

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H.B. 1195
May 29, 2012
HOUSE PRINCIPAL CLERK

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D

HOUSE DRH30606-LBxa-500* (05/18)

Short Title: Governor's Budget.

(Public)

Sponsors: Representative Gillespie (By Request).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS
3 OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER
4 PURPOSES, AS RECOMMENDED BY THE GOVERNOR AND INTRODUCED BY
5 THE APPROPRIATIONS COMMITTEE CHAIRS PURSUANT TO G.S. 143C-5-1.

6
7 The General Assembly of North Carolina enacts:

8
9 **PART I. INTRODUCTION AND TITLE OF ACT**

10
11 **INTRODUCTION**

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

17
18 **TITLE OF ACT**

19 **SECTION 1.2.** This act shall be known as the "Current Operations and Capital
20 Improvements Appropriations Act of 2012."

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

23
24 **SECTION 2.1.** Appropriations from the General Fund of the State for the
25 maintenance of the State departments, institutions, and agencies, and for other purposes as
26 enumerated, are adjusted for the fiscal year ending June 30, 2013, according to the schedule
27 that follows. Amounts set out in brackets are reductions from General Fund appropriations for
28 the 2012-2013 fiscal year.

29
30 **Current Operations –General Fund**

FY 2012-2013
Adjustments

31
32 **EDUCATION**

33 Community Colleges System Office

\$ 53,504,897

34 Department of Public Instruction

562,253,440

35 University of North Carolina – Board of Governors



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1	Appalachian State University	260,876
2	East Carolina University	
3	Academic Affairs	4,447,287
4	Health Affairs	0
5	Elizabeth City State University	0
6	Fayetteville State University	473,656
7	North Carolina Central University	0
8	North Carolina School of the Arts	0
9	North Carolina State University	
10	Academic Affairs	3,346,252
11	Agricultural Extension	0
12	Agricultural Research	0
13	University of North Carolina at Asheville	0
14	University of North Carolina at Chapel Hill	
15	Academic Affairs	0
16	Health Affairs	0
17	Area Health Education Centers	0
18	University of North Carolina at Charlotte	0
19	University of North Carolina at Greensboro	103,534
20	University of North Carolina at Pembroke	0
21	University of North Carolina at Wilmington	434,038
22	NCA&T	0
23	Western Carolina University	0
24	Winston-Salem State University	0
25	General Administration	10,558,141
26	University Institutional Programs	85,960,578
27	UNC Related Educational Programs	35,000,000
28	UNC Financial Aid for Private Colleges	4,500,000
29	North Carolina School of Science and Mathematics	0
30	UNC Hospitals at Chapel Hill	0
31	Total University of North Carolina – Board of Governors	\$ 145,084,362
32		
33	HEALTH AND HUMAN SERVICES	
34		
35	Department of Health and Human Services	
36	Division of Central Management and Support	\$ 13,220,524
37	Division of Aging and Adult Services	4,875,649
38	Division of Services for the Blind and Deaf/Hard of Hearing	(168,336)
39	Division of Child Development	43,184,601
40	Division of Health Service Regulation	1,892,559
41	Division of Medical Assistance	107,557,158
42	Division of Mental Health, Developmental Disabilities,	
43	and Substance Abuse Services	6,823,019
44	NC Health Choice	(2,802,057)
45	Division of Public Health	10,826,775
46	Division of Social Services	(9,079,116)
47	Division of Vocation Rehabilitation	0
48	Total Health and Human Services	\$ 176,330,776
49		
50	NATURAL AND ECONOMIC RESOURCES	
51		

1	Department of Agriculture and Consumer Services	\$ 305,449
2		
3	Department of Commerce	
4	Commerce	20,100,713
5	Commerce State-Aid	3,000,000
6	NC Biotechnology Center	525,000
7	Rural Economic Development Center	20,000,000
8		
9	Department of Environment and Natural Resources	
10	Environment and Natural Resources	12,164,447
11	Wildlife Resources Commission	443,821
12	Clean Water Management Trust Fund	0
13		
14	Department of Labor	(300,000)
15		
16	JUSTICE AND PUBLIC SAFETY	
17		
18	Department of Public Safety	(8,576,508)
19		
20	Judicial Department	8,893,777
21	Judicial Department – Indigent Defense	0
22		
23	Department of Justice	1,381,721
24		
25	GENERAL GOVERNMENT	
26		
27	Department of Administration	10,121,098
28		
29	Office of Administrative Hearings	(41,423)
30		
31	Department of State Auditor	(160,141)
32		
33	Office of State Controller	(425,534)
34		
35	Department of Cultural Resources	
36	Cultural Resources	139,454
37	Roanoke Island Commission	0
38		
39	State Board of Elections	612,670
40		
41	General Assembly	1,670,630
42		
43	Office of the Governor	
44	Office of the Governor	(47,412)
45	Office of State Budget and Management	1,218,071
46	OSBM – Reserve for Special Appropriations	1,100,000
47	Housing Finance Agency	(96,731)
48		
49	Department of Insurance	
50	Insurance	454,091
51	Insurance – Volunteer Safety Workers' Compensation	0

1		
2	Office of Lieutenant Governor	0
3		
4	Department of Revenue	998,765
5		
6	Department of Secretary of State	(159,818)
7		
8	Department of State Treasurer	
9	State Treasurer	(66,218)
10	State Treasurer – Retirement/Benefits	0

RESERVES, ADJUSTMENTS, CAPITAL, AND DEBT SERVICE

14	Capital Improvements	13,678,000
15	General Debt Service	(50,904,635)
16	Compensation Increase Reserve	40,692,786
17	Continuation Review Reserve	(35,576,758)
18	Job Development Incentive Grants Reserve	(6,500,000)
19	Retirement Rate Adjustment Reserve	(2,181,400)
20		
21	TOTAL CURRENT OPERATIONS – GENERAL FUND	\$ 969,637,390

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS/HIGHWAY FUND

SECTION 3.1. Revised 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 fiscal year ending June 30, 2013, according to the following schedule:

	2012-2013	
	<u>Adjustments</u>	
31	Current Operations – Highway Fund	
32		
33	DOT – General Administration	
34	Highway Division Administration	
35	State Match for Federal Aid-Planning and Research	
36		
37	Construction Program:	
38	State Secondary System	
39	Division Small Urban Construction	
40	Discretionary Funds	
41	Spot Safety Improvements	
42	Access and Public Services Roads	
43	Total Construction Program	_____ -
44		
45	Maintenance Program	
46	Primary System	(23,688,886)
47	Secondary System	(35,503,330)
48	System Preservation	(34,613,743)
49	Contract Resurfacing	(56,744,276)
50	General Maintenance Reserve	794,439
51	Total Maintenance Program	\$ (149,735,796)

1		
2	Ferry Operations	3,032,000
3	State Aid to Municipalities	(912,604)
4	State Aid to Railroads	
5	State Aid for Public Transportation	
6	Airports	
7	OSHA	
8	Governor's Highway Safety Program	
9	Division of Motor Vehicles	<u>48,259,662</u>
10		
11	Total Department of Transportation	\$ (85,323,437)
12		
13	Appropriations to Other State Agencies:	
14	Agriculture	
15	Revenue	
16	State Treasurer	
17	Office of State Controller-BEST Shared Services	
18	Public Instruction – Civil Penalties	7,880,000
19	Public Instruction – Driver Education	(207,961)
20	Public Safety – MSCAP State Match	350,000
21	DENR – LUST Trust Fund	3,998,330
22	DHHS – Chemical Test	
23	Total – Other State Agencies	<u>12,020,369</u>
24		
25	Reserves and Transfers:	
26	Minority Contractor Development	
27	State Fire Protection Grant	
28	Storm-Water Discharge Permit	
29	Reserve for Visitor's Centers	
30	Global TransPark	
31	Reserve for Continuation Review	(47,713,947)
32	Reserve for Legislative Salary Increase	3,112,393
33	Reserve for Retirement Contribution (COLA)	<u>(850,378)</u>
34	Total Reserves and Transfers	(45,451,932)
35		
36	Capital Improvements	<u>625,000</u>
37		
38	Total Highway Fund Appropriation	\$ (118,130,000)
39		
40	HIGHWAY FUND AVAILABILITY STATEMENT	
41	SECTION 3.2. The Highway Fund availability used in developing modifications to	
42	the 2012-13 Highway Fund budget contained in this act is shown below:	
43		2012-2013
44	Highway Fund Availability Statement	<u>Recommended</u>
45		
46	Beginning Credit Balance	-
47	Estimated Revenue	\$ 2,016,030,000
48	Estimated Reversions	-
49		
50	Total Highway Fund Availability	<u>\$ 2,016,030,000</u>
51		

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

SECTION 4.1. Revised appropriations from the Highway Trust Fund are made for the fiscal year ending June 30, 2013, according to the following schedule:

<u>Highway Trust Fund</u>	<u>2012-2013 Adjustments</u>
Department of Transportation:	
Maximum Allowance for Administration	\$ (1,516,320)
Construction Allocation:	
Intrastate System	(18,505,930)
Urban Loop System	(7,483,027)
Secondary Roads	(2,143,020)
NC Mobility Fund	45,000,000
State Aid to Municipalities	(1,941,703)
Bonds:	
Bond Redemption	
Bond Interest	
NC Turnpike Authority	
DOT Prioritization Reserve	(45,000,000)
Transfer to the Highway Fund	
Transfer to the General Fund	
Total Highway Trust Fund Appropriations	<u>\$ (31,590,000)</u>

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing modifications to the 2012-2013 Highway Trust Fund budget contained in this act is shown below:

<u>Highway Trust Fund Availability Statement</u>	<u>2012-2013 Recommended</u>
Beginning Credit Balance	-
Estimated Revenue	\$ 1,055,320,000
Estimated Reversions	-
Total Highway Trust Fund Availability	<u>\$ 1,055,320,000</u>

PART V. OTHER AVAILABILITY AND APPROPRIATIONS**EDUCATION LOTTERY**

1 **SECTION 5.1.(a)** Notwithstanding G.S. 18C-164, the revenue used to support
2 appropriations made in this act is transferred from the State Lottery Fund in the amount of four
3 hundred forty-one million dollars (\$441,000,000) for the 2012-2013 fiscal year.

4 **SECTION 5.1.(b)** Notwithstanding G.S. 18C-164, the appropriations made from
5 the Education Lottery Fund for the 2012-2013 fiscal year are as follows:

6	Teachers in Early Grades	\$ 220,643,188
7	Prekindergarten Program	\$ 63,135,709
8	Public School Building Capital Fund	\$ 116,026,370
9	Scholarships for Needy Students	\$ 30,450,000
10	UNC Need-Based Financial Aid	\$ 10,744,733
11	Total Appropriation	\$ 441,000,000

12 **SECTION 5.1.(c)** Notwithstanding G.S. 18C-164, the North Carolina State Lottery
13 Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2011-2012
14 fiscal year or the 2012-2013 fiscal year.

15 **SECTION 5.1.(d)** Notwithstanding G.S. 18C-164(c), G.S. 115C-546.2(d), or any
16 other provision of law, funds appropriated in this section to the Public School Building Capital
17 Fund for the 2012-2013 fiscal year shall be allocated to counties on the basis of average daily
18 membership (ADM).

19 **SECTION 5.1.(e)** Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C
20 of the General Statutes, or any other provision of law, the funds appropriated in this section for
21 UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted
22 by the Board of Governors of The University of North Carolina.

