fee to allow a person to engage in recreational fishing from the pier may
purchase an Ocean Fishing Pier Blanket CRFL issued by the Division. An Ocean Fishing Pier
Blanket CRFL authorizes all individuals who do not hold a license issued under this Article or
Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters while on
the pier. This license is valid for a period of one year from the date of issuance. The fee for an
Ocean Fishing Pier Blanket CRFL is four dollars ($4.00) per linear foot, to the nearest foot, that
the pier extends into coastal fishing waters beyond the mean high waterline. The length of the
pier shall be measured to include all extensions of the pier."


(a) Under Dock Oyster Culture Permit. – An Under Dock Oyster Culture Permit
authorizes the holder of the permit to attach up to 90 square feet of oyster cultivation containers
to a dock or pier owned by the permit holder.

(b) Application. – The owner of a dock or pier who wishes to obtain an Under Dock
Oyster Culture Permit shall apply to the Director of the Division of Marine Fisheries.

(c) Issuance. – The Director of the Division of Marine Fisheries shall issue an Under
Dock Oyster Culture Permit only if the Director determines all of the following:

1. That the dock or pier is not located in an area that the State Health Director
has recommended be closed to shellfish harvest due to pollution or that has
been closed to harvest by statute, rule, or proclamation due to suspected
pollution.

2. That the owner of the dock or pier has satisfied the training requirements
established by the Marine Fisheries Commission pursuant to subsection (j)
of this section.

3. That the attachment of the oyster cultivation containers to the dock or pier
will be compatible with all lawful uses by the public of other marine and
estuarine resources. Other lawful public uses include, but are not limited to,
navigation, fishing, and recreation.

(d) Duration. – An Under Dock Oyster Culture Permit is valid for a one-year period
from the date of issuance.

(e) Renewal. – The Director of the Division of Marine Fisheries shall renew an Under
Dock Oyster Culture Permit only if the Director determines the requirements of subsection (c)
of this section continue to be satisfied and the holder of the permit is attempting to utilize the permit to cultivate oysters on a continuing basis.

(f) Reporting Requirements. – The holder of an Under Dock Oyster Culture Permit shall comply with the biological data sampling and survey programs of the Marine Fisheries Commission and the Division of Marine Fisheries.

(g) Posting of Signs. – The holder of an Under Dock Oyster Culture Permit shall post signs that indicate the presence of the oyster cultivation containers and that the oyster cultivation containers and their contents are private property.

(h) Sale of Oysters Prohibited. – It is unlawful for the holder of an Under Dock Oyster Culture Permit to sell oysters cultivated pursuant to the permit.

(i) Assignment and Transfer Prohibited. – An Under Dock Oyster Culture Permit is not assignable or transferable.

(j) Oyster Cultivation Training Requirements. – The Marine Fisheries Commission, in consultation with the Sea Grant College Program at The University of North Carolina, shall develop and adopt rules for the training of individuals who cultivate oysters pursuant to this section.

(k) Revocation of Permit. – If the Director of the Division of Marine Fisheries determines that the holder of an Under Dock Oyster Culture Permit has failed to comply with any provision of this section, the Director shall revoke the Permit. The owner of the dock or pier shall remove the oyster cultivation containers that were authorized by the revoked permit within 15 days of revocation.

(l) Fees. – Under the Dock Oyster Culture Permit shall be issued annually upon payment of a fee of two hundred dollars ($200.00).

(m) Advance Sale of Permits, Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to 1 July of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a license year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid.

**SECTION 13.14.** G.S. 113–221.2 reads as rewritten:

"§ 113-221.2. Commission to adopt rules; enforcement of rules. Additional rules to establish sanitation requirements for scallops, shellfish, and crustacea.

For the protection of the public health, the Marine Fisheries Commission shall adopt rules establishing sanitation requirements for the harvesting, processing and handling of scallops, shellfish shellfish, and crustacea of in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops, shellfish shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce the rules and may issue and revoke permits, issue, revoke, and establish a fee for each permit issued that does not exceed one hundred dollars ($100.00) according to the rules.

Advance Sale of Permits, Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to 1 July of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a license year shall not revert at the end of the fiscal year in which the revenue is received and shall be credited and available to the Division for the permit year in which the permit is valid."

**Section 13.15.** G.S. 143B-289.52 reads as rewritten:

"§ 143B-289.52. Marine Fisheries Commission – powers and duties.

(a) The Marine Fisheries Commission shall adopt rules to be followed in the management, protection, preservation, and enhancement of the marine and estuarine resources within its jurisdiction, as described in G.S. 113-132, including commercial and sports fisheries resources. The Marine Fisheries Commission shall have the power and duty:
(1) To authorize, license, regulate, prohibit, prescribe, or restrict all forms of marine and estuarine resources in coastal fishing waters with respect to:
   a. Time, place, character, or dimensions of any methods or equipment that may be employed in taking fish.
   b. Seasons for taking fish.
   c. Size limits on and maximum quantities of fish that may be taken, possessed, bailed to another, transported, bought, sold, or given away.

(2) To provide fair regulation of commercial and recreational fishing groups in the interest of the public.

(3) To adopt rules and take all steps necessary to develop and improve mariculture, including the cultivation, harvesting, and marketing of shellfish and other marine resources in the State, involving the use of public grounds and private beds as provided in G.S. 113-201.

(4) To close areas of public bottoms under coastal fishing waters for such time as may be necessary in any program of propagation of shellfish as provided in G.S. 113-204.

(5) In the interest of conservation of the marine and estuarine resources of the State, to institute an action in the superior court to contest the claim of title or claimed right of fishery in any navigable waters of the State registered with the Department as provided in G.S. 113-206(d).

(6) To make reciprocal agreements with other jurisdictions respecting any of the matters governed in this Subchapter as provided by G.S. 113-223.

(7) To adopt relevant provisions of federal laws and regulations as State rules pursuant to G.S. 113-228.

(8) To delegate to the Fisheries Director the authority by proclamation to suspend or implement, in whole or in part, a particular rule of the Commission that may be affected by variable conditions as provided in G.S. 113-221.1.

(9) To comment on and otherwise participate in the determination of permit applications received by State agencies that may have an effect on the marine and estuarine resources of the State.

(10) To adopt Fishery Management Plans as provided in G.S. 113-182.1, to establish a Priority List to determine the order in which Fishery Management Plans are developed, to establish a Schedule for the development and adoption of each Fishery Management Plan, and to establish guidance criteria as to the contents of Fishery Management Plans.

(11) To approve Coastal Habitat Protection Plans as provided in G.S. 143B-279.8.

(12) Except as may otherwise be provided, to make the final agency decision in all contested cases involving matters within the jurisdiction of the Commission.

(13) To adopt rules to define fishing gear as either recreational gear or commercial gear.

(b) The Marine Fisheries Commission shall have the power and duty to establish standards and adopt rules:

(1) To implement the provisions of Subchapter IV of Chapter 113 as provided in G.S. 113-134.

(2) To manage the disposition of confiscated property as set forth in G.S. 113-137.
To govern all license requirements prescribed in Article 14A of Chapter 113 of the General Statutes.

To regulate the importation and exportation of fish, and equipment that may be used in taking or processing fish, as necessary to enhance the conservation of marine and estuarine resources of the State as provided in G.S. 113-170.

To regulate the possession, transportation, and disposition of seafood, as provided in G.S. 113-170.4.

To regulate the disposition of the young of edible fish, as provided by G.S. 113-185.

To manage the leasing of public grounds for mariculture, including oysters and clam production, as provided in G.S. 113-202.

To govern the utilization of private fisheries, as provided in G.S. 113-205.

To impose further restrictions upon the throwing of fish offal in any coastal fishing waters, as provided in G.S. 113-265.

To regulate the location and utilization of artificial reefs in coastal waters.

(c) The Commission is authorized to authorize, license, prohibit, prescribe, or restrict:

(1) The opening and closing of coastal fishing waters, except as to inland game fish, whether entirely or only as to the taking of particular classes of fish, use of particular equipment, or as to other activities.

(2) The possession, cultivation, transportation, importation, exportation, sale, purchase, acquisition, and disposition of all marine and estuarine resources and all related equipment, implements, vessels, and conveyances as necessary to carry out its duties.

(d) The Commission may adopt rules required by the federal government for grants-in-aid for coastal resource purposes that may be made available to the State by the federal government. This section is to be liberally construed in order that the State and its citizens may benefit from federal grants-in-aid.

(d1) The Commission may regulate participation in a fishery that is subject to a federal fishery management plan if that plan imposes a quota on the State for the harvest or landing of fish in the fishery. The commission may use any additional criteria aside from holding a Standard Commercial Fishing License to develop limited entry fisheries. If the Commission regulates participation in a fishery under this subsection, the Division may issue a license to participate in the fishery to a person who:

(1) Held a valid license issued by the Division to harvest, land, or sell fish during at least two of the three license years immediately preceding the date adopted by the Commission to determine participation in the fishery; and

(2) Participated in the fishery during at least two of those license years by landing in the State at least the minimum number of pounds of fish adopted by the Commission to determine participation in the fishery.

(3) The Commission may establish a fee for each license established pursuant to this subsection in an amount that does not exceed one thousand dollars ($1,000) per license.

Advance Sale of Permits, Permit Revenue. – To ensure an orderly transition from one permit year to the next, the Division may issue a permit prior to 1 July of the permit year for which the permit is valid. Revenue that the Division receives for the issuance of a permit prior to the beginning of a license year shall not revert at the end of the fiscal year in which the
revenue is received and shall be credited and available to the Division for the permit year in
which the permit is valid.

(e) The Commission may adopt rules to implement or comply with a fishery
management plan adopted by the Atlantic States Marine Fisheries Commission or adopted by
the United States Secretary of Commerce pursuant to the Magnuson-Stevens Fishery
G.S. 150B-21.1(a), the Commission may adopt temporary rules under this subsection at any
time within six months of the adoption or amendment of a fishery management plan or the
notification of a change in management measures needed to remain in compliance with a
fishery management plan.

(f) The Commission shall adopt rules as provided in this Chapter. All rules adopted by
the Commission shall be enforced by the Department of Environment and Natural Resources.

(g) As a quasi-judicial agency, the Commission, in accordance with Article IV, Section
3 of the Constitution of North Carolina, has those judicial powers reasonably necessary to
accomplish the purposes for which it was created.

(h) Social security numbers and identifying information obtained by the Commission or
the Division of Marine Fisheries shall be treated as provided in G.S. 132-1.10. For purposes of
this subsection, "identifying information" also includes a person's mailing address, residence
address, date of birth, and telephone number.

(i) The Commission may adopt rules to exempt individuals who participate in
organized fishing events held in coastal or joint fishing waters from recreational fishing license
requirements for the specified time and place of the event when the purpose of the event is
consistent with the conservation objectives of the Commission."

SECTION 13.16. G.S. 113–182.1 reads as rewritten:

"§ 113-182.1 Fishery Management Plans.

(a) The Department shall prepare proposed Fishery Management Plans for adoption by
the Marine Fisheries Commission for all commercially or recreationally significant species or
fisheries that comprise State marine or estuarine resources. Proposed Fishery Management
Plans shall be developed in accordance with the Priority List, Schedule, and guidance criteria
established by the Marine Fisheries Commission under G.S. 143B-279.8.

(b) The goal of the plans shall be to ensure the long-term viability of the State's
commercially and recreationally significant species or fisheries. Each plan shall be designed to
reflect fishing practices so that one plan may apply to a specific fishery, while other plans may
be based on gear or geographic areas. Each plan shall:

(1) Contain necessary information pertaining to the fishery or fisheries,
including management goals and objectives, status of relevant fish stocks,
stock assessments for multiyear species, fishery habitat and water quality
considerations consistent with Coastal Habitat Protection Plans adopted
pursuant to G.S. 143B-279.8, social and economic impact of the fishery to
the State, and user conflicts.

(2) Recommend management actions pertaining to the fishery or fisheries.

(3) Include conservation and management measures that will provide the
greatest overall benefit to the State, particularly with respect to food
production, recreational opportunities, and the protection of marine
ecosystems, and that will produce a sustainable harvest.

(4) Repealed by Session Laws 2010-13, s. 1, effective June 23, 2010.

(5) Specify a time period, not to exceed two years from the date of the adoption
of the plan, to implement measures to end for ending overfishing. This
subdivision shall only apply to a plan for a fishery that is not producing a
sustainable harvest. This subdivision shall not apply if the Fisheries Director
determines that the biology of the fish, environmental conditions, or lack of
sufficient data make implementing the requirements of this subdivision incompatible with professional standards for fisheries management.

(6) Specify a time period, not to exceed 10 years from the date of the adoption of the plan, for achieving a sustainable harvest. This subdivision shall not apply if the Fisheries Director determines that the biology of the fish, environmental conditions, or lack of sufficient data make implementing the requirements of this subdivision incompatible with professional standards for fisheries management.