23 **SECTION 5.1.(f)** Notwithstanding G.S. 18C-164(f), if the actual net lottery
24 revenues for the 2012-2013 fiscal year exceed the amounts appropriated in subsection (b) of
25 this section, the excess net lottery revenues shall be allocated for school capital on the basis of
26 average daily membership.

27 **SECTION 5.1.(g)** Notwithstanding G.S. 18C-164(f), if the actual net lottery
28 revenues for the 2011-2012 fiscal year exceed the amounts appropriated in Section 5.4(b) of
29 Session Law 2011-145, the excess net lottery revenues shall be allocated for school capital on
30 the basis of average daily membership.

31 **SECTION 5.1.(h)** Section 5.1(g) becomes effective June 30, 2012.

32 33 **APPROPRIATION OF OTHER FUNDS AMENDED**

34 **SECTION 5.2.** Subsection 5.1(c) of Session Law 2011-145 is repealed.

35 36 **OTHER RECEIPTS FROM PENDING GRANT AWARDS AMENDED**

37 **SECTION 5.3.** Section 5.2 of Session Law 2011-145 reads as rewritten:

38 "**SECTION 5.2.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with approval of
39 the Director of the Budget and after consultation with the Joint Legislative Commission on
40 Governmental Operations, Budget, spend funds received from grants awarded subsequent to
41 the enactment of this act.

42 "**SECTION 5.2.(b)** The Office of State Budget and Management shall work with the
43 recipient State agencies to budget grant awards according to the annual program needs and
44 within the parameters of the respective granting entities. Depending on the nature of the award,
45 additional State personnel may be employed on a temporary or time-limited basis or on a
46 permanent full-time basis if the grant is intended to be recurring. The Office of State Budget
47 and Management shall consult with report to the Joint Legislative Commission on
48 Governmental Operations prior to expending on any funds received from grant awards on a
49 monthly basis. Funds received from such grants are hereby appropriated and shall be
50 incorporated into the authorized budget of the recipient State agency.

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

"SECTION 5.2.(d) Notwithstanding G.S. 143C-6-4, the Department of Public Instruction may spend funds received from the following grants for the 2011-2012 fiscal year awarded subsequent to the enactment of this act for up to the specified amounts:

- (1) Child Nutrition Equipment Assistance \$815,762
- (2) Verizon Thinkfinity State Education Partnership \$ 40,000
- (3) State Abstinence Education Program \$1,585,347.

Neither the approval of the Director of the Budget nor consultation with the Joint Legislative Commission on Governmental Operations is required prior to the expenditure of these funds. The provisions of subsection (b) of this section do not apply to these funds."

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.4. Section 6A.1(a) of S.L. 2011-145 is repealed. Appropriations are made from the Information Technology Fund for the 2012-2013 fiscal biennium as follows:

	FY 2012-2013
Information Technology Operations	
Center for Geographic Information and Analysis	\$599,347
Enterprise Security Risk Management	\$864,148
Enterprise Project Management Office	\$1,473,285
Architecture and Engineering	\$1,116,426
Criminal Justice Information Network	\$166,422
Statewide IT Procurement	\$0
State Web Site	\$0
ITS Overhead Reduction	(\$91,486)
Subtotal Information Technology Operations	\$4,128,142
Information Technology Projects	
State Portal	\$0
IT Consolidation	\$250,000
Transfer to OSC for E-Forms	\$500,000
Subtotal Information Technology Projects	\$750,000
Data Integration License Funding Transfer to State Agencies	\$1,200,000
Position Transfer to Office of State Budget and Management	\$105,000
Total	\$6,183,142

IT CLOUD STRATEGY

SECTION 5.5. The Office of Information Technology Services (ITS) shall develop and implement a state cloud strategy and private cloud, in a cost-effective manner, including policies that delineate when information should be in a private cloud rather than a public cloud. The State shall have complete control and ownership of data in the private cloud. In order to be able to move to a fully shared cloud environment, agencies shall work under the direction of ITS to modify and update their applications. In addition, State agencies shall use the private cloud unless exempted by the State CIO. In support of this initiative, ITS shall:

- (1) Utilize the State's existing infrastructure resources to the greatest extent possible and modernize existing infrastructure as required to build the cloud.
- (2) Create a pool of infrastructure resources that can be scaled up or down in response to business needs. These infrastructure resources include, but are

1 not limited to, computing resources such as processing power, memory,
2 network resources, and storage.

- 3 (3) Build redundancy into the infrastructure to support high availability and
4 disaster recovery.
- 5 (4) Provide a service-centric approach to computing resources. Users of
6 computing resources shall be able to easily access powerful predefined
7 computing environments, based on their needs.
- 8 (5) Provide self-service ability to provision and de-provision as requested by
9 users while maintaining high levels of security.
- 10 (6) Provide a mechanism to capture usage information and enable chargeback
11 integration with the billing system.
- 12 (7) Implement cloud management and monitoring tools to maintain complete
13 control of private cloud resources, automate provisioning, de-provisioning,
14 scheduling, and reserving resource capacity.

15 16 INTERNAL AUDITING

17 **SECTION 5.6.** G.S. 143-745(a) reads as rewritten:

18 "(a) For the purposes of this section:

- 19 (1) "Agency head" means the Governor, a Council of State member, a cabinet
20 secretary, the President of The University of North Carolina, and the
21 Superintendent of Public Instruction.
- 22 (2) "State agency" means each department created pursuant to Chapter 143A or
23 143B of the General Statutes, The University of North Carolina, ~~and~~ the
24 Department of Public ~~Instruction~~. Instruction, and the Office of Information
25 Technology Services."

26 27 GEOGRAPHIC INFORMATION AND ANALYSIS

28 **SECTION 5.7.** G.S. 147-33.82(a) is amended by adding a new subdivision to read:

29 "(10) Provide geographic information systems services through the Center for
30 Geographic Information and Analysis on a cost recovery basis. The Office of
31 Information Technology Services and the Center for Geographic Information
32 and Analysis may contract for funding from federal or other sources to
33 conduct or provide geographic information systems services for public
34 purposes."

35 36 PART VI. GENERAL PROVISIONS

37 38 REPEAL REQUIREMENT FOR MAILING LIST CERTIFICATIONS

39 **SECTION 6.1.** G.S. 143-169.1 is repealed.

40 41 AMEND STATE BUDGET ACT

42 **SECTION 6.2.(a)** G.S. 143C-1-1(d) is amended by adding a new subdivision to
43 read:

44 "(1a) Authorized budget. – The certified budget as defined in G.S. 143C-1-1.(d)
45 added to allowable budget adjustments authorized by the State Budget Act
46 and the Director of the Budget.

47 **SECTION 6.2.(b)** G.S. 143C-3-5(d) reads as rewritten:

48 "(d) Funds Included in Budget. – Consistent with requirements of the North Carolina
49 Constitution, Article 5, Section 7(a), the Governor's Recommended State Budget, together with
50 the Budget Support Document, shall include recommended expenditures of State funds from all
51 Governmental and Proprietary Funds, as those funds are described in ~~G.S. 143C-1-3.~~

1 G.S. 143C-1-3, and all funds established for The University of North Carolina and its
2 constituent institutions that are subject to Chapter 143C. Except where provided otherwise by
3 federal law, funds received from the federal government become State funds when deposited in
4 the State treasury and shall be classified and accounted for in the Governor's budget
5 recommendations no differently than funds from other sources."

6 **SECTION 6.2.(c)** G.S. 143C-6-1(c) reads as rewritten:

7 "(c) Certification of the Budget. – The Director of the Budget shall certify to each State
8 agency the amount appropriated to it for each program and each object from all ~~governmental~~
9 ~~and proprietary funds.~~ funds included in the budget in accordance with G.S. 143C-3-5(d). The
10 certified budget for each State agency shall reflect the total of all appropriations enacted for
11 each State agency by the General Assembly in the Current Operations Appropriations Act, the
12 Capital Improvements Appropriations Act, and any other act affecting the State budget. The
13 certified budget for each State agency shall follow the format of the Budget Support Document
14 as modified to reflect changes enacted by the General Assembly."

15 **SECTION 6.2.(d)** G.S. 143C-6-4 reads as rewritten:

16 **"§ 143C-6-4. Budget Adjustments Authorized.**

17 (a) Findings. – The General Assembly recognizes that even the most thorough budget
18 deliberations may be affected by unforeseeable events. Under limited circumstances set forth in
19 this section, the Director may adjust the enacted budget by making transfers among lines of
20 expenditure, purposes, or programs or by increasing expenditures funded by departmental
21 receipts. Under no circumstances, however, shall total General Fund expenditures for a State
22 department exceed the amount appropriated to that department from the General Fund for the
23 fiscal year.

24 (b) Adjustments to the Certified Budget. – Notwithstanding the provisions of
25 G.S. 143C-6-1, a State agency may, with approval of the Director of the Budget, spend more
26 than was authorized in the certified budget for all of the following:

- 27 (1) An object or line item within a purpose or program so long as the total
28 amount expended for the purpose or program is no more than was authorized
29 in the certified budget for the purpose or program.
- 30 (2) A purpose or program if the overexpenditure of the purpose or program is:
31 a. Required by a court or Industrial Commission order;
32 b. Authorized under G.S. 166A-5(1)a.9. of the Emergency Management
33 Act; or
34 c. Required to call out the North Carolina National Guard.
- 35 (3) A purpose or program not subject to the provisions of subdivision (b)(2) of
36 this subsection, but only in accord with the following restrictions: (i) the
37 overexpenditure is required to continue the purpose or programs due to
38 complications or changes in circumstances that could not have been foreseen
39 when the budget for the fiscal period was enacted, (ii) the scope of the
40 purpose or program is not increased, and (iii) the overexpenditure is
41 authorized on a nonrecurring basis, ~~basis.~~ and ~~(iv) under no circumstances~~
42 shall. If the total requirements for a State department exceed the department's
43 certified budget for the fiscal year by more than three percent ~~(3%)~~ percent
44 (3%), ~~without prior consultation with the Joint Legislative Commission on~~
45 ~~Governmental Operations,~~ the Director shall report the reasons for the
46 deviation to the Joint Legislative Commission on Governmental Operations
47 within 30 days of the increase in budget.

48 (c) Overexpenditures Reported. – The Director shall report quarterly, beginning
49 October 31, to the Joint Legislative Commission on Governmental Operations on
50 overexpenditures approved by the Director under subdivisions (2) and (3) of subsection (b) of
51 this section.

1 (d) Overexpenditures in Senate Budget. – The President Pro Tempore of the Senate
2 may approve expenditures for more than was authorized in the enacted budget for objects or
3 line items in the budget of the Senate.

4 (e) Overexpenditures in House of Representatives Budget. – The Speaker of the House
5 of Representatives may approve expenditures for more than was authorized in the enacted
6 budget objects or line items in the budget of the House of Representatives.

7 (f) Transfers Between Line Items or Programs in General Assembly Budget Other
8 Than Senate and House of Representatives. – Expenditures exceeding amounts authorized for
9 programs, objects, or line items in the budget of the General Assembly other than those of the
10 Senate and House of Representatives shall be approved jointly by the President Pro Tempore of
11 the Senate and the Speaker of the House of Representatives.

12 (g) Transfers in The University of North Carolina Budget. – Transfers or changes
13 within the budget of The University of North Carolina may be made as provided in Article 1 of
14 Chapter 116 of the General Statutes.

15 (h) Transfers Within the Office of the Governor. – Transfers or changes as between
16 objects or line items in the budget of the Office of the Governor may be made by the
17 Governor."