(7) Include a standard of at least fifty percent (50%) probability of achieving sustainable harvest for the fishery or fisheries. This subdivision shall not apply if the Fisheries Director determines that the biology of the fish, environmental conditions, or lack of sufficient data make implementing the requirements of this subdivision incompatible with professional standards for fisheries management.

(c) To assist in the development of each Fishery Management Plan, the Chair of the Marine Fisheries Commission shall appoint a fishery management plan advisory committee. Each fishery management plan advisory committee shall be composed of commercial fishermen, recreational fishermen, and scientists, all with expertise in the fishery for which the Fishery Management Plan is being developed.

(c1) The Department shall consult with the regional advisory committees established pursuant to G.S. 143B-289.57(e) regarding the preparation of each Fishery Management Plan. Before submission of a plan for review by the Joint Legislative Commission on Governmental Operations, the Department shall review any comment or recommendation regarding the plan that a regional advisory committee submits to the Department within the time limits established in the Schedule for the development and adoption of Fishery Management Plans established by G.S. 143B-289.52. Before the Commission adopts a management measure to implement a plan, the Commission shall review any comment or recommendation regarding the management measure that a regional advisory committee submits to the Commission.

(d) Each Fishery Management Plan shall be reviewed at least once every five years. The Marine Fisheries Commission may revise the Priority List and guidance criteria whenever it determines that a revision of the Priority List or guidance criteria will facilitate or improve the development of Fishery Management Plans or is necessary to restore, conserve, or protect the marine and estuarine resources of the State. The Marine Fisheries Commission may not revise the Schedule for the development of a Fishery Management Plan, once adopted, without the approval of the Secretary of Environment and Natural Resources.

(e) The Secretary of Environment and Natural Resources shall monitor progress in the development and adoption of Fishery Management Plans in relation to the Schedule for development and adoption of the plans established by the Marine Fisheries Commission. The Secretary of Environment and Natural Resources shall report to the Joint Legislative Commission on Governmental Operations on progress in developing and implementing the Fishery Management Plans on or before 1 September of each year. The Secretary of Environment and Natural Resources shall report to the Joint Legislative Commission on Governmental Operations within 30 days of the completion or substantial revision of each proposed Fishery Management Plan. The Joint Legislative Commission on Governmental Operations shall review each proposed Fishery Management Plan within 30 days of the date the proposed Plan is submitted by the Secretary. The Joint Legislative Commission on Governmental Operations may submit comments and recommendations on the proposed Plan to the Secretary within 30 days of the date the proposed Plan is submitted by the Secretary.

(e1) If the Secretary determines that it is in the interest of the long-term viability of a fishery, the Secretary may authorize the Commission to develop temporary management measures to supplement an existing Fishery Management Plan pursuant to this subsection.
Development of temporary management measures pursuant to this subsection is exempt from subsections (c), (c1), and (e) of this section and the Priority List, Schedule, and guidance criteria established by the Marine Fisheries Commission under G.S. 143B-289.52. During the next review period for a Fishery Management Plan supplemented pursuant to this subsection, the Commission shall either incorporate the temporary management measures into the revised Fishery Management Plan or the temporary management measures shall expire on the date the revised Fishery Management Plan is adopted.

(f) The Marine Fisheries Commission shall adopt rules to implement Fishery Management Plans in accordance with Chapter 150B of the General Statutes.

(g) To achieve sustainable harvest under a Fishery Management Plan, the Marine Fisheries Commission may include in the Plan a recommendation that the General Assembly limit the number of fishermen authorized to participate in the fishery. The Commission may recommend that the General Assembly limit participation in a fishery only if the Commission determines that sustainable harvest cannot otherwise be achieved. In determining whether to recommend that the General Assembly limit participation in a fishery, the Commission shall consider all of the following factors:

(1) Current participation in and dependence on the fishery.
(2) Past fishing practices in the fishery.
(3) Economics of the fishery.
(4) Capability of fishing vessels used in the fishery to engage in other fisheries.
(5) Cultural and social factors relevant to the fishery and any affected fishing communities.
(6) Capacity of the fishery to support biological parameters.
(7) Equitable resolution of competing social and economic interests.
(8) Any other relevant considerations.

SECTION 13.17. G.S. 113–174.3 reads as rewritten:

"§ 113-174.3. For Hire Blanket CRFL.

(a) License. – A person who operates a for hire boat may purchase a For Hire Blanket CRFL issued by the Division for the for hire boat. A For Hire Blanket CRFL authorizes all individuals on the for hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. A For Hire Blanket CRFL does not authorize individuals to engage in recreational fishing in joint fishing waters or inland fishing waters. A For Hire Blanket CRFL is valid for a period of one year from the date of issuance. The fee for a For Hire Blanket CRFL is:

(1) Two hundred fifty dollars ($250.00) for a vessel that will carry six or fewer passengers.
(2) Three hundred fifty dollars ($350.00) for a vessel that will carry greater than six passengers.

(b) Implementation. – Except as provided in this section and G.S. 113-174.2(d), each individual on board a for hire boat engaged in recreational fishing, other than crew members who do not engage in recreational fishing, must hold a license issued under this Article or Article 25A of this Chapter. An owner, operator, or crew member of a for hire boat is not responsible for the licensure of a customer fishing from the boat.

(a) License. – A person who operates a For Hire vessel has the option to purchase one of the following For Hire Licenses:

(1) Blanket For Hire Captains CRFL – this license allows individuals properly licensed by the U.S. Coast Guard to carry passengers on any vessel with a commercial vessel registration with a For Hire endorsement. A Blanket for Hire Captains license authorizes all individuals on the For Hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to
engage in recreational fishing in coastal fishing waters that are not joint fishing waters. The fee is two hundred fifty dollars ($250.00), non-residents three hundred seventy-five dollars ($375.00), to carry six or fewer passengers and three hundred fifty dollars ($350.00), non-residents five hundred twenty-five ($525.00), for a vessel that will carry more than six passengers.

(2) Blanket For Hire Vessel CRFL – this license allows any U.S. Coast Guard licensed operator to carry passengers aboard the licensed vessel. A Blanket For Hire Vessel license authorizes all individuals on the For Hire boat who do not hold a license issued under this Article or Article 25A of this Chapter to engage in recreational fishing in coastal fishing waters that are not joint fishing waters. The fee is two hundred fifty dollars ($250.00), non-residents three hundred seventy-five dollars ($375.00), for a vessel that will carry six or fewer passengers and three hundred fifty dollars ($350.00), non-residents five hundred twenty-five dollars ($525.00), for a vessel that will carry more than six passengers.

(3) Non-Blanket For Hire Vessel license – this license allows any U.S. Coast Guard licensed operator to carry passengers aboard the licensed vessel. This license does not authorize individuals aboard the vessel to engage in recreational fishing unless they hold an individual Coastal Recreational Fishing License issued under this Article or Article 25A of this Chapter. The fee for this license is fifty dollars ($50.00), non-residents seventy-five dollars ($75.00).

(b) Any vessel engaged in For Hire fishing, with the exception of those vessels that hold a Blanket For Hire Vessel license, must obtain a Commercial fishing Vessel Registration with a For Hire endorsement.

A For Hire Blanket CRFL does not authorize individuals to engage in recreational fishing in joint or inland fishing waters.

All For Hire Blanket CRFLs are valid for a period of one year from the date of issuance. All For Hire blanket CRFLs expire on the last day of the license year."

PART XIV. DEPARTMENT OF COMMERCE

FLEXIBILITY OF THE DEPARTMENT OF COMMERCE TO REORGANIZE THE DEPARTMENT TO ESTABLISH A PUBLIC/PRIVATE PARTNERSHIP

SECTION 14.1.(a) Notwithstanding any other provision of law, and consistent with the authority granted in G.S. 143B-10, the Secretary of the Department of Commerce may use up to one million dollars ($1,000,000) in available funds to reorganize positions and related operational costs within the Department to establish a public/private partnership which includes cost containment measures. Actions under this section may only be implemented after the Office of State Budget and Management has approved a proposal submitted by the Department. Proposals under this section shall include, at a minimum, the positions involved and strategies to achieve efficiencies.

SECTION 14.1.(b) The Department shall report on any actions under this section to the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include the positions involved and strategies to achieve efficiencies. The report is due to the House and Senate Appropriations Committees on Natural and Economic Resources and the Fiscal Research Division no later than June 30, 2014.
NER BLOCK GRANTS

SECTION 14.2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2014, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration $1,275,000
02. State Technical Assistance 450,000
03. Scattered Site Housing 7,200,000
04. Economic Development 6,825,000
05. Small Business/Entrepreneurship 2,500,000
06. NC Catalyst 4,500,000
07. Infrastructure 19,600,000
08. Capacity Building 600,000

TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2013-2014 Program Year $42,950,000

SECTION 14.2.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 14.2.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 14.2.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million two hundred seventy-five thousand dollars ($1,275,000) may be used for State Administration; up to four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to seven million two hundred thousand dollars ($7,200,000) may be used for Scattered Site Housing; up to six million eight hundred twenty-five thousand dollars ($6,825,000) may be used for Economic Development; up to two million five hundred thousand dollars ($2,500,000) may be used for Small Business/Entrepreneurship; up to four million five hundred thousand dollars ($4,500,000) shall be used for NC Catalyst; up to nineteen million six hundred thousand dollars ($19,600,000) may be used for Infrastructure; up to six hundred thousand dollars ($600,000) may be used for Capacity Building. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 14.2.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made, the
Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 14.2.(f) By September 1 of each fiscal year, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

1. A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.
2. Information on the number of applications that were received in each category and the total dollar amount requested in each category.
3. A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 14.2.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent.

SECTION 14.3. G.S. 143B-437.55 reads as rewritten:

"§ 143B-437.55. Applications; fees; reports; study.
(a) Application. – A business shall apply, under oath, to the Committee for a grant on a form prescribed by the Committee that includes at least all of the following:

1. The name of the business, the proposed location of the project, and the type of activity in which the business will engage at the project site or sites.
2. The names and addresses of the principals or management of the business, the nature of the business, and the form of business organization under which it is operated.
3. The financial statements of the business prepared by a certified public accountant and any other financial information the Committee considers necessary.
4. The number of eligible positions proposed to be created for the project and the salaries for these positions.
5. An estimate of the total withholdings.
6. Certification that the business will provide health insurance to full-time employees of the project as required by G.S. 143B-437.53(c).
7. Information concerning other locations, including locations in other states and countries, being considered for the project and the nature of any benefits that would accrue to the business if the project were to be located in one of those locations.
8. Information concerning any other State or local government incentives for which the business is applying or that it has an expectation of receiving.
9. Any other information necessary for the Committee to evaluate the application.

A business may apply, in one consolidated application in a form and manner determined by the Committee, for a grant that may include performance by related members of the business who may qualify under this Part.
The Committee will consider an application by a business for a grant that includes performance of its related members only if the related members for whom the application is submitted assign to the business any claim of right the related members may have under this Part to apply for grants individually during the term of the agreement and agree to cooperate with the business in providing to the Committee all the information required for the initial application and the agreement, and any other information the Committee may require for the purposes of this Part. The applicant business is responsible for providing to the Committee all the information required under this Part.

If a business applies for a grant that includes performance by its related members, the related members included in the application may be permitted to meet the qualifications for a grant collectively by participating in a project that meets the requirements of this Part. The amount of a grant may be calculated under the terms of this Part as if the related members were all collectively one business entity. Any conditions for a grant, other than the number of eligible positions created, apply to each related member who is listed in the application as participating in the project. The grant awarded shall be paid to the approved grantee business only. A grant received under this Part by a business may be apportioned to the related members in a manner determined by the business. In order for an agreement to be executed, each related member included in the application must sign the agreement and agree to abide by its terms.

(b) Application Fee. – When filing an application under this section, the business must pay the Committee a fee of five thousand dollars ($5,000), seven thousand five hundred dollars ($7,500). The fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited.

(c) Annual Reports. – The Committee shall publish a report on the Job Development Investment Grant Program on or before April 30 of each year. The Committee shall submit the report electronically to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include the following:

(1) A listing of each grant awarded during the preceding calendar year, including the name of the business, the cost/benefit analysis conducted by the Committee during the application process, a description of the project, the term of the grant, the percentage of withholdings used to determine the amount of the grant, the annual maximum State liability under the grant, and the maximum total lifetime State liability under the grant.

(2) An update on the status of projects under grants awarded before the preceding calendar year.

(3) The number and development tier area of eligible positions to be created by projects with respect to which grants have been awarded.

(3a) A listing of the employment level for all businesses receiving a grant and any changes in those levels from the level of the next preceding year.

(4) The wage levels of all eligible positions to be created by projects with respect to which grants have been awarded, aggregated and listed in increments of ten thousand dollars ($10,000) or other appropriate increments.

(5) The amount of new income tax revenue received from withholdings related to the projects for which grants have been awarded.

(6) For the first annual report after adoption of the criteria developed by the Committee, in consultation with the Attorney General, to implement this
Part, a copy of such criteria, and, for subsequent reports, identification of any changes in those criteria from the previous calendar year.

(7) The number of awards made to new businesses and the number of awards made to existing, expanding businesses in the preceding calendar year.

(8) The environmental impact of businesses that have received grants under the program.

(9) The geographic distribution of grants, by number and amount, awarded under the program.


(11) A listing of all businesses making an application under this Part and an explanation of whether each business ultimately located the project in this State regardless of whether the business was awarded a grant for the project under this Part.


(13) The total amount transferred to the Utility Account of the Industrial Development Fund under this Part during the preceding year.

(d) Repealed by Session Laws 2012-142, s. 13.4(f), effective July 1, 2012.

(e) Study. – The Committee shall conduct a study to determine the minimum funding level required to implement the Job Development Investment Grant Program successfully. The Committee shall report the results of this study to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division no later than April 1 of each year.”

SECTION 14.3A. G.S. 143B-437.58 reads as rewritten:

"§ 143B-437.58. Grant recipient to submit records.

(a) No later than March 1 of each year, for the preceding grant year, every business that is awarded a grant under this Part shall submit to the Committee an annual payroll report showing withholdings as a condition of its continuation in the grant program and identifying eligible positions that have been created during the base period that remain filled at the end of each year of the grant. Annual reports submitted to the Committee shall include social security numbers of individual employees identified in the reports. Upon request of the Committee, the business shall also submit a copy of its State and federal tax returns. Payroll and tax information, including social security numbers of individual employees and State and federal tax returns, submitted under this subsection is tax information subject to G.S. 105-259. Aggregated payroll or withholding tax information submitted or derived under this subsection is not tax information subject to G.S. 105-259. When making a submission under this section, the business must pay the Committee a fee of one thousand five hundred dollars ($1,500) two thousand five hundred ($2,500). The fee is due at the time the submission is made. The Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State Budget and Management shall determine the allocation of the fee imposed by this section among their agencies. The proceeds of the fee are receipts of the agency to which they are credited.

(b) The Committee may require any information that it considers necessary to effectuate the provisions of this Part.

(c) The Committee may require any business receiving a grant to submit to an audit at any time.

(d) The reporting procedures of this section are in lieu of any other general reporting requirements relating to private entities that receive State funds."
SECTION 14.4. Notwithstanding the provisions of G.S. 143B-437.01, of proceeds that are credited to the Industrial Development Fund Utility Account during the 2013-2015 biennium five million dollars ($5,000,000) for each year of the biennium may be used for the operating expenses of the Department of Commerce on a nonrecurring basis.

ONE NORTH CAROLINA FUND

SECTION 14.5. Of the funds appropriated in this act to the One North Carolina Fund for the 2013-2015 biennium, the Department of Commerce may use up to two hundred fifty thousand dollars ($250,000) in each year to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs. The Department of Commerce shall not use more than two hundred fifty thousand dollars ($250,000) for administrative costs in any one fiscal year.

NER/COMMERCE/SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 14.6.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is thirteen-hundredths of one percent (0.13%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2013.

SECTION 14.6.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2011-2012 fiscal year is two hundred thousand dollars ($200,000).

SECTION 14.6.(c) This section becomes effective July 1, 2013.

REPLACEMENT OF THE ELECTRONIC DOCUMENT MANAGEMENT SYSTEM (EDMS)

SECTION 14.7. The Industrial Commission may all utilize up to one million eight hundred thousand dollars ($1,800,000) of available funds in Budget Code 24611 to replace the Electronic Document Management System (EDMS).

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 14.8.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc., (Rural Center) the sum of two million nine hundred ninety-two thousand eight hundred forty-six dollars ($2,992,846) for each year in the 2013-2015 biennium shall be allocated as follows:

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<tbody>
<tr>
<td>Center Administration, Technical Assistance, &amp; Oversight</td>
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<tr>
<td>Rural Jobs Research and Demonstration</td>
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<tr>
<td>Statewide Water/Sewer Database</td>
<td>$64,859</td>
<td>$64,859</td>
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SECTION 14.8.(b) For purposes of this section, the term "community economic development" shall refer to activities performed by community development corporations or Opportunities Industrialization Centers:

(1) That are nonprofit organizations chartered pursuant to Chapter 55A of the General Statutes;

(2) That are tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986;
(3) That are able to demonstrate that there are no outstanding or proposed
assessments or other collection actions against the corporation for any State
or federal taxes, including related penalties, interest, and fees;

(4) Whose primary mission is to develop and improve low-income communities
and neighborhoods and Tier 1 counties through economic and community
development;

(5) Whose activities and decisions are initiated, managed, and controlled by the
constituents of those local communities; and

(6) Whose primary function is to act as deal maker and packager of projects and
activities that will increase their constituencies' opportunities to become
owners, managers, and producers of small businesses, affordable housing,
and jobs designed to produce positive cash flow and curb blight in the
targeted community.

SECTION 14.8.(c) In awarding grants, the Rural Center shall give preference to a
project involving a resident company. For purposes of this section, the term "resident company"
means a company that has paid unemployment taxes or income taxes in this State and whose
principal place of business is located in this State. An application for a project that serves an
economically distressed area shall have priority over a project that does not. A grant to assist
with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 14.8.(d) By September 1 of each year, and more frequently as
requested, the Rural Center shall report to the Joint Legislative Commission on Governmental
Operations and the Fiscal Research Division on prior State fiscal year program activities,
objectives, and accomplishments and prior State fiscal year itemized expenditures and fund
sources.

SECTION 14.8.(e) Beginning Fiscal Year 2013-2015, no more than one hundred
twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one
employee of the Rural Center.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 14.9. Section 14.17 of S.L. 2012-142 reads as rewritten:

"SECTION 14.17.(a) Of the funds appropriated in this act to the North Carolina Rural
Economic Development Center, Inc. (Rural Center), the sum of thirteen million four hundred
sixty-two thousand forty-three dollars ($13,462,043)three million three hundred ninety-two
thousand forty-three ($3,392,043) for the 2012-2013 fiscal year each year in the 2013-2015
biennium shall be allocated as follows:

(1) To continue the North Carolina Infrastructure Program. The purpose of the
Program is to provide grants to local governments to construct critical water
and wastewater facilities and to provide other infrastructure needs, including
technology needs, to sites where these facilities will generate private
job-creating investment. The grants under this Program shall not be subject
to the provisions of G.S. 143-355.4.

(2) To provide matching grants or loans to local governments in distressed areas
that will productively reuse vacant buildings and properties, with priority
given to towns or communities with populations of less than 5,000.

(3) To provide grants and technical assistance to reinvigorate the economies of
towns with populations of less than 7,500, and to invest in economic
innovation that stimulates business and job growth in distressed areas.

(4) Recipients of grant funds appropriated under this section shall contribute a
cash match for the grant that is equivalent to at least five percent (5%) of the
grant amount. The cash match shall come from local resources and may not
be derived from other State or federal grant funds or from funds provided by
the Rural Center.

"SECTION 14.17.(c) For the 2012-2013 fiscal year, during each year of 2013-2015
biennium, the Rural Center may use up three percent (3%) of the funds appropriated in this
section to cover its expenses in administering the North Carolina Economic Infrastructure
Program."

OPPORTUNITIES INDUSTRIALIZATION CENTERS FUNDS

SECTION 14.10.(a) Of the funds appropriated in this act to the North Carolina
Rural Economic Development Center, Inc. (Rural Center), the sum two hundred thirty-four
thousand three hundred five dollars ($234,305) for each year in the 2013-2015 biennium shall
be equally distributed among the certified Opportunities Industrialization Centers (OI Centers).

NORTH CAROLINA BIOTECHNOLOGY CENTER

SECTION 14.10.(a1) Any reductions in funds in the 2013-2015 biennium shall be
taken on a pro rata basis from the programs listed in subsection (a) of this section.

NORTH CAROLINA BIOTECHNOLOGY CENTER

SECTION 14.11.(a) Of the funds appropriated in this act to the North Carolina
Biotechnology Center (Center), the sum of seven million two hundred thousand six hundred
seventy-six dollars ($7,200,676) for each fiscal year in the 2013-2015 biennium shall be
allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development,
Regional Offices and Statewide Development, and related activities – $1,584,148;
(2) Science and Commercialization: Science and Technology Development,
Centers of Innovation, Business and Technology Development, Education
and Training, and related activities – $4,608,433; and
(3) Center Operations: Administration, Professional and Technical Assistance
and Oversight, Corporate Communications, Human Resource Management,
Financial and Grant Administration, Legal, and Accounting – $1,005,095.

SECTION 14.11.(b) Except to provide administrative flexibility, up to ten percent
(10%) of each of the allocations in subsection (a) of this section may be reallocated to one or
more of the other allocations in subsection (a) of this section if, in the judgment of Center
management, the reallocation will advance the mission of the Center.

SECTION 14.11.(c) The Center shall comply with the following reporting
requirements:

(1) By September 1 of each year, and more frequently as requested, report to the
Joint Legislative Commission on Governmental Operations and the Fiscal
Research Division on prior State fiscal year program activities, objectives,
and accomplishments and prior State fiscal year itemized expenditures and
fund sources.

(2) Provide to the Fiscal Research Division a copy of the Center's annual audited
financial statement within 30 days of issuance of the statement.

SECTION 14.11.(d) Remaining allotments after September 1 shall not be released
to the Center if it does not satisfy the reporting requirements provided in subsection (b) of this
section.

SECTION 14.11.(e) Beginning in fiscal year 2012-2013, no more than one
hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary
of any one employee of the Center.
SECTION 14.12. Of the funds appropriated to the Department of Commerce in fiscal year 2013-2014, fifty-five thousand four hundred seventy-two dollars ($55,472) shall be made available to the High Point Furniture Market. The Department of Commerce shall carry forward three hundred fifty-five thousand four hundred seventy-two dollars ($355,472) in reversions from fiscal year 2013-2014 to be provided to the High Point Furniture Market in fiscal year 2014-2015.

SECTION 14.13. Of the funds appropriated to the Department of Commerce in fiscal year 2013-2014, three million eight hundred twenty-four thousand nine hundred forty-nine dollars ($3,824,949) shall be made available to the Institute for Regenerative Medicine. The Department of Commerce shall carry forward seven million six hundred forty-nine thousand eight hundred ninety-seven dollars ($7,649,897) in reversions from fiscal year 2013-2014 to be provided to the Institute of Regenerative Medicine in fiscal year 2014-2015.

SECTION 14.14. G.S. 143B-437.52 reads as rewritten:

§ 143B-437.52. Job Development Investment Grant Program.

(a) Program. – There is established the Job Development Investment Grant Program to be administered by the Economic Investment Committee. In order to foster job creation and investment in the economy of this State, the Committee may enter into agreements with businesses to provide grants in accordance with the provisions of this Part. The Committee, in consultation with the Attorney General, shall develop criteria to be used in determining whether the conditions of this section are satisfied and whether the project described in the application is otherwise consistent with the purposes of this Part. Before entering into an agreement, the Committee must find that all the following conditions are met:

(1) The project proposed by the business will create, during the term of the agreement, a net increase in employment in this State by the business.

(2) The project will benefit the people of this State by increasing opportunities for employment and by strengthening this State’s economy by, for example, providing worker training opportunities, constructing and enhancing critical infrastructure, increasing development in strategically important industries, or increasing the State and local tax base.

(3) The project is consistent with economic development goals for the State and for the area where it will be located.

(4) A grant under this Part is necessary for the completion of the project in this State.

(5) The total benefits of the project to the State outweigh its costs and render the grant appropriate for the project.

(b) Priority. – In selecting between applicants, a project that is located in an Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a certified Eco-Industrial Park.

(c) Awards. – The maximum amount of total annual liability for grants awarded in any single calendar year State fiscal biennium under this Part, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is fifteen million dollars ($15,000,000). Except that, for the 2013-2015 biennium, the maximum total liability for grants awarded shall not exceed twenty-two million five hundred thousand dollars ($22,500,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year State fiscal
biennium, could cause the State's potential total annual liability for grants awarded in a single calendar year, State fiscal biennium to exceed this amount.

(d) Measuring Employment. – For the purposes of subdivision (a)(1) of this section and G.S. 143B-437.51(5), 143B-437.51(7), and 143B-437.57(a)(11), the Committee may designate that the increase or maintenance of employment is measured at the level of a division or another operating unit of a business, rather than at the business level, if both of the following conditions are met:

1. The Committee makes an explicit finding that the designation is necessary to secure the project in this State.
2. The agreement contains terms to ensure that the business does not create eligible positions by transferring or shifting to the project existing positions from another project of the business or a related member of the business.