18 **SECTION 6.2.(e)** G.S. 143C-8-7 reads as rewritten:

19 **"§ 143C-8-7. When a State agency may begin a capital improvement project.**

20 ~~No State agency may expend funds for the construction or renovation of any capital~~
21 ~~improvement project except as needed to comply with this Article or otherwise authorized by~~
22 ~~the General Assembly. Funds that become available by gifts, excess patient receipts above~~
23 ~~those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private~~
24 ~~grants, receipts becoming a part of special funds by act of the General Assembly, or any other~~
25 ~~funds available to a State agency or institution may be utilized for advanced planning through~~
26 ~~the working drawing phase of capital improvement projects, upon approval of the Director of~~
27 ~~the Budget.~~

28 The Director of the Budget may authorize the planning or construction of a capital
29 improvement project not specifically authorized by the General Assembly if such project is to
30 be funded by gifts, federal or private grants, special fund receipts, or any other non-General
31 Fund money available to the State agency or institution. Prior to authorizing a capital
32 improvement project pursuant to this subsection, the Director shall report to the Joint
33 Legislative Commission on Governmental Operations."

34 35 **AMEND PRIOR CONSULTATION STATUTE**

36 **SECTION 6.3.** G.S. 120-76.1(b) reads as rewritten:

37 "(b) Consultation by Agencies, Boards, and Commission. – Any agency, board,
38 commission, or other entity required under G.S. 120-76(8) or any other provision of law to
39 consult with the Commission prior to taking an action shall submit a detailed report of the
40 action under consideration to the Chairs of the Commission, the Commission Assistant, and the
41 Fiscal Research Division of the General Assembly. If the Commission does not hold a meeting
42 to hear the consultation within ~~90~~30 days of receiving the submission of the detailed report, the
43 consultation requirement is satisfied. ~~With regard to capital improvement projects of The~~
44 ~~University of North Carolina, if the Commission does not hold a meeting to hear the~~
45 ~~consultation within 30 days of receiving the submission of the detailed report, the consultation~~
46 ~~requirement of G.S. 120-76(8)e. is satisfied."~~

47 48 **AMEND SAVINGS RESERVE ACCOUNT**

49 **SECTION 6.4.** Chapter 143C-4-2 reads as rewritten:

50 **"§ 143C-4-2. Savings Reserve Account and appropriation of General Fund unreserved**
51 **fund balance.**

1 (a) Creation and Source of Funds. – The Savings Reserve Account is established as a
2 reserve in the General Fund. The Controller shall reserve to the Savings Reserve Account
3 ~~one-fourth one-half~~ of any unreserved fund balance, as determined on a cash basis, remaining
4 in the General Fund at the end of each fiscal year.

5 (b) Use of Funds. – The Savings Reserve Account is a component of the unappropriated
6 General Fund balance. Funds reserved to the Savings Reserve Account shall be available for
7 expenditure only upon an act of appropriation by the General Assembly.

8 (c) Goal for Savings Reserve Account Balance. – The General Assembly recognizes the
9 need to establish and maintain sufficient reserves to address unanticipated events and
10 circumstances such as natural disasters, economic downturns, threats to public safety, health,
11 and welfare, and other emergencies. It is a goal of the General Assembly and the State to
12 accumulate and maintain a balance in the Savings Reserve Account equal to or greater than
13 eight percent (8%) of the prior year's General Fund operating budget."
14

15 ESTABLISH NORTH CAROLINA GLOBAL COMPETITIVENESS RESERVE 16 ACCOUNT

17 **SECTION 6.5.(a)** Article 4 of Chapter 143C of the General Statutes is amended by
18 adding a new section to read:

19 "§ 143C-4-3.1. North Carolina Global Competitiveness Reserve Account.

20 (a) Creation and Source of Funds. – The North Carolina Global Competitiveness
21 Reserve Account is established as a reserve in the General Fund. The State Controller shall
22 reserve to the North Carolina Global Competitiveness Reserve Account one-fourth of any
23 unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the
24 end of each fiscal year.

25 (b) Use of Funds. – The funds in the North Carolina Global Competitiveness Reserve
26 shall be used by the Secretary to secure transformational business expansion projects of
27 statewide or regional significance and to fund the cost of site infrastructure for major economic
28 development projects.

29 (c) Use of Funds. – Funds Appropriated – Funds reserved to the North Carolina Global
30 Competitiveness Reserve are hereby appropriated."

31 **SECTION 6.5.(b)** Subsection a of this section becomes effective June 30, 2012.
32

33 PART VII. PUBLIC SCHOOLS

34 RESTORE LEA BUDGET FLEXIBILITY REDUCTION

35 **SECTION 7.1.(a)** Section 7.20 of Session law 2011-145 is repealed.

36 **SECTION 7.1.(b)** This section becomes effective July 1, 2012.
37
38

39 LEA BUDGETARY FLEXIBILITY

40 **SECTION 7.2.** Section 7.21 of Session Law 2011-145 reads as rewritten:

41 "**SECTION 7.21.(a)** For fiscal years ~~2011-2012 and year~~ 2012-2013, the State Board of
42 Education is ~~authorized to extend~~ shall revise its emergency rules, in accordance with
43 G.S. 150B-21.1A, granting ~~maximum~~ limited flexibility to local school administrative units
44 regarding the expenditure of State funds. These rules shall not be subject to the limitations on
45 transfers of funds between funding allotment categories set out in G.S. 115C-105.25. However,
46 these rules shall not permit the following transfers:

47 (1) The transfer of funds into central office administration.

48 (2) The transfer of funds from the classroom teachers allotment to any allotment
49 other than teacher assistants allotment.

50 (3) The transfer of funds from the teacher assistants allotment to any allotment
51 other than the classroom teachers allotment.

1 "SECTION 7.21.(b) For fiscal years ~~2011-2012 and year~~ 2012-2013, local school
2 administrative units shall make every effort to ~~reduce spending whenever and wherever such~~
3 ~~budget reductions are appropriate, manage spending~~ with the goal of protecting direct
4 classroom services such as teacher assistants and classroom teachers. In making reductions,
5 local school administrative units shall first consider reductions to central office administration
6 and other administrative functions. Notwithstanding G.S. 115C-301 or any other law, local
7 school administrative units shall have the maximum flexibility to use allotted teacher positions
8 to maximize student achievement in grades 4-12. Class size requirements in grades K-3 shall
9 remain unchanged. For fiscal year 2012-2013, local school administrative units shall comply
10 with G.S. 115C-301 regarding class size restrictions in grades 4-12.

11 "SECTION 7.21.(c) The restored LEA flexibility reduction shall be used to maintain
12 school-based personnel positions currently supported with the federal funds authorized under
13 the Keep Our Educators Working Act: Title I of Public Law 111-226.

14 "SECTION 7.21 (d) No later than 30 days of the date this act becomes law, each local
15 school administrative unit shall report to the State Board of Education, Office of State Budget
16 and Management, and the Department of Public Instruction documenting the methods used to
17 protect classroom-based personnel. This report shall include the number of classroom-based
18 personnel retained as required by subsection (c) of this section."

20 TESTING AND ASSESSMENT PROGRAM

21 SECTION 7.3.(a) G.S. 115C-174.11 reads as rewritten:

22 "**§ 115C-174.11. Components of the testing and assessment program.**

23 (a) Diagnostic Assessment Instruments for ~~First and Second Grades. Grades K-5.~~ – The
24 State Board of Education shall adopt and provide to the local school administrative units
25 developmentally appropriate individualized diagnostic assessment instruments consistent with
26 the Basic Education Program for the first and second grades, rather than standardized tests, for
27 grades K-5. Local school administrative units may use these assessment instruments provided
28 to them by the State Board for first and second grade students, and shall not use standardized
29 tests except as required as a condition of receiving federal grants. The goal of the diagnostic
30 assessments for grades K-5 is to ensure that all students are grade-level proficient in
31 pre-reading/reading skills by the conclusion of the school year.

32 (b) Repealed by Session Laws 2009-451, s. 7.20(c), effective July 1, 2009.

33 (c) Annual Testing Program. –

- 34 (1) The State Board of Education shall adopt the tests for grades three through
35 12 that are required by federal law or as a condition of a federal grant. These
36 tests shall be designed to measure progress toward reading, communication
37 skills, and mathematics for grades three through eight, and toward
38 competencies for grades nine through 12. Students who do not pass the tests
39 adopted for eighth grade shall be provided remedial instruction in the ninth
40 grade.
- 41 (2) If the State Board of Education finds that additional testing in grades three
42 through 12 is desirable to allow comparisons with national indicators of
43 student achievement, that testing shall be conducted with the smallest size
44 sample of students necessary to assure valid comparisons with other states.
- 45 (3) The State Board of Education shall continue to participate in the
46 development of the Common Core State Standards in conjunction with the
47 consortium of other states, review all national assessments developed by
48 both multistate consortia, and implement the assessments that the State
49 Board deems most appropriate to assess student achievement on the
50 Common Core State Standards.

1 (4) To the extent funds are made available, the State Board shall plan for and
2 require the administration of the ACT test for all students in the eleventh
3 grade unless the student has already taken a comparable test and scored at or
4 above a level set by the State Board.

5 (d) Except as provided in subsection (c) of this section, the State Board of Education
6 shall not require the public schools to administer any standardized tests except for those
7 required by federal law or as a condition of a federal grant.

8 The State Board of Education shall adopt and provide to local school administrative units
9 all tests required by federal law or as a condition of a federal grant."

10 **SECTION 7.3.(b)** G.S. 115C-174.22 reads as rewritten:

11 "Part 4. Student Diagnostic ~~Tests~~-Assessments.

12 **"§ 115C-174.22. Tools for student learning.**

13 To the extent funds are made available for this purpose, the State Board shall plan for and
14 require the administration of diagnostic ~~tests~~-assessments in the eighth and tenth grades that
15 align to the ACT test in order to help diagnose student learning and provide for students an
16 indication of whether they are on track to be remediation-free at a community college or
17 university.

18 The State Board of Education shall ensure ongoing support to school personnel to provide
19 appropriate grade-level instructional interventions based on individual student diagnostic
20 assessment results for students in grades K-12."

21 **SECTION 7.3.(c)** This section applies beginning with the 2012-2013 school year.

22 23 **CAREER AND COLLEGE PROMISE SHALL INCLUDE APPRENTICESHIP** 24 **OPPORTUNITIES FOR HIGH SCHOOL STUDENTS**

25 **SECTION 7.4.(a)** The State Board of Education and the North Carolina
26 Community College System shall incorporate apprenticeship opportunities for high school
27 students as a component of the Career Technical Pathway in the Career and College Promise
28 Initiative.

29 **SECTION 7.4.(b)** The two parties shall complete this incorporation no later than
30 November 1, 2012, so that students will have the opportunity to participate in apprenticeships
31 beginning with spring semester registration in the 2013-2014 school year.

32 33 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS**

34 **SECTION 7.5.** Section 7.22 of S.L. 2011-145 reads as rewritten:

35 **"SECTION 7.22.(a)** The North Carolina Virtual Public School (NCVPS) program shall
36 report to the State Board of Education and shall maintain an administrative office at the
37 Department of Public Instruction.

38 **"SECTION 7.22.(b)** The Director of NCVPS shall ensure that students residing in rural
39 and low-wealth county local school administrative units have access to e-learning course
40 offerings in order to expand available instructional opportunities. E-learning instructional
41 opportunities shall include courses required as part of the standard course of study for high
42 school graduation and AP offerings not otherwise available.

43 **"SECTION 7.22.(c)** Section 7.4 of S.L. 2010-31 is repealed.

44 **"SECTION 7.22.(d)** The State Board of Education shall take the following steps to
45 implement an allotment formula for NCVPS beginning with the 2011-2012 school year:

- 46 (1) Project NCVPS student enrollment by semester and year-long course types
47 for each local school administrative unit and charter school.
- 48 (2) Establish a per course teacher payment structure for the instructional costs of
49 NCVPS. In establishing this payment structure, the Board shall consider the
50 following:

- 1 a. The payment structure is based on a total compensation analysis to
2 ensure NCVPS teacher pay has parity with similar programs. The
3 total compensation analysis shall take into account salaries, benefits,
4 and work effort to ensure valid comparisons between occupations.
5 b. The effects any change in NCVPS teacher payments may have on the
6 attraction and retention of NCVPS teachers.
- 7 (3) Develop a per student fee structure for in-State students that is based on the
8 per course teacher pay structure. The fee structure for in-State students shall
9 ensure that the projected cost for local school administrative units and
10 charter schools equals the projected instructional cost for NCVPS courses.
- 11 (4) Multiply the per course fees for in-State students by the projected enrollment
12 by course type to determine the total instructional cost for each local school
13 administrative unit and charter school.
- 14 (5) Transfer a dollar amount equal to seventy-five percent (75%) of the local
15 school administrative unit's or charter school's projected instructional cost
16 from the classroom teacher allotment to NCVPS.
- 17 (6) No later than February 21 of each year, calculate the actual instructional cost
18 for each local school administrative unit and charter school based upon
19 actual NCVPS enrollment as of that date.
- 20 (7) Subtract the amount transferred pursuant to subdivision (5) of this subsection
21 from the actual instructional cost for each unit or charter school and transfer
22 the remaining dollar amount owed, up to a maximum of one hundred percent
23 (100%) of the projected cost.
- 24 (8) Develop and implement a policy regarding returning funds to local school
25 administrative units and charter schools in cases where the amount
26 transferred pursuant to subdivision (5) of this subsection exceeds the actual
27 instructional costs. NCVPS shall use funds transferred to it to provide the
28 NCVPS program at no cost to all students in North Carolina who are
29 enrolled in North Carolina's public schools, Department of Defense schools,
30 and schools operated by the Bureau of Indian Affairs.

31 **"SECTION 7.22.(e)** In establishing the fee structure and payment structure for NCVPS,
32 the State Board shall consider recommendations from the eLearning Commission and the
33 NCVPS Advisory Board.

34 **"SECTION 7.22.(f)** The State Board shall establish a separate per student tuition for
35 out-of-state students, home-schooled students, and private school students, which shall be
36 adjusted upward from the in-State student fee structure by an amount determined appropriate
37 by the State Board.

38 **"SECTION 7.22.(g)** The Board shall direct NCVPS to develop a plan to generate revenue
39 from the sale of courses to out-of-state educational entities. Revenue generated by NCVPS
40 shall be used to offset instructional costs to local school administrative units and charter
41 schools. NCVPS shall submit its plan to the Board by September 15, 2011.

42 **"SECTION 7.22.(h)** Beginning in 2011, the Director of NCVPS shall submit an annual
43 report on NCVPS to the State Board of Education no later than December 1 of each year. The
44 report shall use data from the previous fiscal year and shall include statistics on actual versus
45 projected costs to local school administrative units and charter schools, student enrollment,
46 virtual teacher salaries, and measures of academic achievement.

47 The Director of NCVPS shall continue to ensure the following:

- 48 (1) Course quality standards are established and met.
49 (2) All e-learning opportunities other than virtual charter schools offered by
50 State-funded entities to public school students are consolidated under the
51 NCVPS program, eliminating course duplication.

1 (3) All courses offered through NCVPS are aligned to the North Carolina
2 Standard Course of Study.

3 **"SECTION 7.22.(i)** The State Board of Education shall reduce each local school
4 administrative unit's or charter school's classroom teacher allotment, or other allotment, as
5 determined by the State Board of Education, on the basis of ADM in grades 6-12 to provide the
6 sum of two million eight hundred sixty-six thousand nine hundred twenty-three dollars
7 (\$2,866,923) for the State-level operations and administration of NCVPS for the 2011-2012
8 fiscal year. The allotment reduction for State-level operations and administration shall continue
9 in future fiscal years and be adjusted annually based upon the percentage growth in NCVPS
10 enrollment, ensuring the expansion of services due to increased virtual student enrollment.

11 **"SECTION 7.22.(j)** For fiscal year 2011-2012, the State Board of Education shall reduce
12 each local school administrative unit's or charter school's classroom teacher allotment, or other
13 allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12
14 to provide the sum of two million dollars (\$2,000,000) in order to create an NCVPS enrollment
15 reserve. The NCVPS enrollment reserve shall be used to cover the NCVPS instructional costs
16 of local school administrative units or charter schools with enrollments exceeding projected
17 NCVPS enrollment.

18 Beginning in fiscal year 2012-2013, and annually thereafter, the State Board of Education
19 shall reduce each local school administrative unit's or charter school's classroom teacher
20 allotment, or other allotment, as determined by the State Board of Education, on the basis of
21 ADM in grades 6-12 an amount that is the difference between two million dollars (\$2,000,000)
22 and the balance of the NCVPS enrollment reserve.

23 Amounts available in the NCVPS enrollment reserve shall not revert.

24 ~~**"SECTION 7.22.(k)** The State Board shall use only funds provided through the North
25 Carolina Virtual Public Schools Allotment Formula and the NCVPS enrollment reserve as set
26 forth in this section to fund instructional costs of NCVPS.~~

27 **"SECTION 7.22.(l)** G.S. 66-58(c) is amended by adding a new subdivision to read:

28 "(c) The provisions of subsection (a) shall not prohibit:

29 ...

30 (20) The sale by the State Board of Education of NCVPS courses to home
31 schools, private schools, and out-of-state educational entities."

32 **RESTORE NORTH CAROLINA TEACHING FELLOWS COMMISSION**

33 **SECTION 7.6.** Effective July 1, 2012, Section 1.38 of Session Law 2011-266 is
34 repealed.
35

36 **TEACHING FELLOWS ADMINISTRATIVE EXPENDITURES**

37 **SECTION 7.7.** G.S. 115C-363.23A(f) reads as rewritten:

38 "(f) All funds appropriated to or otherwise received by the Teaching Fellows Program
39 for scholarships, all funds received as repayment of scholarship loans, and all interest earned on
40 these funds, shall be placed in a revolving fund. This revolving fund shall be used for
41 scholarship loans granted under the Teaching Fellows Program. With the prior approval of the
42 General Assembly in the Current Operations Appropriations Act, the revolving fund may also
43 be used for campus and summer program support, and costs related to disbursement of awards
44 and collection of loan repayments.
45

46 The Public School Forum, as administrator for the Teaching Fellows Program, may use up
47 to ~~six hundred thousand dollars (\$600,000)~~ eight hundred ten thousand dollars (\$810,000)
48 annually from the fund balance for costs associated with administration of the Teaching
49 Fellows Program."
50

51 **RESIDENTIAL SCHOOLS**

1 **SECTION 7.8.(a)** Notwithstanding G.S. 146-30, the Department of Public
2 Instruction shall retain all proceeds generated from the rental of building space on the Governor
3 Morehead School campus.

4 **SECTION 7.8.(b)** The Department of Public Instruction shall use all receipts
5 generated from these leases for the purpose of staffing and operating the North Carolina School
6 for the Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead
7 School. Receipts from this source shall not be used to support administrative functions within
8 the Department.

10 **TEACHER SALARY PAYMENTS**

11 **SECTION 7.9.(a)** Section 5 of Session Law 2011-379 is repealed.

12 **SECTION 7.9.(b)** This section becomes effective June 30, 2012.

14 **FUNDS FOR CHILDREN WITH DISABILITIES**

15 **SECTION 7.10.** The State Board of Education shall allocate additional funds for
16 children with disabilities on the basis of three thousand seven hundred nine dollars (\$3,709) per
17 child. Each local school administrative unit shall receive funds for the lesser of (i) all children
18 who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of
19 the 2012-2013 allocated average daily membership in the local school administrative unit. The
20 dollar amounts allocated under this section for children with disabilities shall also adjust in
21 accordance with legislative salary increments, retirement rate adjustments, and health benefit
22 adjustments for personnel who serve children with disabilities.

24 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

25 **SECTION 7.11.** The State Board of Education shall allocate additional funds for
26 academically or intellectually gifted children on the basis of one thousand two hundred
27 twenty-three dollars and ninety-nine cents (\$1,223.99) per child. A local school administrative
28 unit shall receive funds for a maximum of four percent (4%) of its 2012-2013 allocated average
29 daily membership, regardless of the number of children identified as academically or
30 intellectually gifted in the unit. The dollar amounts allocated under this section for
31 academically or intellectually gifted children shall also adjust in accordance with legislative
32 salary increments, retirement rate adjustments, and health benefit adjustments for personnel
33 who serve academically or intellectually gifted children.

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

36 **SECTION 7.12.(a)** Funds appropriated for the Uniform Education Reporting
37 System shall not revert at the end of the 2011-2012 fiscal year.

38 **SECTION 7.12.(b)** This section becomes effective June 30, 2012.

40 **SCHOOL CAPITAL SUPPORT**

41 **SECTION 7.13.** G.S. 115C-546.2 reads as rewritten:

42 **"§ 115C-546.2. Allocations from the Fund; uses; expenditures; reversion to General**
43 **Fund; matching requirements.**

44 (a) ~~Of the~~ The monies credited to the Fund by the Secretary of Revenue pursuant to
45 ~~G.S. 115C-546.1(b), the State Board of Education may allocate up to one million dollars~~
46 ~~(\$1,000,000) each year to the Department of Public Instruction. These funds shall be used by~~
47 ~~the Plant Operation Section of the School Support Division to assist each local school~~
48 ~~administrative unit with effective energy and environmental management, effective water~~
49 ~~management, hazardous material management, clean air quality, and engineering support for~~
50 ~~safe, effective environmental practices. The remainder of the monies in the Fund~~
51 G.S. 115C-546.1(b) shall be allocated to the counties on a per average daily membership basis

1 according to the average daily membership for the budget year as determined and certified by
2 the State Board of Education. Interest earned on funds allocated to each county shall be
3 allocated to that county.

4 The Department of Public Instruction shall report to the Joint Legislative Education
5 Oversight Committee by April 15 of each year on the effectiveness of the program in
6 accomplishing its purpose and on any other information requested by the Committee.

7 (b) Counties shall use monies in the Fund for capital outlay projects including the
8 planning, construction, reconstruction, enlargement, improvement, repair, or renovation of
9 public school buildings and for the purchase of land for public school buildings; for equipment
10 to implement a local school technology plan that is approved pursuant to G.S. 115C-102.6C; or
11 for both. Monies used to implement a local school technology plan shall be transferred to the
12 State School Technology Fund and allocated by that Fund to the local school administrative
13 unit for equipment.

14 As used in this section, "public school buildings" only includes facilities for individual
15 schools that are used for instructional and related purposes and does not include centralized
16 administration, maintenance, or other facilities.

17 In the event a county finds that it does not need all or part of the funds allocated to it for
18 capital outlay projects including the planning, construction, reconstruction, enlargement,
19 improvement, repair, or renovation of public school buildings, for the purchase of land for
20 public school buildings, or for equipment to implement a local school technology plan, the
21 unneeded funds allocated to that county may be used to retire any indebtedness incurred by the
22 county for public school facilities.