BIOFUELS CENTER - TVA SETTLEMENT FUNDS

SECTION 14.15. In fiscal year 2013-2014, The Energy Division of the Department of Commerce is directed to apply for two million two hundred forty thousand dollars ($2,240,000) in funding from the Tennessee Valley Authority (TVA) Settlement Agreement in compliance with the requirements of paragraphs 122 through 128 of the Consent Decree. Instead of making the funding available to the Biofuels Center as outlined in the continuation budget for the Department of Commerce – State Aid; the requested funding will be transferred from the Department of Commerce to the North Carolina Department of Agriculture to be used by the agricultural and forestry sectors to use and produce renewable energy and carbon sequestration. This request represents the third installment of five that is available of the eleven million two hundred thousand dollars ($11,200,000) in funding for the State of North Carolina to be drawn down from TVA Settlement Funds.

PART XV. JUDICIAL BRANCH

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 15.1. The Judicial Department, Office of Indigent Defense Services, may use appropriated funds during each year of the 2013-2015 biennium for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, for the creation of new public defender offices within existing public defender programs or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used for the salaries, benefits, equipment, and related expenses for up to 30 attorney positions and 15 support positions during the biennium with the total annualized cost of these positions no more than three million eight hundred thousand dollars ($3,800,000). The Office of Indigent Defense Services shall stagger creation of these positions over the biennium, based on analyses of cost-effectiveness and other needs. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion.

JUDICIAL STAFFING STATUTE FOR MAGISTRATES.

SECTION 15.2. G.S. 7A-133(c) is amended:

"(c) (Effective July 1, 2013) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

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<th>Additional Magistrates Seats of County</th>
<th>Min. Court</th>
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FUNDING FOR DRUG TREATMENT COURTS; GRANT CRITERIA AND EFFECTIVENESS MEASURES

SECTION 15.3.(a) The Administrative Office of the Courts may award grants to county governments for the operation of Drug Treatment Courts under Article 62 of Chapter 7A of the General Statutes, North Carolina Drug Treatment Court Act. Grant funds shall be utilized to fund Drug Treatment Court staff positions currently paid for by local government entities or to restore positions previously terminated for active Drug Treatment Courts, up to the number of positions in the biennial budget. During the 2013-2015 fiscal biennium, positions will be transferred to state employment on a county by county basis, as determined by the Director of the Administrative Office of the Courts. Funding for treatment services shall be obtained through the Department of Health and Human Services through local management entities (LME). Grants may only be made to Drug Treatment Courts that provide direct services...
to convicted and sentenced adult offenders and to adults who have lost custody or are at risk of losing custody of their children through the substantiation and adjudication of abuse, neglect and/or dependency.

SECTION 15.3.(b) The Administrative Office of the Courts shall provide direction and oversight to the drug treatment court programs in order to ensure that each district with a drug treatment court program is utilizing best practices and is working effectively and efficiently. The Administrative Office of the Courts shall report on the effectiveness of the programs based on quantitative measures, as well as its progress to transfer positions to state employment, to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2014.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 15.4. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2013, and on June 30, 2014, for the purchase or repair of office or information technology equipment during the 2013-2014 and 2014-2015 fiscal years respectively. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations, the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

GRANT FUNDS

SECTION 15.5. Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to one million dollars ($1,000,000) from funds available to the Department during the 2013-2015 biennium to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

ADMINISTRATION OF GRANT/OTHER FUNDS FOR CONFERENCES

SECTION 15.6. Any grants or other funding, including the National Mortgage Settlement, currently managed or benefitting the Conference of District Attorneys or Conference of Clerks of Superior Court shall be administered by the Administrative Office of the Courts.

PART XVI. DEPARTMENT OF JUSTICE

TRANSFER OF LEGAL POSITIONS AND LEGAL SUPPORT POSITIONS TO THE AGENCIES THEY SERVE

SECTION 16.1. Effective October 1, 2013, a statewide reserve is created to be managed by the Office of State Budget and Management for the funds and positions to support the transfer of legal positions and legal support positions from the Department of Justice, Legal Services Division, to various State departments and institutions. The equipment, supplies, records, and other property to support these positions are also transferred from the Department of Justice to the destination agencies.

PART XVII. DEPARTMENT OF PUBLIC SAFETY
USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 17.1.(a) Assets transferred to the Department of Justice and the Department of Public Safety during the 2013-2015 fiscal biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Department of Justice and the Department of Public Safety shall report to the Joint Legislative Commission on Governmental Operations upon receipt of the assets and, before using the assets, shall report on the intended use of the assets and the departmental priorities on which the assets may be expended.

SECTION 17.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 17.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

GRANT MATCHING FUNDS

SECTION 17.2. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Public Safety may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2013-2014 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2014-2015 fiscal year from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

USE OF CLOSED PRISON FACILITIES

SECTION 17.3. In conjunction with the closing of prison facilities, the Department of Public Safety shall consult with the county or municipality in which the unit is located, with the elected State and local officials, and with State and federal agencies about the possibility of converting that unit to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the unit to other use. In developing a proposal for future use of each unit, the Department shall give priority to converting the unit to other criminal justice use. Consistent with existing law and the future needs of the Division of Adult Correction, the State may provide for the transfer or the lease of any of these units to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. The Department of Public Safety may also consider converting some of the units recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.
REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL
COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES
AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 17.4. Notwithstanding G.S. 143C-6-9, the Department of Public Safety
may use funds available to the Department for the 2013-2015 fiscal biennium to pay the sum of
forty dollars ($40.00) per day as reimbursement to counties for the cost of housing convicted
inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as
provided in G.S. 148-29. The Department shall report quarterly to the Joint Legislative
Commission on Governmental Operations, the Joint Legislative Public Safety Oversight
Committee, the Chairs of the House of Representatives and Senate Appropriations Committees,
and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on
Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners
awaiting transfer and on its progress in reducing the jail backlog.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 17.5. The Department of Public Safety may continue to contract with
The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison
beds for minimum security female inmates during the 2013-2015 fiscal biennium. The Center
for Community Transitions, Inc., shall report by February 1 of each year to the Joint Legislative
Commission on Governmental Operations on the annual cost per inmate and the average daily
inmate population compared to bed capacity using the same methodology as that used by the
Department of Public Safety.

INMATE MEDICAL COST CONTAINMENT

SECTION 17.6.(a) The Department of Correction shall reimburse those providers
and facilities providing approved inmate medical services outside the correctional facility the
lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing
charge or two times the then-current Medicaid rate for any given service. The Department shall
have the right to audit any given provider to determine the actual prevailing charge to ensure
compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service
basis, such as temporary staffing. Nothing in this section shall preclude the Department from
contracting with a provider for services at rates that provide greater documentable cost
avoidance for the State than do the rates contained in this section or at rates that are less
favorable to the State but that will ensure the continued access to care.

SECTION 17.6.(b) The Department of Public Safety shall make every effort to
contain inmate medical costs by making use of its own hospital and health care facilities to
provide health care services to inmates. To the extent that the Department of Public Safety must
utilize other facilities and services to provide health care services to inmates, the Department
shall make reasonable efforts to make use of hospitals or other providers with which it has a
contract or, if none is reasonably available, hospitals with available capacity or other health
care facilities in a region to accomplish that goal. The Department shall make reasonable
efforts to equitably distribute inmates among all hospitals or other appropriate health care
facilities.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 17.7. Funds appropriated in this act to the Department of Public Safety,
Division of Juvenile Justice for the 2013-2015 fiscal biennium may be used as matching funds
for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile
Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State
Budget and Management and the Governor's Crime Commission shall consult with the
Department of Public Safety, Division of Juvenile Justice, regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor’s Crime Commission, and the Department of Juvenile Justice and Delinquency Prevention shall report to the Appropriations Committees of the Senate and House of Representatives and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2013-14 fiscal year, the amount of funds anticipated for the 2014-15 fiscal year, and the allocation of funds by program and purpose.

VIPER FUNDING

SECTION 17.8.(a) Of the funds appropriated to the Department of Public Safety for the 2013-15 biennium, up to ten million dollars ($10,000,000) may be used in each fiscal year by the Department for contractual services to continue the build-out and expansion of the State’s Voice Interoperability Plan for Emergency Responders (VIPER). Priority shall be given to contractual services that will increase access to the system by local emergency response agencies through an upgrade to digital technology and for continuing construction of the necessary infrastructure to provide statewide coverage.

SECTION 17.8.(b) The Department shall not expend any funds as authorized in Section a, without the prior approval of the Director of the Budget

SECTION 17.8.(c) The Department of Public Safety shall report to the Joint Legislative Committee on Information Technology and the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on the progress of the State’s VIPER system.

PART XVIII. DEPARTMENT OF ADMINISTRATION

USE OF E-COMMERCE FUNDS FOR PURCHASE AND CONTRACT OPERATIONS

SECTION 18.1. Notwithstanding the provisions of G.S. 66-58-12(c), the sum of one million two hundred thousand dollars ($1,200,000) shall be transferred from the E-Commerce Fund in the Department of Administration Budget Code 24100, Fund 2514, to be used for each year of the 2013-2015 biennium, on a non-recurring basis, to pay operating expenses of the Division of Purchase and Contract.

OFFICE OF JUSTICE FOR STERILIZATION VICTIMS

SECTION 18.2. Funds in the amount of one hundred twenty-four thousand five hundred ninety-two dollars ($124,592) are appropriated in this act to the Department of Administration for the 2013-2014 fiscal year to continue the operation of the Office of Justice for Sterilization Victims through June 30, 2014. The Office shall use these funds to verify the victims who were sterilized by the State Eugenics Board, safeguard the victims’ records, and administer the State compensation program.

STERILIZATION VICTIMS COMPENSATION

SECTION 18.3. Funds in the amount of ten million dollars ($10,000,000) are appropriated in this act to the Department of Administration for the 2013-2014 fiscal year to compensate sterilization victims in accordance with the State compensation program enacted by the General Assembly.

COMPREHENSIVE REVIEW OF COMPENSATION SYSTEM

SECTION 18.4. In order to create a contemporary performance-based, market-driven compensation system for state government, the Office of State Personnel will conduct a review of current compensation plans, laws and policies and make recommendations
for implementing an effective compensation system based upon best practices in human
resources. The study will include a labor market analysis of pay plans, benefits, and
classification systems in the public and private sectors, as well as address issues such as
performance evaluation, career status and longevity pay. The study will also evaluate and
recommend ways to modernize and automate classification and compensation processes. Funds
up to one million dollars ($1,000,000) from the Salary Adjustment Reserve will support this
study.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

ALLOW FOR AN EXEMPTION FROM THE RULE-MAKING PROCESS FOR
ESTABLISHING AND CHANGING ADMISSION AND ACTIVITY FEES AT
STATE HISTORIC SITES, MUSEUMS, AND TRYON PALACE HISTORIC SITES
AND GARDENS.

SECTION 19.1. G.S. 121-7.3 reads as rewritten:

"§ 121-7.3. Admission fees.

The Department of Cultural Resources may charge a reasonable admission fee to any
historic site and museum administered by the Department. Admission fees collected under this
section are receipts of the Department and shall be deposited in a nonreverting account. The Department shall retain unbudgeted receipts at the end of each fiscal year, beginning June 30,
2004, and shall deposit these receipts into the account. Funds in the account shall be used to
support a portion of each historic site and museum's operation. The Secretary may adopt rules
necessary to carry out the provisions of this section. Chapter 150B of the General Statutes shall
not apply to the adoption, amending, or repeal of rules for admission fees or related activity
fees at historic sites and museums. The Department shall submit a report to the Joint
Legislative Commission on Governmental Operations on the amount and purpose of a fee
change within 30 days following its effective date. The Department shall provide a quarterly
report to the Joint Legislative Commission on Governmental Operations as to the Department
or museums' anticipated use of funds or expenditures of funds pursuant to this section."

SECTION 19.2. G.S. 143B-71 reads as rewritten:

"§ 143B-71. Tryon Palace Commission – creation, powers and duties.

There is hereby created the Tryon Palace Commission of the Department of Cultural
Resources with the power and duty to adopt, amend and rescind rules and regulations
concerning the restoration and maintenance of the Tryon Palace complex, and such other
powers and duties as provided in Article 2 of Chapter 121 of the General Statutes of North
Carolina. Chapter 150B of the General Statutes shall not apply to the adoption, amending, or
repeal of rules for admission fees or related activity fees at Tryon Palace Historic Sites and
Gardens. The Commission shall submit a report to the Joint Legislative Commission on
Governmental Operations on the amount and purpose of a fee change within 30 days following
its effective date."