23 In the event a county finds that its public school building needs and its school technology
24 needs can be met in a more timely fashion through the allocation of financial resources
25 previously allocated for purposes other than school building needs or school technology needs
26 and not restricted for use in meeting public school building needs or school technology needs,
27 the county commissioners may, with the concurrence of the affected local Board of Education,
28 use those financial resources to meet school building needs and school technology needs and
29 may allocate the funds it receives under this Article for purposes other than school building
30 needs or school technology needs to the extent that financial resources were redirected from
31 such purposes. The concurrence described herein shall be secured in advance of the allocation
32 of the previously unrestricted financial resources and shall be on a form prescribed by the Local
33 Government Commission.

34 (c) Monies in the Fund allocated for capital projects shall be matched on the basis of
35 one dollar of local funds for every three dollars of State funds. Monies in the Fund transferred
36 to the State Technology Fund do not require a local match.

37 Revenue received from local sales and use taxes that is restricted for public school capital
38 outlay purposes pursuant to G.S. 105-502 or G.S. 105-487 may be used to meet the local
39 matching requirement. Funds expended by a county after July 1, 1986, for land acquisition,
40 engineering fees, architectural fees, or other directly related costs for a public school building
41 capital project that was not completed prior to July 1, 1987, may be used to meet the local
42 match requirement.

43 ~~Monies~~ Of the monies transferred into the Fund in accordance with Chapter 18C of
44 the General ~~Statutes~~-Statutes, the State Board of Education may allocate up to one million five
45 hundred thousand dollars (\$1,500,000) to the Department of Public Instruction. These funds
46 shall be used by the Plant Operation and School Planning Sections of the School Support
47 Division to assist each local school administrative unit with effective energy and environmental
48 management, effective water management, hazardous material management, clean air quality,
49 engineering support for safe, effective environmental practices, evaluation of facility needs,
50 construction site analysis, planning and design technical assistance, and authorization of State

1 funding for school construction. The remainder shall be allocated for capital projects for school
2 construction projects as follows:

- 3 (1) A sum equal to sixty-five percent (65%) of those monies transferred in
4 accordance with G.S. 18C-164 shall be allocated on a per average daily
5 membership basis according to the average daily membership for the budget
6 year as determined and certified by the State Board of Education.
- 7 (2) A sum equal to thirty-five percent (35%) of those monies transferred in
8 accordance with G.S. 18C-164 shall be allocated to those local school
9 administrative units located in whole or part in counties in which the
10 effective county tax rate as a percentage of the State average effective tax
11 rate is greater than one hundred percent (100%), with the following
12 definitions applying to this subdivision:
- 13 a. "Effective county tax rate" means the actual county rate for the
14 previous fiscal year, including any countywide supplemental taxes
15 levied for the benefit of public schools, multiplied by a three-year
16 weighted average of the most recent annual sales assessment ratio
17 studies.
- 18 b. "State average effective tax rate" means the average effective county
19 tax rates for all counties.
- 20 c. "Sales assessment ratio studies" means sales assessment ratio studies
21 performed by the Department of Revenue under G.S. 105-289(h).
- 22 (3) No county shall have to provide matching funds required under subsection
23 (c) of this section.
- 24 (4) A county may use monies in this Fund to pay for school construction
25 projects in local school administrative units and to retire indebtedness
26 incurred for school construction projects.
- 27 (5) A county may not use monies in this Fund to pay for school technology
28 needs."
29

30 LOCAL PLANS

31 **SECTION 7.14.** G.S. 115C-150.7(d) reads as rewritten:

32 "(d) ~~A plan shall remain in effect for no more than three years; The local board of~~
33 education shall review the plan at least every three years; however, the local board may amend
34 the plan as often as it considers necessary or appropriate. Any changes to a plan shall be
35 submitted to the State Board of Education for its review and comments. The local board shall
36 consider the State Board's comments before it implements the changes."
37

38 COOPERATIVE INNOVATIVE HIGH SCHOOL REPORTING

39 **SECTION 7.15.(a)** Section 7.19(d) of Session Law 2007-323 is repealed.

40 **SECTION 7.15.(b)** Section 7.21 of Session Law 2007-323 is repealed.

41 **SECTION 7.15.(c)** G.S. 115C-238.55 reads as rewritten:

42 **"§ 115C-238.55. Evaluation of programs.**

43 The State Board of Education and the governing Boards shall evaluate the success of
44 students in programs approved under this Part. Success shall be measured by high school
45 retention rates, high school completion rates, high school dropout rates, certification and
46 associate degree completion, admission to four-year institutions, postgraduation employment in
47 career or study-related fields, and employer satisfaction of employees who participated in and
48 graduated from the programs. It shall also include (i) an accounting of how funds and personnel
49 resources were utilized and their impact on student achievement, retention, and employability;
50 and (ii) recommendations for improvement of the program. The Boards shall jointly report by

1 January 15 of each year to the Joint Legislative Education Oversight Committee on the
2 evaluation of these programs."
3

4 **REPEAL OBSOLETE REPORTS**

5 **SECTION 7.16.(a)** G.S. 115C-276(t) is repealed.

6 **SECTION 7.16.(b)** Section 7.5(c) and Section 7.5(g) of Session Law 2010-31 are
7 repealed.

8 **SECTION 7.16.(c)** Section 7.19(c) of Session Law 2010-31 is repealed.

9 **SECTION 7.16.(d)** G.S. 115C-12(26) is repealed.
10

11 **DIGITAL RESOURCES FOR K-12**

12 **SECTION 7.17.(a)** The State Board of Education shall develop a plan to
13 implement the recommendations of Digital Education Resources for K-12 Education Report
14 developed by the eLearning Commission and reported to the State Board of Education in
15 January 2012. The report includes North Carolina transitioning to digital resources as the
16 primary form of educational materials, in place of traditional textbooks and printed
17 supplemental materials, in K-12 schools no later than June 30, 2016.

18 **SECTION 7.17.(b)** The plan shall include:

- 19 (1) Strategies for the Local Education Agencies (LEAs) to transition funding
20 and resources from traditional textbooks to digital media;
- 21 (2) A priority for curriculum and materials for the national Common Core State
22 Standards for mathematics and English language arts that have been adopted
23 by North Carolina, 45 other states, and the District of Columbia;
- 24 (3) A time line for adopting and purchasing mathematics and English language
25 arts textbooks that aligns with the time line for the adoption of the Common
26 Core State Standards and assessments, since there is a national effort
27 underway to develop high-quality digital resources aligned with the
28 Common Core State Standards that will replace traditional textbooks;
- 29 (4) Participation in multistate consortia to develop high-quality, open education
30 digital resources aligned with the Common Core State Standards for
31 efficiency in budget and quality of resources;
- 32 (5) Guidelines and policies for technology requirements for K-12 digital
33 education resources, including:
 - 34 a. Minimal specifications for the devices to be used by students to
35 access digital resources.
 - 36 b. Cost-effective collaborative purchasing of devices for students that
37 support the use of digital resources, building upon the work of the
38 NC K-12 Cloud Computing Collaborative Purchasing working
39 group.
 - 40 c. A State-level process for the review and approval of digital education
41 resources to ensure that high-quality resources are used in North
42 Carolina schools.
- 43 (6) Support for the development, by North Carolina colleges, schools, and
44 organizations, of open education digital resources to meet specific North
45 Carolina needs; and
- 46 (7) Development of a plan to prepare teachers to make effective use of digital
47 resources and devices to support teaching and learning.

48 **SECTION 7.17.(c)** The plan shall be submitted to the Joint Education Oversight
49 Committee and the Office of the Governor by March 15, 2013.
50

51 **ADOPTION OF COMMON CORE STATE STANDARDS**

1 **SECTION 7.18.** North Carolina, along with 45 other states and the District of
2 Columbia, has voluntarily committed to adopting the K-12 Common Core State Standards to
3 help ensure that high school students graduate prepared to succeed in college and in a modern
4 workforce. These standards and the supporting assessments ensure that North Carolina is using
5 national standards to measure our students' progress. The State Board of Education has
6 adopted the Mathematics and English Language Arts standards and shall continue to adopt the
7 other curriculum area national standards developed in collaboration with the other states as they
8 become available.

9 10 **INVESTING IN INNOVATION GRANT**

11 **SECTION 7.19.(a)** The federal Investing in Innovation Fund Grant: Validating
12 Early College Strategies for Traditional Comprehensive High Schools awarded to the North
13 Carolina New Schools Project for 2012-2017, requires students to enroll in a community
14 college course in the tenth grade. Notwithstanding any other provision of law, specified local
15 school administrative units may offer one community college course to participating
16 sophomore (tenth grade) students. Participating local school administrative units are
17 Alleghany, Beaufort, Hertford, Jones, Madison, Richmond, Rutherford, Sampson, Surry,
18 Wilkes, and Yancey County Schools.

19 **SECTION 7.19.(b)** Grant funds shall be used to pay for all costs incurred by the
20 local school administrative units and the community college partners to implement the grant,
21 including community college FTE. Community colleges shall not earn budget FTE for student
22 course enrollments supported with this grant.

23 **SECTION 7.19.(c)** Research for the project shall address the effects of Early
24 College strategies in preparing students for Career and College Promise. The North Carolina
25 New Schools Project shall report on the implementation of the grant to the State Board of
26 Education, State Board of Community Colleges, Office of the Governor, and the Joint
27 Legislative Education Oversight Committee no later than March 15, 2013, and annually
28 thereafter until the end of the grant period.

29 30 **PART VIII. COMMUNITY COLLEGES**

31 32 **REPORT ON CURRENT AND FUTURE EFFORTS REGARDING** 33 **DEVELOPMENTAL EDUCATION**

34 **SECTION 8.1.(a)** The North Carolina Community College System shall report, no
35 later than March 1, 2013, to the Joint Legislative Education Oversight Committee, the Fiscal
36 Research Division, and the Office of State Budget and Management on its developmental
37 education offerings. This report shall include, but is not limited to, developmental math and
38 science courses, Basic Skills Plus, and other remedial coursework.

39 **SECTION 8.1.(b)** This report shall include the following:

- 40 (1) Number of students enrolled in developmental education for the last four
41 years (beginning with fiscal year 2008-2009).
- 42 (2) The costs of developmental education, in total and by program.
- 43 (3) The types, number, and costs of diagnostic assessments taken by students
44 prior to being placed in a developmental course.
- 45 (4) The impact of developmental education on a student's success in subsequent
46 educational pursuits, including the time taken to earn an associate degree.
- 47 (5) Cooperative efforts with high schools and the Department of Public
48 Instruction to identify or reduce a student's need for developmental
49 education prior to earning a high school diploma.
- 50 (6) Recent changes and proposed reforms to developmental education in the
51 North Carolina Community College System.

REPEAL OBSOLETE REPORTS

SECTION 8.2.(a) G.S. 116D-3(c) is repealed.

SECTION 8.2.(b) Section 9.11(e) of S.L. 1999-237 is repealed.

SECTION 8.2.(c) Section 5 of S.L. 2005-198, as amended by Section 35 of S.L. 2007-484, reads as rewritten:

"SECTION 5. This act is effective when it becomes law. Section 1 of this act applies to provisional teaching certificates issued on or after that date. ~~Sections 2, 3, and 4 of this act expire July 1, 2011.~~ Section 4 of this act expires July 1, 2011."

FINANCIAL AID PROGRAM ADMINISTRATIVE COSTS

SECTION 8.3. G.S. 115D-40.1(c) reads as rewritten:

"(c) Administration of Program. – The State Board shall adopt rules and policies for the disbursement of the financial assistance provided in subsections (a) and (b) of this section. Degree, diploma, and certificate students must complete a Free Application for Federal Student Aid (FAFSA) to be eligible for financial assistance. The State Board may contract with the State Education Assistance Authority for administration of these financial assistance funds. These funds shall not revert at the end of each fiscal year but shall remain available until expended for need-based financial assistance. The interest earned on the funds provided in subsections (a) and (b) of this section may be used to support the costs of administering the Community College Grant Program. If these interest earnings are not adequate to support the administrative costs, up to one percent (1%) of funds provided in subsection (a) of this section may be used to support the costs of administering the Community College Grant Program."