ALLOW MUSEUMS AND HISTORIC SITES TO GENERATE REVENUE FROM
VENDOR SERVICES

SECTION 19.3. G.S. 111-47.1 reads as rewritten:

"§ 111-47.1. Food service at North Carolina aquariums and Museums and State Historic
Sites Operated by the North Carolina Department of Cultural Resources.

(a) Notwithstanding Article 3 of Chapter 111 of the General Statutes, the North
Carolina Aquariums may operate or contract for the operation of food or vending services at
the North Carolina Aquariums. Notwithstanding G.S. 111-43, the net proceeds of revenue
generated by food and vending services that are provided at the North Carolina Aquariums and

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are operated by or whose operation is contracted for by the Division of North Carolina Aquariums shall be credited to the North Carolina Aquariums Fund.

(b) This section shall not be construed to alter any contract for food or vending services at the North Carolina Aquariums that is in force at the time this section becomes law [effective July 1, 1999]. (1999-237, s. 15.17(a), (b). Notwithstanding Article 3 of Chapter 111 of the General Statutes, the museums and historic sites operated by the North Carolina Department of Cultural Resources may operate or contract for the operation of food or vending services at museums and historic sites operated by the North Carolina Department of Cultural Resources. Notwithstanding G.S. 111-43, the net proceeds of revenue generated by food and vending services that are provided at the museums and historic sites operated by the North Carolina Department of Cultural Resources and are operated by or whose operation is contracted for by the Department of Cultural Resources shall be credited to the North Carolina Department of Cultural Resources Account where the funds were generated and be used for the further operation of that museum or historic site.

(c) This section shall not be construed to alter any contract for food or vending services at the North Carolina Aquariums or historic sites and museums that is in force at the time this section becomes law [effective July 1, 1999]."

ALLOW EXEMPTION FOR THE HISTORIC SITES AND MUSEUMS OWNED BY THE DEPARTMENT OF CULTURAL RESOURCES FROM THE PROHIBITION OF THE SALE OF MERCHANDISE OR SERVICES BY GOVERNMENTAL UNITS

SECTION 19.4. G.S. 66-58 reads as rewritten:

"§ 66-58. Sale of merchandise or services by governmental units

(a) Except as may be provided in this section, it shall be unlawful for any unit, department or agency of the State government, or any division or subdivision of the unit, department or agency, or any individual employee or employees of the unit, department or agency in his, or her, or their capacity as employee or employees thereof, to engage directly or indirectly in the sale of goods, wares or merchandise in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias or other eating places in any building owned by or leased in the name of the State, or to maintain service establishments for the rendering of services to the public ordinarily and customarily rendered by private enterprises, or to provide transportation services, or to contract with any person, firm or corporation for the operation or rendering of the businesses or services on behalf of the unit, department or agency, or to purchase for or sell to any person, firm or corporation any article of merchandise in competition with private enterprise. The leasing or subleasing of space in any building owned, leased or operated by any unit, department or agency or division or subdivision thereof of the State for the purpose of operating or rendering of any of the businesses or services herein referred to is hereby prohibited.

(b) The provisions of subsection (a) of this section shall not apply to:

(1) Counties and municipalities.

(2) The Department of Health and Human Services or the Department of Agriculture and Consumer Services for the sale of serums, vaccines, and other like products.

(3) The Department of Administration, except that the agency shall not exceed the authority granted in the act creating the agency.

(4) The State hospitals for the mentally ill.

(5) The Department of Health and Human Services.


(6a) The Division of Juvenile Justice of the Department of Public Safety.

(7) The North Carolina Schools for the Deaf."
(8) The University of North Carolina with regard to:

... 

(8a) The University of North Carolina with regard to the operation of gift shops, snack bars, and food service facilities physically connected to any of The University of North Carolina's public exhibition spaces, including the North Carolina Arboretum, provided that the resulting profits are used to support the operation of the public exhibition space.

(9) The Department of Environment and Natural Resources, except that the Department shall not construct, maintain, operate or lease a hotel or tourist inn in any park over which it has jurisdiction. The North Carolina Wildlife Resources Commission may sell wildlife memorabilia as a service to members of the public interested in wildlife conservation.

(9a) The North Carolina Forest Service.

(9b) The Department of Cultural Resources for the sale of books, crafts, gifts, and other tourism-related items at historic sites and museums owned by the Department.

"..."

PART XX. STATE BOARD OF ELECTIONS

REPEAL NORTH CAROLINA POLITICAL PARTIES FINANCING FUND

SECTION 20.1. Article 22B of Chapter 163 of the General Statutes is repealed. The fund balances remaining at year end June 30, 2013, in budget code 68026 Fund 6200 and budget code 68027 Fund 6300, estimated at one million sixty-four thousand five hundred eighty-two dollars ($1,064,582), shall be transferred to the General Fund.

REPEAL VOTER OWNED ELECTION ACT

SECTION 20.2. Article 22J of Chapter 163 of the General Statutes is repealed. The fund balance remaining at year end June 30, 2013 in budget code 68029 Fund 6500, estimated at thirteen cents ($0.13), shall be transferred to the General Fund.

ELIMINATE $50 SURCHARGE FOR ACTIVE MEMBERS OF THE NORTH CAROLINA STATE BAR; TERMINATE NORTH CAROLINA PUBLIC CAMPAIGN FUND UPON EXHAUSTION OF ANY FUNDS REMAINING IN IT; POST JUDICIAL VOTER GUIDE ON STATE BOARD OF ELECTIONS WEBSITE IN AN ELECTRONIC FORMAT

SECTION 20.3.(a) The fund balance remaining at year end June 30, 2013, in budget code 68025 Fund 6101, estimated at eight million nine hundred thirty-five thousand nine hundred forty dollars ($8,935,940), shall be transferred to the General Fund, except for four million eight hundred ten thousand seven hundred sixty-nine dollars ($4,810,769) representing those funds collected under the provisions of G.S. 163-278.63(b)(7) and G.S. 84-34. Staff and operating expenses previously supported from these funds shall be continued from the appropriations to the State Board of Elections budget code 18025.

SECTION 20.3.(b) G.S. 84-34 reads as rewritten:

"§ 84-34. Membership fees and list of members.

Every active member of the North Carolina State Bar shall, prior to the first day of July of each year, pay to the secretary-treasurer an annual membership fee in an amount determined by the Council but not to exceed three hundred dollars ($300.00), plus a surcharge of fifty dollars ($50.00 for the implementation of Article 22D of Chapter 163 of the General Statutes, and every member shall notify the secretary-treasurer of the member's correct mailing address. Any member who fails to pay the required dues by the last day of June of each year shall be subject
to a late fee in an amount determined by the Council but not to exceed thirty dollars ($30.00). All dues for prior years shall be as were set forth in the General Statutes then in effect. The membership fee shall be regarded as a service charge for the maintenance of the several services authorized by this Article, and shall be in addition to all fees required in connection with admissions to practice, and in addition to all license taxes required by law. The fee shall not be prorated: Provided, that no fee shall be required of an attorney licensed after this Article shall have gone into effect until the first day of January of the calendar year following that in which the attorney was licensed; but this proviso shall not apply to attorneys from other states admitted on certificate. The fees shall be disbursed by the secretary-treasurer on the order of the Council. The fifty dollar ($50.00) surcharge shall be sent on a monthly schedule to the State Board of Elections. The secretary-treasurer shall annually, at a time and in a law magazine or daily newspaper to be prescribed by the Council, publish an account of the financial transactions of the Council in a form to be prescribed by it. The secretary-treasurer shall compile and keep currently correct from the names and mailing addresses forwarded to the secretary-treasurer and from any other available sources of information a list of members of the North Carolina State Bar and furnish to the clerk of the superior court in each county, not later than the first day of October in each year, a list showing the name and address of each attorney for that county who has not complied with the provisions of this Article. The name of each of the active members who are in arrears in the payment of membership fees shall be furnished to the presiding judge at the next term of the superior court after the first day of October of each year, by the clerk of the superior court of each county wherein the member or members reside, and the court shall thereupon take action that is necessary and proper. The names and addresses of attorneys so certified shall be kept available to the public. The Secretary of Revenue is hereby directed to supply the secretary-treasurer, from records of license tax payments, with any information for which the secretary-treasurer may call in order to enable the secretary-treasurer to comply with this requirement.

The list submitted to several clerks of the superior court shall also be submitted to the Council at its October meeting of each year and it shall take the action thereon that is necessary and proper."

SECTION 20.3.(c) G.S. 163-278.63 reads as rewritten:

"§ 163-278.63. North Carolina Public Campaign Fund established; sources of funding. (a) Establishment of Fund. – The North Carolina Public Campaign Fund is established to finance the election campaigns of certified candidates for office and to pay administrative and enforcement costs of the Board related to this Article. The Fund is a special, dedicated, nonlapsing, nonreverting fund which shall terminate upon the exhaustion of any funds remaining in it. There shall be no further funding of this Fund from any source, including voluntary donations. All expenses of administering this Article, including production and distribution of the Voter Guide required by G.S. 163-278.69 and personnel and other costs incurred by the Board, including public education about the Fund, shall be paid from the Fund and not from the General Fund. Any interest generated by the Fund is credited to the Fund. The Board shall administer the Fund.

(b) Sources of Funding. Money received from all the following sources must be deposited in the Fund:

(1) Money from the North Carolina Candidates Financing Fund.

(2) Designations made to the Public Campaign Fund by individual taxpayers pursuant to G.S. 105.159.2.

(3) Repealed by Session Laws 2005 276, s.23.A.1(c), effective January 1, 2006.

(4) Public Campaign Fund revenues distributed for an election that remain unspent or uncommitted at the time the recipient is no longer a certified candidate in the election."
(5) Money ordered returned to the Public Campaign Fund in accordance with G.S. 163-278.70.

(6) Voluntary donations made directly to the Public Campaign Fund. Corporation, other business entities, labor unions, and professional associations may make donations to the Fund.

(7) Money collected from the fifty-dollar ($50.00) surcharge on attorney membership fees in G.S. 84-34.

(c) Determination of Fund Amount. By October 1, 2003, and every two years thereafter, the Board shall prepare and provide to the Joint Legislative Commission on Governmental Operations of the General Assembly a report documenting, evaluating, and making recommendations relating to the administration, implementation and enforcement of this Article. In its report, the Board shall set out the funds received to date and the expected needs of the Fund for the next election.

SECTION 20.3.(d) G.S. 163-278.69 reads as rewritten:

"§ 163-278.69. Voter education.

(a) Judicial Voter Guide. – The Board shall publish a Judicial Voter Guide that explains the functions of the appellate courts and the laws concerning the election of appellate judges, the purpose and function of the Public Campaign Fund, and the laws concerning voter registration. The Board shall post the Judicial Voter Guide on its website in an electronic format and shall also make it available electronically to the public by other means it deems appropriate. Distribute the Guide to as many voting age individuals in the State as practical, through a mailing to all residences or other means it deems effective. The distribution shall occur no more than 28 days nor fewer than seven days before the one stop voting period provided in G.S. 163-227.2 for the primary and no more than 28 days nor fewer than seven days before the one stop voting period provided in G.S. 163-227.2 for the general election.

(b) Candidate Information. – The Judicial Voter Guide shall include information concerning all candidates for the Supreme Court and the Court of Appeals, as provided by those candidates according to a format provided to the candidates by the Board. The Board shall request information for the Guide from each candidate according to the following format:

(1) Place of residence.

(2) Education.

(3) Occupation.

(4) Employer.

(5) Date admitted to the bar.

(6) Legal/judicial experience.

(7) Candidate statement. Concerning that statement, the Board shall send to the candidates instructions as follows: "Your statement may include information such as your qualifications, your endorsements, your ratings, why you are seeking judicial office, why you would make a good judge, what distinguishes you from your opponent(s), your acceptance of spending and fund-raising limits to qualify to receive funds from the Public Campaign Fund, and any other information relevant to your candidacy. The State Board of Elections will reject any portion of any statement which it determines contains obscene, profane, or defamatory language. The candidate shall have three days to resubmit the candidate statement if the Board rejects a portion of the statement.

The entire entry for a candidate shall be limited to 250 words.

(c) Disclaimer. – The Judicial Voter Guide shall contain the following statement: "Statements by candidates do not express or reflect the opinions of the State Board of Elections."
SECTION 20.3.(e) Article 22D of Chapter 163 of the General Statutes is amended by adding a new section to read:

"§ 163-278.71 Repeal of the North Carolina Public Campaign Fund.
Upon the exhaustion of any remaining funds in the North Carolina Public Campaign Fund, Article 22D of Chapter 163 of the General Statutes shall be repealed, with the exception of G.S. 163-278.69."