PART IX. UNIVERSITIES**RESIDENT TUITION FOR MILITARY VETERANS AND THEIR DEPENDENTS**

SECTION 9.1. G.S. 116-143.3 is amended by adding a new subsection to read:

"(c1) Military veterans honorably discharged on or after July 1, 2011, shall be considered in-State residents for tuition purposes, provided they were last assigned to a permanent duty station in North Carolina. Any dependent relative of an eligible veteran shall also be considered a resident for tuition purposes. To continue being classified a North Carolina resident, a participating veteran or dependent relative must provide proof of establishing residency in North Carolina within 12 months of initial enrollment."

NORTH CAROLINA TEACHER INSTITUTE ON TEACHER TRAINING AND PROFESSIONAL DEVELOPMENT

SECTION 9.2.(a) The North Carolina Teacher Institute on Teacher Training and Professional Development Institute is created at the Friday Institute for Education Innovation at North Carolina State University. The purpose of the Institute is to establish a statewide network of online and in-person, high-quality, comprehensive professional development for teachers so they will have the knowledge and skills necessary to use 21st century tools and resources to teach 21st century content skills. This network shall ensure that teachers are integrally involved in the development and delivery of professional development.

SECTION 9.2.(b) The Institute shall be advised by the North Carolina Teacher Institute Advisory Council. The Governor shall appoint the members of the Council. The Council will be established as follows:

- (1) The Council shall be composed of up to 25 members appointed by the Governor. Members shall be active classroom teachers serving in a North Carolina public school. Members should represent diverse demographic and geographic regions of the State, grade levels, and subject areas.

- 1 (2) The Governor's Teacher Advisor, or his or her designee, shall serve as the
2 chair of the Council. The Council shall select a vice-chair from its
3 membership.
4 (3) The Council shall include the North Carolina Teacher of the Year as a voting
5 member. The Teacher of the Year will serve as a liaison between the Council
6 and the State Board of Education.
7 (4) The Executive Director of the Friday Institute and the Dean of the NC State
8 University College of Education shall also serve as members of the Council.
9 (5) The Council also may include as voting members the president or designee
10 of State affiliates to the following national teacher organizations: the North
11 Carolina Association of Educators and the American Federation of
12 Teachers–North Carolina.
13 (6) The State Superintendent of Education, or his or her designee, will serve on
14 the Council.
15 (7) Council members shall serve terms of two years and may be reappointed to
16 successive terms. Council members serve at the pleasure of the Governor.

17 **SECTION 9.2.(c)** The Chief Administrative Officer of the Institute shall be
18 appointed by the Executive Director of the Friday Institute in consultation with the North
19 Carolina Teacher Institute Advisory Council and the Governor.

20 **SECTION 9.2.(d)** The Institute shall develop an implementation plan for blended
21 (online and in-person) professional development that includes, but is not limited to, the
22 following:

- 23 (1) Ensures fiscal efficiency, local implementation, and sustainability at the
24 local level, including:
25 a. Conduct needs assessments to ensure that professional development
26 programs directly address local education agency (LEA), school, and
27 teacher needs;
28 b. Build resources centrally, build human capacity throughout the State,
29 and implement professional development locally and regionally;
30 c. Take full advantage of economies of scale, by effective and efficient
31 centralization of services, while planning to support local, regional,
32 and central capacity building for sustainability;
33 d. Consider the needs of different types of districts, ranging from large
34 urban to small rural, as well as other types of multidistrict
35 collaborations;
36 e. Develop models of professional development based on researched
37 best practices that have shown to be effective, include resources to
38 test new and emerging approaches, with evaluations of their
39 effectiveness;
40 f. Leverage the expertise, resources, and connections to a multistate
41 collaborative available through the eLearning for Educators
42 Collaborative, the Southern Regional Education Board, and other
43 networks; and
44 g. Leverage the expertise and resources of the multiple groups within
45 North Carolina that already provide professional development in
46 Science, Technology, Engineering, and Mathematics (STEM) areas.
47 (2) Utilizes the resources developed by the State investments made by the NC
48 Teacher Academy, including:
49 a. Staff development programs and resources in continuous school
50 improvement, mathematics and elementary science curriculum,

- 1 differentiated instruction and learning, instructional technology, and
2 literacy;
- 3 b. Cadres or networks of professionally staff development trainers
4 located strategically across the State in the eight education regions;
5 and
- 6 c. Academies for school-level teams that provide customized
7 professional development based on the instructional needs of the
8 school.
- 9 (3) Develops Online Professional Development (OPD) resources, including:
- 10 a. Design in modular, modifiable forms, consistent with technical and
11 design standards, so materials can be adapted for other purposes;
- 12 b. Coordinate with Colleges of Education (CEDs) so that the OPD
13 resources are used there also, and that resources from the CEDs are
14 adapted for professional development in the LEAs;
- 15 c. Use the pedagogy and the tools participants need to learn as part of
16 the online experience;
- 17 d. Provide for use of mobile devices, tablets, and other technologies to
18 provide increased access and flexibility for participants;
- 19 e. Consider different types of online interactions including cohort-based
20 facilitated workshops to engage educators in learning content and
21 teaching strategies and on-demand professional development
22 accessible by individuals as needed to support day-to-day teaching
23 and learning; and
- 24 f. Design online resources so they can be easily updated, revised,
25 repurposed, and moved to different emerging technologies.

26 **SECTION 9.2.(e)** Reporting Requirements. – The Friday Institute shall report on
27 its plan to the State Board of Education, the Joint Legislative Education Oversight Committee,
28 and the Office of the Governor by March 15, 2013.

29
30 **CHANGE REPORT DATE ON PROGRESS OF NORTH CAROLINA GRADUATES**
31 **ENTERING PRIMARY CARE CENTERS**

32 **SECTION 9.3.** G.S. 143-613(d) reads as rewritten:

33 "(d) The progress of the private and State-operated medical schools and State-operated
34 health professional schools towards increasing the number and proportion of graduates entering
35 primary care shall be monitored annually by the Board of Governors of The University of
36 North Carolina. Monitoring data shall include (i) the entry of State-supported graduates into
37 primary care residencies and clinical training programs, and (ii) the specialty practices by a
38 physician and each midlevel provider who were State-supported graduates as of a date five
39 years after graduation. The Board of Governors shall certify data on graduates, their residencies
40 and clinical training programs, and subsequent careers by ~~October 1~~ November 15 of each
41 calendar year, ~~beginning in October of 1995, year~~ to the Fiscal Research Division of the
42 Legislative Services ~~Office~~ Office, to the Office of State Budget and Management, and to the
43 Joint Legislative Education Oversight Committee."

44
45 **PERMANENT TRANSFER OF FUNDING FOR MILITARY ONE-STOP & BRAC**
46 **OUTREACH**

47 **SECTION 9.4.** The Military One-Stop & BRAC Outreach program is transferred
48 from Fayetteville State University to the University of North Carolina General Administration
49 by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer. The
50 program transfer shall include the sum of two hundred fifty-one thousand five hundred dollars
51 (\$251,500).

CENTER FOR DESIGN INNOVATION DIGITAL TECHNOLOGIES PILOT

SECTION 9.5.(a) The Center for Design Innovation shall use funds appropriated in this act to establish a pilot program in digital technologies, in cooperation with the UNC School of the Arts, Winston-Salem State University, Forsyth Technical Community College, and high schools located in Forsyth County. Once this course of study has been developed, it shall be submitted for consideration as a career pathway in Career and College Promise.

SECTION 9.5.(b) The University of North Carolina shall report on this pilot no later than March 1, 2017, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management. This report shall include:

- (1) The number of students enrolled in the program, by year admitted.
- (2) The completion rate of enrolled students.
- (3) The placement of graduating students in industries and companies that utilize technologies taught in this program.
- (4) The satisfaction of employers with the performance of graduates of this program.

THE UNIVERSITY OF NORTH CAROLINA PERFORMANCE ACCOUNTABILITY FUNDING

SECTION 9.6.(a) The University of North Carolina Board of Governors shall design and implement a Performance Accountability Funding program. For the purpose of distributing funds, the Board shall consider statistically valid measures of retention, graduation, efficiency, and financial data and shall set performance targets for each UNC institution. Performance funding criteria shall be adopted prior to the release of funds appropriated in this act.

SECTION 9.6.(b) The University shall report annually, beginning January 1, 2013, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management on its Performance Accountability Funding program. This report shall include the following:

- (1) A description of the performance measures used for funding allocation.
- (2) The performance measure target for each institution.
- (3) Data on each measure for each UNC institution.
- (4) The amount of performance funding awarded to each UNC institution.
- (5) Historical performance data and funding amounts for the previous three years, as available.
- (6) The use of funds allocated for performance accountability.

SECTION 9.6.(c) The UNC Board of Governors and each institution shall prominently display their performance targets and level of attainment on their public Web sites and in all future funding requests made to the General Assembly and the Governor.

ESTABLISH UNC RESEARCH COMMERCIALIZATION FUND

SECTION 9.7.(a) There shall be appropriated two million dollars (\$2,000,000) to The University of North Carolina General Administration to establish a UNC Research Commercialization Fund. Monies in the Fund shall be awarded on a competitive basis and used to support activities that accelerate the development and launch of commercial products derived from university research. Specific activities that may be funded include:

- (1) Investing in market assessment services to more accurately determine whether a product will be successful.
- (2) Supporting proof of concept activities, including the development of prototypes.

1 (3) Covering relevant operational costs, including patent fees or faculty release
2 time.

3 (4) Enhancing work currently being done with the Blackstone Entrepreneurs
4 Network.

5 **SECTION 9.7.(b)** The University of North Carolina General Administration shall
6 monitor and report the technology transfer activities resulting from investments made from the
7 UNC Research Commercialization Fund. This report shall be made annually by December 1 of
8 each year to the Joint Legislative Education Oversight Committee and to the Office of State
9 Budget and Management and shall discuss expenditures from the Fund. Components of the
10 report shall include:

11 (1) A detailed accounting of the expenditure of funds and specific services
12 provided.

13 (2) Measures of impact to the State's economy in the creation of jobs,
14 intellectual property, infrastructure investment, and start-up companies.

15 (3) The specific research and development projects funded at UNC.

16 (4) Other measures directly related to enhancing North Carolina's economy.

17 **SECTION 9.7.(c)** In addition to the report required in subsection (b) of this
18 section, The University of North Carolina General Administration shall submit, by December
19 1, 2012, a comprehensive report of all technology transfer activities across the UNC System,
20 including such activities as spin-off companies created, patents received for research inventions
21 and innovations, products developed, and other agreements to share research between The
22 University of North Carolina and its partners.

23 24 **LOWER COST OF INDEBTEDNESS ON CAPITAL PROJECTS**

25 **SECTION 9.8.** Article 3 of Chapter 116D of the General Statutes is amended to
26 add a new section to read:

27 **"§ 116D-32. Timely payment of special obligation bonds.**

28 (a) This section applies to the special obligation bonds issued by the Board where (i) in
29 the bond resolution or trust agreement authorizing or securing such bonds and at the time of
30 issuance of the bonds, the Board has expressly and irrevocably elected to have the provisions of
31 this section apply and (ii) the debt service schedule for such bonds has been received by the
32 Director of the Budget. This section does not apply to bonds for which no such election is made
33 or any other obligations of the Board or the institutions.