APPROPRIATE MAINTENANCE OF EFFORT FUNDS TO ACCESS HAVA TITLE II FUNDS

SECTION 20.4. The State Board of Elections shall expend federal Help America Vote Funds (HAVA) Title II Funds for the 2013-2015 fiscal years with appropriation of the State's required Maintenance of Effort funds in the amount of three million four hundred fifty-seven thousand five hundred eighty-five dollars ($3,457,585) for fiscal year 2013-2014 and in the amount of three million four hundred fifty-seven thousand five hundred eighty-five dollars ($3,457,585) for fiscal year 2014-2015.

PART XXI. OFFICE OF STATE BUDGET AND MANAGEMENT

STUDY COSTS OF ALL COMMUNITY COLLEGE ACADEMIC PROGRAMS

SECTION 21.1. There is appropriated to the Office of State Budget and Management the sum of fifty thousand dollars ($50,000) for fiscal year 2013-2014. The Office of State Budget and Management, in consultation with the Community Colleges System Office, shall conduct a study to determine the costs per enrollment of all academic programs within the North Carolina Community College System. This study shall include: (i) identifying all relevant instructional costs and enrollment numbers associated with the curriculum, continuing education, and basic skills programs at each community college; and (ii) determining the cost per enrollment for each program by community college and systemwide. The results of this study shall be reported no later than March 1, 2014, to the Joint Legislative Education Oversight Committee.

PART XXII. OFFICE OF STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 22.1.(a) During the 2013-2015 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in Special Reserve Account 24172.

SECTION 22.1.(b) For each year of the 2013-2015 biennium, five hundred thousand dollars ($500,000) of the funds transferred from Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 22.1.(c) All funds available in Special Reserve Account 24172 on July 1 of each year of the 2013-2015 biennium are transferred to the General Fund on that date.

SECTION 22.1.(d) Any unobligated funds in Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly.

SECTION 22.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account 24172 and the disbursement of that revenue.

PART XXIII. DEPARTMENT OF TRANSPORTATION

REPLACEMENT OF THE STATE TITLING AND REGISTRATION SYSTEM (STARS) AND THE STATE AUTOMATED DRIVER LICENSE SYSTEM (SADLS)

SECTION 23.1 The Department of Transportation shall begin the implementation phase to replace the State Titling and Registration System (STARS), the State Automated Driver License System (SADLS) and the Liability Insurance Tracking System (LITES). For fiscal year 2013-14 there is appropriated $8,832,000 and for fiscal year 2014-15 $13,798,400 from the DMV Inspection Program Account for this purpose. Funds will be used for the implementation phase, to acquire software, hardware and services necessary to move these systems to a more state of the art technical environment and to improve functionality of the systems and the customer service aspects of the programs.

TRANSPORTATION ECONOMIC DEVELOPMENT FUND

SECTION 23.2 Of the funds appropriated in this act to the Department of Transportation in fiscal year 2013-14, $3,569,535 and $4,036,171 in fiscal year 2014-15 shall be allocated to the newly created Transportation Economic Development Fund. This program will provide funding to promote economic factors for job growth by facilitating increased business activity for transportation efforts throughout the State. The funds will be used for prioritized highway improvements and infrastructure that promotes safety and mobility initiatives with an emphasis on job creation. This is a centrally administered program under the Secretary of Transportation.

REVISE G.S. 136-17.2A. DISTRIBUTION FORMULA FOR TRANSPORTATION FUNDS

SECTION 23.3 The Department of Transportation shall develop and implement a revised formula to distribute state and federal funds expended under the State Transportation Improvement Program (STIP). The Department shall take the following into consideration when developing the new formula:

(1) A tiered funding approach aligned with the Department’s strategic prioritization process that effectively accelerates infrastructure improvements.

(2) Utilization of common methods and parameters to prioritize and evaluate investments.

(3) Ensure state, regional and local priorities are being met.

(4) Take into account factors that stimulate competition and job creation.

RESTORE FISCAL YEAR 2014-15 FUNDING FOR HIGH POINT FURNITURE MARKET

SECTION 23.4 Notwithstanding G.S. 136-44.2(f), of the funds appropriated to the Department of Transportation, five hundred thousand dollars ($500,000) of SFY 2013-14 ending credit balance funds shall be used for the SFY 2014-15 High Point Furniture Market.

PART XXIV. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 24.1.(a) Effective for the 2013-2015 fiscal biennium, the salary of the Governor set by G.S. 147-11(a) shall be in the amount of one hundred forty-two thousand six hundred seventy-eight dollars ($142,678) annually, payable monthly.
**SECTION 24.1.(b)** Effective for the 2013-2015 fiscal biennium, the annual salaries for the members of the Council of State, payable monthly, for the 2013-2015 fiscal biennium are set as follows:

<table>
<thead>
<tr>
<th>Council of State</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lieutenant Governor</td>
<td>$125,923</td>
</tr>
<tr>
<td>Attorney General</td>
<td>125,923</td>
</tr>
<tr>
<td>Secretary of State</td>
<td>125,923</td>
</tr>
<tr>
<td>State Treasurer</td>
<td>125,923</td>
</tr>
<tr>
<td>State Auditor</td>
<td>125,923</td>
</tr>
<tr>
<td>Superintendent of Public Instruction</td>
<td>125,923</td>
</tr>
<tr>
<td>Agriculture Commissioner</td>
<td>125,923</td>
</tr>
<tr>
<td>Insurance Commissioner</td>
<td>125,923</td>
</tr>
<tr>
<td>Labor Commissioner</td>
<td>125,923</td>
</tr>
</tbody>
</table>

**NONELECTED DEPARTMENT HEADS/SALARY INCREASES**

**SECTION 24.2.** Effective for the 2013-2015 fiscal biennium, the maximum annual salaries for the nonelected heads of the principal State departments are set by G.S. 143B-9.

**CERTAIN EXECUTIVE BRANCH OFFICIALS**

**SECTION 24.3.** Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for the following executive branch officials are set as follows:

<table>
<thead>
<tr>
<th>Executive Branch Officials</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman, Alcoholic Beverage Control Commission</td>
<td>$111,977</td>
</tr>
<tr>
<td>State Controller</td>
<td>156,711</td>
</tr>
<tr>
<td>Commissioner of Banks</td>
<td>125,923</td>
</tr>
<tr>
<td>Chair, Board of Review, Division of Employment Security</td>
<td>123,478</td>
</tr>
<tr>
<td>Members, Board of Review, Division of Employment Security</td>
<td>121,944</td>
</tr>
<tr>
<td>Chairman, Parole Commission</td>
<td>102,247</td>
</tr>
<tr>
<td>Full-time Members of the Parole Commission</td>
<td>94,399</td>
</tr>
<tr>
<td>Chairman, Utilities Commission</td>
<td>140,237</td>
</tr>
<tr>
<td>Members of the Utilities Commission</td>
<td>125,923</td>
</tr>
<tr>
<td>Executive Director, North Carolina Agricultural Finance Authority</td>
<td>108,994</td>
</tr>
</tbody>
</table>

**JUDICIAL BRANCH OFFICIALS/SALARY INCREASES**

**SECTION 24.4.(a)** Effective for the 2013-2015 fiscal biennium, the annual salaries, payable monthly, for specified judicial branch officials are set as follows:

<table>
<thead>
<tr>
<th>Judicial Branch Officials</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Justice, Supreme Court</td>
<td>$144,049</td>
</tr>
<tr>
<td>Associate Justice, Supreme Court</td>
<td>140,285</td>
</tr>
<tr>
<td>Chief Judge, Court of Appeals</td>
<td>138,049</td>
</tr>
<tr>
<td>Judge, Court of Appeals</td>
<td>134,440</td>
</tr>
<tr>
<td>Judge, Senior Regular Resident Superior Court</td>
<td>130,787</td>
</tr>
<tr>
<td>Judge, Superior Court</td>
<td>127,134</td>
</tr>
<tr>
<td>Chief Judge, District Court</td>
<td>115,444</td>
</tr>
<tr>
<td>Judge, District Court</td>
<td>111,791</td>
</tr>
<tr>
<td>District Attorney</td>
<td>121,944</td>
</tr>
<tr>
<td>Administrative Officer of the Courts</td>
<td>129,542</td>
</tr>
</tbody>
</table>
SECTION 24.4.(b) Effective for the 2013-2015 fiscal biennium, the annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by one percent (1%).

SECTION 24.4.(c) Effective for the 2013-2015 fiscal biennium, the annual salaries of permanent part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by pro rata amounts equivalent to one percent (1%).

SECTION 24.4.(d) Effective for the 2013-2015 fiscal biennium, notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.

SECTION 24.4.(e) 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 do not exceed seventy-two thousand five hundred fifteen dollars ($72,515) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-eight thousand four dollars ($38,004), effective July 1, 2013.

SECTION 24.4.(f) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2013-2015 fiscal biennium.

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 24.5 G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

<table>
<thead>
<tr>
<th>Population</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100,000</td>
<td>$83,390</td>
</tr>
<tr>
<td>100,000 to 149,999</td>
<td>93,578</td>
</tr>
<tr>
<td>150,000 to 249,999</td>
<td>103,766</td>
</tr>
<tr>
<td>250,000 and above</td>
<td>113,958</td>
</tr>
</tbody>
</table>

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 24.6 G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

<table>
<thead>
<tr>
<th>Assistant Clerks and Head Bookkeeper</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>$32,609</td>
</tr>
<tr>
<td>Maximum</td>
<td>$55,978</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deputy Clerks</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>$28,223</td>
</tr>
<tr>
<td>Maximum</td>
<td>$43,538</td>
</tr>
</tbody>
</table>
MAGISTRATES'/SALARY INCREASES

SECTION 24.7.(a) G.S. 7A-171.1(a)(1) reads as rewritten:

"(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

<table>
<thead>
<tr>
<th>Step Level</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Rate</td>
<td>$33,025</td>
</tr>
<tr>
<td>Step 1</td>
<td>$35,951</td>
</tr>
<tr>
<td>Step 2</td>
<td>$39,135</td>
</tr>
<tr>
<td>Step 3</td>
<td>$42,640</td>
</tr>
<tr>
<td>Step 4</td>
<td>$46,554</td>
</tr>
<tr>
<td>Step 5</td>
<td>$50,959</td>
</tr>
<tr>
<td>Step 6</td>
<td>$55,901</td>
</tr>
</tbody>
</table>

SECTION 24.7.(b) G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The 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:

| Less than 1 year of service | $26,846 |
| 1 or more but less than 3 years of service | $28,027 |
| 3 or more but less than 5 years of service | $30,405 |

(2) Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

LEGISLATIVE BRANCH

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 24.8.(a) For the 2013-2015 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. Effective for the 2013-2015 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:

(1) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.

(2) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.

(3) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

SECTION 24.8.(b) 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 five thousand three hundred thirty-three dollars ($105,333), one hundred six thousand three hundred eighty-six dollars ($106,386), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House.
of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

**SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES**

**SECTION 24.9** G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of three hundred eighty-five dollars ($385.00)–three hundred eighty-nine dollars ($389.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

**LEGISLATIVE EMPLOYEES/SALARY INCREASES**

**SECTION 24.10** The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect on June 30, 2013, by one percent (1%).

**COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

**SECTION 24.11.(a)** For the 2013-2015 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged as follows:

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Minimum Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational Diploma/Certificate or Less</td>
<td>$34,657</td>
</tr>
<tr>
<td>Associate Degree or Equivalent</td>
<td>$35,167</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>$37,379</td>
</tr>
<tr>
<td>Master's Degree or Education Specialist</td>
<td>$39,342</td>
</tr>
<tr>
<td>Doctoral Degree</td>
<td>$42,171</td>
</tr>
</tbody>
</table>

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.

**SECTION 24.11.(b)** For the 2013-2015 fiscal biennium, the Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act to the State Board of Community Colleges funds sufficient to provide community college employees a salary increase of one percent (1%), including funds for the employers' retirement and social security contributions. These compensation funds may be used for any one or more of the following: (i) merit pay increases, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, (v) any other compensation increase, (vi) to offset the management flexibility reduction, or (vii) employ personnel. Categories (i) through (v) shall be pursuant to policies adopted by the State Board of Community Colleges.

**UNIVERSITY OF NORTH CAROLINA SYSTEM/SALARY INCREASES**

**SECTION 24.12.(a)** For the 2013-2015 fiscal biennium, the Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act to the Board of
Governors of The University of North Carolina funds sufficient to provide employees who are
exempt from the State Personnel Act (EPA) a salary increase of one percent (1%), including
funds for the employers' retirement and social security contributions. These compensation
funds may be used to award compensation increases to EPA employees, pursuant to policies
adopted by the Board of Governors, including, but not limited to, any one or more of the
following: (i) merit pay increases, (ii) across-the-board increases, (iii) recruitment bonuses, and
(iv) retention increases. These compensation funds may also be used for one or more of the
following: (i) to offset the management flexibility reduction or (ii) employ personnel.