34 (b) Whenever the paying agent for the bonds has not received payment of principal of
35 or interest on bonds to which this section applies on the business day immediately before the
36 date on which such payment is due, the paying agent shall notify the Director of the Budget and
37 the Board, by telephone, facsimile, or other similar communication, followed by written
38 verification, of such payment status. The Director of the Budget shall immediately contact the
39 Board and determine whether the Board will make the payment by the date on which it is due.

40 (c) If the Board indicates that the institution will not make the payment by the date on
41 which it was due, the Director of the Budget shall forward the amount in immediately available
42 funds necessary to make the payment of principal of or interest on the bonds to the paying
43 agent and shall withhold such amount, in the following order of priority, from:

44 (1) The next succeeding appropriations payment designated for the continuing
45 operation of the institution or institutions for whose benefit the Board issued
46 the bonds pursuant to an appropriation under G.S. 116-11(9)b., which
47 appropriation was based upon a budget recommendation described in
48 G.S. 116-11(9)a.(i);

49 (2) The next succeeding appropriations payment allocated by the Board to the
50 institution or institutions for whose benefit the Board issued the bonds
51 pursuant to an appropriation to the Board under G.S. 116-11(9)b., which

1 appropriation was based upon a budget recommendation described in
2 G.S. 116-11(9)a.(ii); and

3 (3) The next succeeding appropriations payment of any other amounts
4 appropriated to the Board and payable to or otherwise designated for the
5 continuing operation of all institutions equally.

6 If the amount of all such next succeeding appropriations payments in subdivisions (1) through
7 (3) of this subsection is insufficient to pay the amount necessary, the Director of the Budget
8 shall withhold amounts from each succeeding appropriations payments in the order set forth in
9 this subsection, including payments to be made in succeeding fiscal years, but not to include
10 more than 12 months of payments, until the total payment of principal and interest has been
11 withheld.

12 (d) The amounts forwarded to the paying agent by the Director of the Budget shall be
13 applied by the paying agent solely to the payment of the principal of and interest on the bonds
14 of the Board for which the amounts were forwarded. The Director of the Budget shall notify the
15 Board and the chief financial officer or officers of the institution or institutions whose
16 appropriations have been withheld and payments made pursuant to this section.

17 (e) The Board shall, for bonds to which this section applies, file with the Director of the
18 Budget a notice that sets forth the name and amount of the bonds, the institution for whose
19 benefit the Board issued the bonds, the scheduled debt service for the bonds, and the name,
20 address, and telephone number of the paying agent for the bonds. The Board shall provide to
21 the Director of the Budget such additional information and documentation as the Director of the
22 Budget may request from time to time regarding such bonds. The failure of the Board to file
23 such notice and information shall not affect the obligation of the Director of the Budget to pay
24 the appropriation payments as set forth in subsection (c) of this section.

25 (f) The State hereby covenants with the purchasers and beneficial owners of bonds
26 issued by the Board that it will not repeal, revoke, or rescind the provisions of this section or
27 modify or amend the same so as to limit or impair the rights and remedies granted by this
28 section for so long as the bonds covered by this section are outstanding; but nothing in this
29 subsection shall be deemed or construed to require the State to continue the payment of State
30 appropriations to the Board or any institution or to limit or prohibit the State from repealing,
31 amending, or modifying any law relating to the amount of State appropriations to the Board or
32 any institution or the manner of payment or timing thereof. Nothing in this section shall be
33 deemed or construed to create a debt of the State with respect to such bonds within the meaning
34 of any State constitutional provision or to create any liability except to the extent provided in
35 this section.

36 (g) Whenever the Director of the Budget is required by this section to make a payment
37 of principal of or interest on bonds on behalf of the Board, the Director of the Budget, or the
38 Director's designee, shall initiate a review of the institution or institutions for whose benefit
39 such bonds were issued to determine the reason for the nonpayment and to assist the Board and
40 such institution or institutions, if necessary, in developing and implementing measures to assure
41 that future payments will be made when due.

42 (h) To the extent permitted by the bond resolution or trust agreement to which this
43 section applies, whenever the Director of the Budget is required by this section to make a
44 payment of principal of or interest on bonds on behalf of the Board from appropriations to the
45 Board and the institution or institutions and the debt service deficiency resulted because of a
46 failure to collect revenues, the Board may, upon collection of the delinquent revenues, transfer
47 such delinquent revenues later out of the revenue fund created under the bond resolution or
48 trust agreement to the constituent institution."

49
50 **REPEAL OBSOLETE REPORTS**

51 **SECTION 9.9.(a)** G.S. 116-11(10a) is repealed.

1 **SECTION 9.9.(b)** G.S. 116-11(12a) is repealed.

2 **SECTION 9.9.(c)** Chapter 346 of the 1991 Session Laws is repealed.

3 **SECTION 9.9.(d)** G.S. 116D-3(a)(1) is repealed.

4 **SECTION 9.9.(e)** Section 13 of S.L. 2001-496 is repealed.

5
6 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

7
8 **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL**
9 **SERVICES**

10 **SECTION 10.1.** Section 10.6 of S.L. 2011-145 reads as rewritten:

11 "**SECTION 10.6** The Division of Child Development and Early Education of the
12 Department of Health and Human Services shall fund the allowance that county departments of
13 social services may use for administrative costs at ~~four percent (4%)~~ three percent (3%) of the
14 county's total child care subsidy funds allocated in the Child Care Development Fund Block
15 Grant plan."

16
17 **NC PREKINDERGARTEN PROGRAM**

18 **SECTION 10.2.(a)** The Division of Child Development and Early Education
19 (DCDEE) shall continue the implementation of the State prekindergarten program for
20 four-year-olds who are at risk for school failure in all counties. The State prekindergarten
21 program shall serve children who reach the age of four on or before August 31 of that school
22 year and who meet eligibility criteria that indicate a child's risk for school failure.
23 Prekindergarten classrooms shall be operated in public schools, Head Start programs, and
24 licensed child care facilities that choose to participate under procedures defined by DCDEE.
25 All such classrooms shall be subject to the supervision and standards of DCDEE.

26 **SECTION 10.2.(b)** The DCDEE shall specify program standards and requirements
27 addressing:

- 28 (1) Early learning standards and curricula;
- 29 (2) Teacher education and specialized training;
- 30 (3) Teacher in-service training and professional development;
- 31 (4) Maximum class size;
- 32 (5) Staff-child ratio;
- 33 (6) Screenings, referrals, and support services;
- 34 (7) Meals; and
- 35 (8) Monitoring of sites to demonstrate adherence to State programs standards.

36 **SECTION 10.2.(c)** The Division of Child Development and Early Education shall
37 submit an annual report no later than March 15 of each year to the Joint Legislative
38 Commission on Governmental Operations, the Joint Legislative Oversight Committee on
39 Health and Human Services, the Senate Appropriations Committee on Health and Human
40 Services, the House of Representatives Appropriations Subcommittee on Health and Human
41 Services, the Office of State Budget and Management, and the Fiscal Research Division. The
42 report shall include the following:

- 43 (1) The number of children participating in State prekindergarten.
- 44 (2) The number of children participating in State prekindergarten who have
45 never been served in other early education programs, such as child care,
46 public or private preschool, Head Start, Early Head Start, or early
47 intervention programs.
- 48 (3) The expected State prekindergarten expenditures for the programs and the
49 source of the local contributions.
- 50 (4) The results of an annual evaluation of the program.

1 **SECTION 10.2.(d)** The Division of Child Development and Early Education shall
2 establish income eligibility requirements for the program not to exceed seventy-five percent
3 (75%) of the State median income, with priority being given to this at-risk eligible population.
4 In addition, children with other identified risk factors may be served without regard to income.
5 Furthermore, any age-eligible child of (i) an active duty member of the Armed Forces of the
6 United States, including the North Carolina National Guard, State military forces, or a reserve
7 component of the Armed Forces, who is ordered to active duty by the proper authority within
8 the last 18 months or expected to be ordered within the next 18 months or (ii) a member of the
9 Armed Forces of the United States, including the North Carolina National Guard, State military
10 forces, or a reserve component of the Armed Forces, who was injured or killed while serving
11 on active duty shall be eligible for the program without regard to income.

12 **SECTION 10.2.(e)** The prekindergarten program funding shall not supplant any
13 funding for classrooms serving four-year-olds as of the 2005-2006 fiscal year. Support of
14 existing four-year-old classrooms with prekindergarten program funding shall be permitted
15 when current funding is eliminated, reduced, or redirected as required to meet other specified
16 federal or State mandates.

17 **SECTION 10.2.(f)** The Division of Child Development and Early Education shall
18 contract with an independent research organization not affiliated with the Department of Health
19 and Human Services, the Department of Public Instruction, or the Office of the Governor to
20 produce an annual report to include longitudinal review of the prekindergarten program and
21 academic, behavioral, and other child-specific outcomes. The review shall include a
22 quasi-experimental research design of a representative sample of children who complete the
23 prekindergarten program every other year and shall report on their sustained progress until the
24 end of grade six. The review shall also study a representative sample of children who do not
25 enter the prekindergarten program but who are of the same grade level and demographic as
26 those who complete the program, and their sustained progress shall also be reviewed until the
27 end of grade six. The review shall be presented to the Joint Legislative Oversight Committee on
28 Health and Human Services by January 31 of every year.

29 **SECTION 10.2.(g)** Pursuant to Session Law 2011-145, public school classrooms
30 had a one-year transition period to become licensed through DCDEE and continued to operate
31 NC Pre-K classrooms for the 2011-2012 school year. If meeting licensure standards for a
32 public school constitutes a significant barrier to access to the State prekindergarten program for
33 at-risk students, the public school may request a waiver of the licensure requirement from
34 DCDEE.

35 **SECTION 10.2.(h)** Section 10.7.(e) of Session Law 2011-145 is repealed.

36 **SECTION 10.2.(i)** Section 10.7.(f) of Session Law 2011-145 is repealed.

37 **SECTION 10.2.(j)** Section 10.7.(h) of Session Law 2011-145 is repealed.

38 39 **AIDS DRUG ASSISTANCE PROGRAM PILOT**

40 **SECTION 10.3.** The Department of Health and Human Services shall establish a
41 pilot with Inclusive Health, the State and federal Pre-existing Conditions Insurance Program
42 (PCIP) contract holder in North Carolina, to: (i) determine cost savings to the AIDS Drug
43 Assistance Program (ADAP) through the enrollment of ADAP clients in a PCIP; and (ii)
44 inform the Department of best practices to guide its efforts when transitioning clients to
45 Medicaid as they become eligible.

46 The Department shall establish policy for the pilot. The pilot may include up to
47 three HIV/AIDS care provider agencies serving the highest number of ADAP enrolled clients,
48 and the pilot shall not exceed ten percent (10%) of the total ADAP enrolled clients. The pilot is
49 effective January 1, 2013, through December 31, 2013. The Department shall obtain actuarial
50 services to ensure the cost neutrality of enrolling ADAP clients prior to the pilot start date. The
51 Department shall only enroll clients to the point where the pilot will be cost-neutral or cost

1 savings will be achieved. If cost neutrality or savings are not projected, the pilot shall not
 2 commence. No additional State funding is appropriated to support the pilot project and in
 3 implementing it, the Division of Public Health must manage the pilot population along with the
 4 ADAP clients to ensure program expenditures do not exceed appropriated funding.