SECTION 24.12.(b) For the 2013-2015 fiscal biennium, the Director of the Budget
shall transfer from the Reserve for Compensation Increases created in this act to the Board of
Governors of The University of North Carolina funds sufficient to provide to employees who
are subject to the State Personnel Act (SPA) a salary increase of one percent (1%), including
funds for the employers' retirement and social security contributions.

STATE HIGHWAY PATROL/SALARY INCREASES

SECTION 24.13. The salary increase provisions of G.S. 20-187.3 are suspended
for the 2013-2015 fiscal biennium.

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 24.14.(a) For the 2013-2015 fiscal biennium, the salaries in effect June
30, 2013, for the following employees shall be increased by one percent (1%), effective July 1,
2013:

(1) Permanent full-time State officials and persons whose salaries are set in
accordance with the State Personnel Act.
(2) Permanent full-time State officials and persons in positions exempt from the
State Personnel Act.
(3) Permanent part-time State employees.

SECTION 24.14.(b) For the 2013-2015 fiscal biennium, the rate of pay of
temporary State employees and permanent hourly State employees may be increased on an
equitable basis (i) subject to the availability of funds in the employing State agency,
department, or institution and (ii) within regular State Budget Act procedures consistent with
this act.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 24.15.(a) The Director of the Budget shall transfer from the Reserve for
Compensation Increases in this act for fiscal biennium 2013-2015 all funds necessary for the
salary increases provided by this act, including funds for the employers' retirement and social
security contributions.

SECTION 24.15.(b) Salaries and related benefits for positions that are funded
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. Nothing in this act authorizes the transfer of funds between the
General Fund and the Highway Fund for salary increases.

SECTION 24.15.(c) The fiscal biennium 2013-2015 salary increases provided in
this act are to be effective July 1, 2013, and do not apply to persons separated from State
service due to resignation, dismissal, reduction in force, death, or retirement or whose last
workday is prior to July 1, 2013.

SECTION 24.15.(d) The granting of the salary increases under this act does not
affect the status of eligibility for salary increments for which employees may be eligible unless
otherwise required by this act.
SECTION 24.15.(e) Payroll for employees on or after July 1, 2013, which represent payment of services provided prior to these increases shall not be eligible for salary increases provided for in this act. This section shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 24.15.(f) Except as otherwise provided by this act, for the 2013-2015 fiscal biennium, permanent full-time State agency employees and State-funded public school employees who work a nine-, 10-, or 11-month work year schedule shall receive the one percent (1%) annual increase provided by this act.

SALARY ADJUSTMENT RESERVE

SECTION 24.16.(a) General Fund and Highway Fund reserve budget codes are established in the Office of State Budget and Management to fund the Salary Adjustment Reserve.

SECTION 24.16.(b) Funds appropriated or otherwise transferred to the Salary Adjustment Reserve by this act or any other provision of law shall be used to fund agency requests for the following purposes:

1. Salary range revisions to provide competitive salary rates for affected job classifications in response to changes in labor market salary rates as documented through data collection and analysis according to accepted human resource professional practices and standards.

2. Reallocation of positions to higher-level job classifications to compensate employees for more difficult duties at competitive salary rates as documented through data collection and analysis according to accepted human resource professional practices and standards.

SECTION 24.16.(c) The Office of State Budget and Management shall monitor requests from State agencies, universities, and institutions requesting use of these funds.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 24.18.(a) There are established in the Office of State Budget and Management General Fund and Highway Fund reserve budget codes for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. Severance-related expenditures from these reserves shall include obligations to fund:

1. A State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer-related contributions for social security, and

2. Noncontributory health premiums for up to 12 months as authorized by G.S. 135-45.2(a)(8) for employees of employing units as defined by G.S. 135-45.1(12).

SECTION 24.18.(b) The Director of the Budget shall allocate funds to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations.

Funds appropriated to the Severance Expenditure Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Funds appropriated to the Severance Expenditure Reserve may also be allocated to public agencies for...
positions that are funded partially from the General Fund or Highway Fund and partially from
sources other than the General Fund or Highway Fund but only to the extent of the
proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee
of a State agency, department, or institution; The University of North Carolina; the North
Carolina Community College System; or a local school administrative unit.

TEACHER SALARY SCHEDULES

SECTION 24.19. The following monthly salary schedules shall apply for the
2013-2014 fiscal year to certified personnel of the public schools who are classified as teachers.
The schedules contain 36 steps, with each step corresponding to one year of teaching
experience. Public school employees paid according to this salary schedule and receiving
NBPTS certification or obtaining a master's degree shall not be prohibited from receiving the
appropriate increase in salary. Provided, however, teachers employed during the 2012-2013
school year who did not work the required number of months to acquire an additional year of
experience shall not receive a decrease in salary as otherwise would be required by the salary
schedule below.

### 2013-2014 Monthly Salary Schedule

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>&quot;A&quot; Teachers</th>
<th>NBPTS Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>$3,111</td>
<td>N/A</td>
</tr>
<tr>
<td>3-5</td>
<td>$3,111</td>
<td>$3,485</td>
</tr>
<tr>
<td>6</td>
<td>$3,153</td>
<td>$3,532</td>
</tr>
<tr>
<td>7</td>
<td>$3,199</td>
<td>$3,582</td>
</tr>
<tr>
<td>8</td>
<td>$3,336</td>
<td>$3,736</td>
</tr>
<tr>
<td>9</td>
<td>$3,479</td>
<td>$3,897</td>
</tr>
<tr>
<td>10</td>
<td>$3,616</td>
<td>$4,050</td>
</tr>
<tr>
<td>11</td>
<td>$3,748</td>
<td>$4,198</td>
</tr>
<tr>
<td>12</td>
<td>$3,854</td>
<td>$4,317</td>
</tr>
<tr>
<td>13</td>
<td>$3,904</td>
<td>$4,372</td>
</tr>
<tr>
<td>14</td>
<td>$3,953</td>
<td>$4,428</td>
</tr>
<tr>
<td>15</td>
<td>$4,005</td>
<td>$4,485</td>
</tr>
<tr>
<td>16</td>
<td>$4,055</td>
<td>$4,542</td>
</tr>
<tr>
<td>17</td>
<td>$4,107</td>
<td>$4,600</td>
</tr>
<tr>
<td>18</td>
<td>$4,159</td>
<td>$4,658</td>
</tr>
<tr>
<td>19</td>
<td>$4,213</td>
<td>$4,719</td>
</tr>
<tr>
<td>20</td>
<td>$4,268</td>
<td>$4,780</td>
</tr>
<tr>
<td>21</td>
<td>$4,325</td>
<td>$4,844</td>
</tr>
<tr>
<td>22</td>
<td>$4,380</td>
<td>$4,906</td>
</tr>
<tr>
<td>23</td>
<td>$4,441</td>
<td>$4,974</td>
</tr>
<tr>
<td>24</td>
<td>$4,501</td>
<td>$5,041</td>
</tr>
<tr>
<td>25</td>
<td>$4,560</td>
<td>$5,108</td>
</tr>
<tr>
<td>26</td>
<td>$4,623</td>
<td>$5,177</td>
</tr>
<tr>
<td>27</td>
<td>$4,685</td>
<td>$5,248</td>
</tr>
<tr>
<td>28</td>
<td>$4,753</td>
<td>$5,324</td>
</tr>
<tr>
<td>29</td>
<td>$4,819</td>
<td>$5,397</td>
</tr>
<tr>
<td>30</td>
<td>$4,884</td>
<td>$5,470</td>
</tr>
<tr>
<td>31</td>
<td>$4,952</td>
<td>$5,546</td>
</tr>
<tr>
<td>32</td>
<td>$5,022</td>
<td>$5,625</td>
</tr>
<tr>
<td>33</td>
<td>$5,094</td>
<td>$5,705</td>
</tr>
</tbody>
</table>
## 2013-2014 Monthly Salary Schedule

### "M" Teachers

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>&quot;M&quot; Teachers</th>
<th>NBPTS Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>$3,422</td>
<td>N/A</td>
</tr>
<tr>
<td>3-5</td>
<td>$3,422</td>
<td>$3,833</td>
</tr>
<tr>
<td>6</td>
<td>$3,468</td>
<td>$3,884</td>
</tr>
<tr>
<td>7</td>
<td>$3,519</td>
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<td>36+</td>
<td>$5,909</td>
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</table>

### SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

**SECTION 24.20.** The 2012-2013 base salary schedule for school-based administrators, plus an additional one percent (1%), is in effect for the 2013-2014 fiscal year, effective July 1, 2013. The base salary schedule for school-based administrators shall apply only to principals and assistant principals. Provided, however, school-based administrators (i) employed during the 2012-2013 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2013-2014 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule.
CENTRAL OFFICE SALARIES

SECTION 24.21.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/ coordinators, supervisors, and finance officers for the 2013-2014 fiscal year, beginning July 1, 2013.

- **School Administrator I**: $3,382 - $6,344
- **School Administrator II**: $3,586 - $6,729
- **School Administrator III**: $3,807 - $7,139
- **School Administrator IV**: $3,959 - $7,422
- **School Administrator V**: $4,119 - $7,723
- **School Administrator VI**: $4,369 - $8,190
- **School Administrator VII**: $4,545 - $8,520

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 24.21.(b) The monthly salary ranges that follow apply to public school superintendents for the 2012-2013 fiscal year, beginning July 1, 2013.

- **Superintendent I**: $4,825 - $9,038
- **Superintendent II**: $5,122 - $9,585
- **Superintendent III**: $5,434 - $10,168
- **Superintendent IV**: $5,767 - $10,786
- **Superintendent V**: $6,121 - $11,443

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

SECTION 24.21.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/ coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 24.21.(d) Superintendents, assistant superintendents, associate superintendents, directors/ coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-seven dollars ($127.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/ coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-six dollars ($256.00) per month in addition to the compensation provided for under this section.

SECTION 24.21.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 24.21.(f) The salaries of all permanent full-time personnel paid from the Central Office Allotment shall be increased by one percent (1%), commencing July 1, 2013. The State Board of Education shall allocate these funds to local school administrative units. The local boards of education shall establish guidelines for providing salary increases to these personnel.

NONCERTIFIED PERSONNEL SALARIES
SECTION 24.22. (a) The annual salary increase for permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund shall be one percent (1%), commencing July 1, 2013.

SECTION 24.22. (b) Local boards of education shall increase the rates of pay for such employees who were employed for all or part of fiscal year 2012-2013 and who continue their employment for fiscal year 2013-2014 by providing an annual salary increase for employees of one percent (1%).

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

SECTION 24.22. (c) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of one percent (1%) for the 2013-2014 fiscal year.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 24.23. Funds in the Reserve for Compensation Increases and Personnel Flexibility shall be used to increase annual salaries, by one percent (1%), for employees of schools operated by the Department of Public Instruction, the Department of Health and Human Services, and the Department of Public Safety, who are paid on the Teacher Salary Schedule or the School-Based Administrator Salary Schedule.

SALARY-RELATED CONTRIBUTIONS

SECTION 24.24. (a) Effective for the 2013-2015 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employees' salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Notwithstanding any other provision of law, an employing unit, as defined in G.S. 135-45.1 or in G.S. 135-48.1 as enacted by this act, that hires or has hired as an employee a retiree that is in receipt of monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State shall enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position that would require the employer to pay hospital-medical benefits if the individual had not been retired.

SECTION 24.24. (b) Effective July 1, 2013, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2013-2014 fiscal year are (i) fourteen and fifty-nine hundredths percent (14.59%) – Teachers and State Employees; (ii) nineteen and fifty-nine hundredths percent (19.59%) – State Law Enforcement Officers; (iii) twelve and fifty-eight hundredths percent (12.58%) – University Employees' Optional Retirement System; (iv) twelve and fifty-eight hundredths percent (12.58%) – Community College Optional Retirement Program; (v) thirty-three and thirty-one hundredths percent (33.31%) – Consolidated Judicial Retirement System; and (vi) five and three hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and three hundredths percent (5.30%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional
Retirement Program includes forty-four hundredths percent (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 24.24.(c) Effective July 1, 2014, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2013-2014 fiscal year are (i) fourteen and fifty-nine hundredths percent (14.59%) – Teachers and State Employees; (ii) nineteen and fifty-nine hundredths percent (19.59%) – State Law Enforcement Officers; (iii) twelve and fifty-eight hundredths percent (12.58%) – University Employees' Optional Retirement System; (iv) twelve and fifty-eight hundredths percent (12.58%) – Community College Optional Retirement Program; (v) thirty-three and thirty-one hundredths percent (33.31%) – Consolidated Judicial Retirement System; and (vi) five and three hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and three hundredths percent (5.30%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for the University Employees' Optional Retirement Program includes forty-four hundredths percent (0.44%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 24.24.(d) Effective July 1, 2013, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2013-2014 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand one hundred thirty dollars ($4,130) and (ii) non-Medicare-eligible employees and retirees – five thousand three hundred fourteen dollars ($5,314).

SECTION 24.24.(e) Effective July 1, 2014, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2014-2015 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand three hundred twenty-four dollars ($4,324) and (ii) non-Medicare-eligible employees and retirees – five thousand five hundred sixty-four dollars ($5,564).


SECTION 24.25.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(sss) From and after July 1, 2013, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2012, shall be increased by one percent (1%) of the allowance payable on June 1, 2013, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2013, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2012, but before June 30, 2013, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2012, and June 30, 2013."

SECTION 24.25.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(dd) From and after July 1, 2013, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2012, shall be increased by one percent (1%) of the allowance payable on June 1, 2013. Furthermore, from and after July 1, 2013, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2012, but before June 30, 2013, shall be increased by a prorated amount of one
SECTION 24.25. (c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(x) In accordance with subsection (a) of this section, from and after July 1, 2013, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2013, shall be increased by one percent (1%) of the allowance payable on June 1, 2013. Furthermore, from and after July 1, 2013, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2013, but before June 30, 2013, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2013, and June 30, 2013."

PART XXV. CAPITAL APPROPRIATIONS

G.S. 143C-11. REVERSION OF APPROPRIATION AND LAPSE OF PROJECT AUTHORIZATION.

SECTION 25.1.(a) Reversion of Appropriation. – A State agency shall begin the planning of or the construction of an authorized capital improvement project during the fiscal year in which the funds are appropriated. If it does not, the Director may credit the appropriation to the Project Reserve Account, unless otherwise required by law. If the Director does not credit the appropriation to the Project Reserve Account, the appropriation shall revert to the principal fund from which it was appropriated. The Director may, for good cause, allow a State agency to take up to an additional 12 months to take the actions required by this subsection.

SECTION 25.1.(b) Lapse of Project Authorization. – Authorizations for capital improvement projects shall lapse if any of the following occur: (i) the appropriation for a capital improvement project reverts, (ii) the construction of a project does not begin during the first two fiscal years in which funds are appropriated, or (iii) the Director redirects funds appropriated for a capital improvement project in accordance with G.S. 143C-6-2. The Director may, for good cause, allow a State agency to take up to an additional 12 months to begin construction of a project; however, if the Director approves an extension of time under this subsection and construction of the project has not begun by the end of the extension, the authorization for the project shall lapse. Capital improvement project authorizations for the North Carolina National Guard shall only lapse at the discretion of the Director of the Budget.

PROHIBIT EXPENDITURES OF STATE FUNDS FOR THE NORTH CAROLINA INTERNATIONAL TERMINAL

SECTION 25.2.(a) Notwithstanding G.S. 136-253 and any other provision of law, State funds, as that term is defined in G.S. 143C-1-1, shall not be used to fund the North Carolina International Terminal of the North Carolina State Ports Authority.

SECTION 25.2.(b) This section shall expire on June 30, 2014.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 25.3.(a) Of the funds in the Reserve for Repairs and Renovations for the 2013-2014 fiscal year, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

(1) Fifty million dollars ($50,000,000) shall be allocated to the Board of Governors of The University of North Carolina.
One hundred million dollars ($100,000,000) 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(e). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

SECTION 25.3.(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 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 institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The safety and well-being of the residents of campus housing programs.
(2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
(3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund, or from bonds or certificates of participation supported by the General Fund, since 1996.
(4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.
(5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 25.3.(c) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

REPORTING ON CAPITAL PROJECTS

SECTION 25.4.(a) Definitions. – The following definitions apply in this section:

(1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with either State funds or statutorily or constitutionally authorized indebtedness of any kind. This term includes only projects with a total cost of one hundred thousand dollars ($100,000) or more.

(2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.
(3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

SECTION 25.4.(b) Reporting. – The following reports are required:
(1) By October 1, 2014, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations and to the Joint Legislative Oversight Committee on Capital Improvements.
(2) By October 1, 2014, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division of the General Assembly and to the Office of State Budget and Management.

SECTION 25.4.(c) The reports required by this section shall include at least the following information about every agency capital project:
(1) The current construction phase of the project.
(2) The anticipated time line from the current construction phase to project completion.
(3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.
(4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.
(5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

TRANSFER FOR PLANT CONSERVATION PROGRAM
SECTION 25.5. From funds that are deposited with the State Treasurer pursuant to G.S. 146-30 to the credit of the Department of Agriculture and Consumer Services in a capital improvement account, the sum of thirty thousand dollars ($30,000) for the 2013-2014 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, environmental studies, and for the management of plant conservation program preserves owned by the Department.

ELIMINATE PUBLIC SCHOOL BUILDING CAPITAL FUND TRANSFER PERMANENTLY
SECTION 25.6.(a) G.S. 115C-546.1(b) is repealed.
SECTION 25.6.(b) This section is effective for taxable years beginning on or after January 1, 2013.
SECTION 25.6.(c) Notwithstanding G.S. 115C-546.2(a), the State Board of Education may use, out of funds available, up to one million five hundred thousand dollars ($1,500,000) of funds available under G.S. 115C-546.2 to support positions in the Department of Public Instruction’s Support Services Division.

CHANGE IN JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL OPERATIONS CONSULTATION
SECTION 25.7. G.S. 120-76.1 reads as rewritten:
§ 120-76.1. Prior consultation with the Commission.
(a) Notwithstanding the provisions of G.S. 120-76(8) or any other provision of law requiring prior consultation by the Governor with the Commission, whenever an expenditure is required because of an emergency that poses an imminent threat to public health or public
safety, and is either the result of a natural event, such as a hurricane or a flood, or an accident, such as an explosion or a wreck, the Governor may take action without consulting the Commission if the action is determined by the Governor to be related to the emergency. The Governor shall report to the Commission on any expenditures made under this subsection no later than 30 days after making the expenditure and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(b) Any agency, board, commission, or other entity required under G.S. 120-76(8) or any other provision of law to consult with the Commission prior to taking an action shall submit a detailed report of the action under consideration to the Chairs of the Commission, the Commission Assistant, and the Fiscal Research Division of the General Assembly. If the Commission does not hold a meeting to hear the consultation within 90 days of receiving the submission of the detailed report, the consultation requirement is satisfied. With regard to capital improvement projects of The University of North Carolina, if the Commission does not hold a meeting to hear the consultation within 30 days of receiving the submission of the detailed report, the consultation requirement of G.S. 120-76(8)e. is satisfied.

(c) Consultations regarding the establishment of new fees and charges and the increase of existing fees and charges are governed by G.S. 12-3.1, and this section does not apply to those consultations."

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 25.8.(a) The Department of Environment and Natural Resources shall allocate the funds for water resources development projects from the 2012-2013 year-end credit balance and in accordance with the schedule that follows. These funds will provide a State match for thirty million four hundred seventeen thousand dollars ($30,417,000) in federal funds.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>B. Everett Jordan Lake Water Supply Storage</td>
<td>$200,000</td>
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<tr>
<td>Wilmington Harbor Deepening (75/25)</td>
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<tr>
<td>Wilmington Harbor Maintenance (Disposal Area 8 &amp; 10)</td>
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<td>Morehead City Harbor Maintenance</td>
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<tr>
<td>Long-Term Dredging MOA with USACE</td>
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<tr>
<td>Wilmington Harbor Improvements Feasibility (50/50)</td>
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<tr>
<td>Planning Assistance to Communities (50/50)</td>
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<td>Manteo Old House Channel Cap Sec. 204 (65/35)</td>
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<tr>
<td>John H. Kerr Dam and Reservoir Sec. 216 (50/50)</td>
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<tr>
<td>Neuse River Basin Restoration PED (50/50)</td>
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<tr>
<td>Currituck Sound Environmental Restoration Study (50/50)</td>
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<td>Princeville Blood Damage Reduction Feasibility Study (50/50)</td>
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<tr>
<td>NRCS EQUIP Project</td>
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<tr>
<td>Wrightsville Beach Renourishment Project (65/35) (full project)</td>
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<td>Ocean Isle Beach Renourishment Project (65/35) (full project)</td>
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<td>Carolina Beach Renourishment (65/35) (40% project)</td>
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<tr>
<td>Kure Beach Renourishment (65/35) (40% project)</td>
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<td>Bogue Banks Coastal Storm Damage Reduction Study (50/50)</td>
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<tr>
<td>Surf City/NTB Coastal Storm Damage Reduction Study PED (75/25)</td>
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<td>West Onslow Beach (Topsail Beach) PED (75/25)</td>
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<td>Water Resources Planning in Support of Session Law 2010-143</td>
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<td>Aquatic Plant Control, Statewide and Lake Gaston (50/50)</td>
<td>200,000</td>
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<tr>
<td>State-Local Projects</td>
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<tr>
<td>Skewarkee Drainage Project (50/50)</td>
<td>330,000</td>
</tr>
</tbody>
</table>
SECTION 25.8(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used for the following projects:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Wilmington Harbor Maintenance (Disposal Area 8 &amp; 10)</td>
<td>$1,200,000</td>
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<td>Manteo Old House Channel Cap Sec. 204 (65/35)</td>
<td>$1,250,000</td>
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<tr>
<td>Neuse River Basin PED (75/25)</td>
<td>$57,000</td>
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<tr>
<td>Princeville Blood Damage Reduction Feasibility Study (50/50)</td>
<td>$25,000</td>
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<td>Bogue Banks Coastal Storm Damage Reduction PED Study (75/25)</td>
<td>$25,000</td>
</tr>
<tr>
<td>Surf City/NTB Coastal Storm Damage Reduction Study PED (75/25)</td>
<td>$37,000</td>
</tr>
</tbody>
</table>

TOTALS $2,594,000

SECTION 25.8(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 2013-2014 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

1. U.S. Army Corps of Engineers project feasibility studies.
2. U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2013-2014.
3. State-local water resources development projects.

However, fund availability shall not be used to fund the North Carolina International Terminal. Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2013-2014 fiscal year.

SECTION 25.8(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

1. All projects listed in this section.
2. The estimated cost of each project.
3. The date that work on each project began or is expected to begin.
4. The date that work on each project was completed or is expected to be completed.
5. The actual cost of each project.

The semiannual reports shall also show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 25.8(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applied to funds appropriated in this act and to funds appropriated prior to the 2013-2015 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which local government or local governments participate.

SECTION 25.8(f) The Departments "Long Term Dredging Memorandum of Agreement" (MOA) with the U.S. Army Corps of Engineers is the subject of this subsection.
The prioritization of all projects completed using these funds will be in joint consultation with the State, applicable local units of government, and the U.S. Army Corps of Engineers.

Funds appropriated for this MOA shall be fifty percent (50%) of the total cost for each project that is directly requested by a unit of local government.

The Department shall make annual reports on the use of funds provided to the U.S. Army Corps of Engineers under the "Long Term Dredging Memorandum of Agreement" to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

a. All projects started.
b. Estimated cost of each project.
c. The date that work on each project began or is expected to begin.
d. The date that work on each project was completed or is expected to be completed.
e. The actual cost of each project.

PART XXVI. REVENUE LAW CHANGES

REPEAL THE ESTATE TAX

SECTION 26.1. Article 1A of Chapter 105 of the General Statutes is repealed.

SECTION 26.2. G.S. 105-241.10 reads as rewritten:

"§ 105-241.10. Limit on refunds and assessments after a federal determination.

The limitations in this section apply when a taxpayer files a timely return reflecting a federal determination that affects the amount of State tax payable and the general statute of limitations for requesting a refund or proposing an assessment of the State tax has expired. A federal determination is a correction or final determination by the federal government of the amount of a federal tax due. A return reflecting a federal determination is timely if it is filed within the time required by G.S. 405-32.8, 105-130.20, 105-159, 105-160.8, or 105-163.6A, as appropriate. The limitations are:

(1) Refund. – A taxpayer is allowed a refund only if the refund is the result of adjustments related to the federal determination.

(2) Assessment. – A taxpayer is liable for additional tax only if the additional tax is the result of adjustments related to the federal determination. A proposed assessment may not include an amount that is outside the scope of this liability."

SECTION 26.3. G.S. 105-236(a)(5) reads as rewritten:

"(a) Penalties. – The following civil penalties and criminal offenses apply:

..."
STATE BUDGET ACT APPLIES

SECTION 27.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

MOST TEXT APPLIES ONLY TO THE 2013-2015 FISCAL BIENNium

SECTION 27.2. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2013-2015 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2013-2015 fiscal biennium.

EFFECT OF HEADINGS

SECTION 27.3. The headings to the Parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part.

SEVERABILITY CLAUSE

SECTION 27.4. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 27.5. Except as otherwise provided, this act becomes effective July 1, 2013.