5 The Department may contract with an outside vendor to evaluate the pilot, and
 6 report no later than April 1, 2014, to the Joint Legislative Oversight Committee on Health and
 7 Human Services on the results of the pilot. The report shall include:

- 8 (1) Number of ADAP enrolled clients participating in the pilot;
- 9 (2) Cost analysis for the pilot program (cost of clients receiving PCIP services
 10 compared to cost of these clients continuing to receive ADAP only services);
- 11 (3) Feedback from pilot participants;
- 12 (4) Best practices identified; and
- 13 (5) Improved health outcomes.

14
 15 **MEDICAID**

16 **SECTION 10.4.(a)** Section 10.31(d)(1)l. of S.L. 2011-145 reads as rewritten:

17 ~~"l. Medicare crossover claims. — The Department shall apply Medicaid~~
 18 ~~medical policy to Medicare claims for dually eligible recipients. The~~
 19 ~~Department shall pay an amount up to the actual coinsurance or~~
 20 ~~deductible or both, in accordance with the State Plan, as approved by~~
 21 ~~the Department of Health and Human Services. The Department may~~
 22 ~~disregard application of this policy in cases where application of the~~
 23 ~~policy would adversely affect patient care.~~

24 l. Medicare crossover claims. — The Division of Medical Assistance
 25 shall apply Medicaid medical policy to recipients who have primary
 26 insurance or Medicare and Medicare Advantage plans for dually
 27 eligible recipients.

- 28 1. For payment of Medicare crossover claims, the Division of
 29 Medical Assistance shall pay the Medicaid DRG payment
 30 less the amount paid by Medicare but not to exceed the sum
 31 of the Medicare cost-share.
- 32 2. For payment of private insurance claims, the Division shall
 33 pay Medicaid payment less the amount paid by primary payer
 34 not to exceed the sum of the cost-share.
- 35 3. Cost-share is defined as coinsurance, deductible, and co-pay.
- 36 4. Medicaid's payment shall be the lesser of Medicaid net
 37 allowable or the sum of the cost-share as defined in
 38 subdivision (3) of this subsection..
- 39 5. Medicaid net allowable is calculated by reducing the
 40 Medicaid allowed minus primary insurance cash payment
 41 minus patient medical liability.

42 **SECTION 10.4.(b)** Section 10.31(d)(1)n. of Session Law 2011-145 reads as
 43 rewritten:

- 44 "n. Mental health services. — Coverage is limited to children eligible for
 45 EPSDT services provided by:
- 46 1. Licensed or certified psychologists, licensed clinical social
 47 workers, licensed clinical social workers associates, certified
 48 clinical nurse specialists in psychiatric mental health
 49 advanced practice, nurse practitioners certified as clinical
 50 nurse specialists in psychiatric mental health advanced
 51 practice, licensed psychological associates, licensed

1 professional counselors, licensed professional counselor
 2 associates, licensed marriage and family therapists, licensed
 3 marriage and family therapy associates, licensed clinical
 4 addictions specialists, licensed clinical addictions specialist
 5 associates, and certified clinical supervisors, when
 6 Medicaid-eligible children are referred by the Community
 7 Care of North Carolina primary care physician, a
 8 Medicaid-enrolled psychiatrist, or the area mental health
 9 program or local management entity, and

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

16 **SECTION 10.4.(c)** Section 10.31(d)(2) of S.L. 2011-145 is amended by adding a
 17 new sub-subdivision to read:

18 "x. Mobile health screenings and assessments. – In order to receive
 19 reimbursement by the NC Medical Assistance program, mobile
 20 providers of health screenings and assessments must:

- 21 1. Refer patients to an established provider of comprehensive
 22 care when follow-up care is required;
 23 2. Be linked to a Medicaid-enrolled primary care, dental, or
 24 other provider with a permanent and fixed location;
 25 3. Have electronic technology that enables the exchange of
 26 patient records with the provider of referral within 24 hours;
 27 and
 28 4. Have a service area that is limited to 100 miles in a rural
 29 setting and 50 miles in an urban setting from the primary
 30 provider to which they are linked."

31 32 **MEDICAID PROVIDER ASSESSMENTS**

33 **SECTION 10.4A.(a)** The Secretary of Health and Human Services may implement
 34 a Medicaid assessment program for any willing provider category allowed under federal
 35 regulations, except for hospital providers subject to the assessments authorized in S.L. 2011-11,
 36 up to the maximum percentage allowed by federal regulation. The Department may retain up to
 37 sixty-five percent (65%) of the amount from an assessment program implemented after
 38 December 31, 2010, that can be used by the Department to support Medicaid expenditures. Any
 39 assessment funds not retained by the Department shall be used to draw federal Medicaid
 40 matching funds for implementing increased rates or new reimbursement plans for each provider
 41 category being assessed.

42 Receipts from the assessment program are hereby appropriated for the 2011-2012
 43 fiscal year and the 2012-2013 fiscal year for the purposes set out in this section.

44 **SECTION 10.4A.(b)** G.S.108A-124 reads as rewritten:

45 "**§ 108A-124. Use of assessment proceeds.**

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

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

- 1 (1) ~~Transfer to the State Controller twenty five percent (25%) of the State's~~
2 ~~annual Medicaid payment amount.~~
- 3 (2) Pay to each hospital that has paid its equity assessment for the respective
4 quarter twenty-five percent (25%) of its Medicaid equity payment amount. A
5 hospital's Medicaid equity payment amount is the sum of the hospital's
6 Medicaid inpatient and outpatient deficits after calculating all other
7 Medicaid payments, excluding disproportionate share hospital payments and
8 the UPL payment remitted to the hospital under subdivision (3) of this
9 subsection.
- 10 (3) Pay to the primary affiliated teaching hospital for the East Carolina
11 University Brody School of Medicine, to the critical access hospitals, and to
12 each hospital that has paid its UPL assessment for the respective quarter
13 twenty-five percent (25%) of its UPL payment amount, as determined under
14 subsection (c) of this section.

15 (c) UPL Payment Amount. – The aggregate UPL payments made to eligible hospitals
16 that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL
17 payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for
18 these hospitals. UPL payments are payable to the individual hospitals in the ratio of each
19 hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.

20 (d) Refund of Assessment. – If all or any part of a payment required to be made under
21 this section is not made to one or more hospitals when due, the Secretary must promptly refund
22 to each such hospital the corresponding assessment proceeds collected in proportion to the
23 amount of assessment paid by that hospital."
24

25 **AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN**
26 **STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE**
27 **MEDICAID PROGRAM**

28 **SECTION 10.5.** Section 10.37(a) of S.L. 2011-145 reads as rewritten:

29 **"SECTION 10.37.(a)** The Department of Health and Human Services, Division of
30 Medical Assistance, may take the following actions, notwithstanding any other provision of this
31 act or other State law or rule to the contrary:

- 32 (1) In-Home Care provision. – In order to enhance in-home aide services to
33 Medicaid recipients, the Department of Health and Human Services,
34 Division of Medical Assistance, shall:
- 35 a. No longer provide services under PCS and PCS-Plus the later of
36 January 1, 2012, or whenever CMS approves the elimination of the
37 PCS and PCS-Plus programs and the implementation of the
38 following two new services:
- 39 1. In-Home Care for Children (IHCC). – Services to assist
40 families to meet the in-home care needs of children, including
41 those individuals under the age of 21 receiving
42 comprehensive and preventive child health services through
43 the Early and Periodic Screening, Diagnosis, and Treatment
44 (EPSDT) program.
- 45 2. In-Home Care for Adults (IHCA). – Services to meet the
46 eating, dressing, bathing, toileting, and mobility needs of
47 individuals 21 years of age or older who, because of a
48 medical condition, disability, or cognitive impairment,
49 demonstrate unmet needs for, at a minimum, (i) three of the
50 five qualifying activities of daily living (ADLs) with limited
51 hands-on assistance; (ii) two ADLs, one of which requires

- 1 extensive assistance; or (iii) two ADLs, one of which requires
2 assistance at the full dependence level. The five qualifying
3 ADLs are eating, dressing, bathing, toileting, and mobility.
4 IHCA shall serve individuals at the highest level of need for
5 in-home care who are able to remain safely in the home.
- 6 b. Establish, in accordance with G.S. 108A-54.2, a Medical Coverage
7 Policy for each of these programs, to include:
- 8 1. For IHCC, up to 60 hours per month in accordance with an
9 assessment conducted by DMA or its designee and a plan of
10 care developed by the service provider and approved by
11 DMA or its designee. Additional hours may be authorized
12 when the services are required to correct or ameliorate defects
13 and physical and mental illnesses and conditions in this age
14 group, as defined in 42 U.S.C. § 1396d(r)(5), in accordance
15 with a plan of care approved by DMA or its designee.
- 16 2. For IHCA, up to 80 hours per month in accordance with an
17 assessment conducted by DMA or its designee and a plan of
18 care developed by the service provider and approved by
19 DMA or its designee.
- 20 c. Implement the following program limitations and restrictions to
21 apply to both IHCC and IHCA:
- 22 1. Additional services to children required under federal EPSDT
23 requirements shall be provided to qualified recipients in the
24 IHCC Program.
- 25 2. Services shall be provided in a manner that supplements,
26 rather than supplants, family roles and responsibilities.
- 27 3. Services shall be authorized in amounts based on assessed
28 need of each recipient, taking into account care and services
29 provided by the family, other public and private agencies, and
30 other informal caregivers who may be available to assist the
31 family. All available resources shall be utilized fully, and
32 services provided by such agencies and individuals shall be
33 disclosed to the DMA assessor.
- 34 4. Services shall be directly related to the hands-on assistance
35 and related tasks to complete each qualifying ADL in
36 accordance with the IHCC or IHCA assessment and plan of
37 care, as applicable.
- 38 5. Services provided under IHCC and IHCA shall not include
39 household chores not directly related to the qualifying ADLs,
40 nonmedical transportation, financial management, and
41 non-hands-on assistance such as cueing, prompting, guiding,
42 coaching, or babysitting.
- 43 6. Essential errands that are critical to maintaining the health
44 and welfare of the recipient may be approved on a
45 case-by-case basis by the DMA assessor when there is no
46 family member, other individual, program, or service
47 available to meet this need. Approval, including the amount
48 of time required to perform this task, shall be documented on
49 the recipient's assessment form and plan of care.
- 50 d. Utilize the following process for admission to the IHCC and IHCA
51 programs:

1. The recipient shall be seen by his or her primary or attending physician, who shall provide written authorization for referral for the service and written attestation to the medical necessity for the service.
 2. All assessments for admission to IHCC and IHCA, 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 in-home or 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 recipient's degree of functional disability and level of unmet needs for hands-on personal assistance in the five qualifying ADLs.
- e. Take all appropriate actions to manage the cost, quality, program compliance, and utilization of services provided under the IHCC and IHCA programs, including, but not limited to:
1. Priority independent reassessment of recipients before the anniversary date of their initial admission or reassessment for those recipients likely to qualify for the restructured IHCC and IHCA programs.
 2. Priority independent reassessment of recipients requesting a change of service provider.
 3. Targeted reassessments of recipients prior to their anniversary dates when the current provider assessment indicates they may not qualify for the program or for the amount of services they are currently receiving.
 4. Targeted reassessment of recipients receiving services from providers with a history of program noncompliance.
 5. Provider desk and on-site reviews and recoupment of all identified overpayments or improper payments.
 6. Recipient reviews, interviews, and surveys.
 7. The use of mandated electronic transmission of referral forms, plans of care, and reporting forms.
 8. The use of mandated electronic transmission of uniform reporting forms for recipient complaints and critical incidents.
 9. The use of automated systems to monitor, evaluate, and profile provider performance against established performance indicators.
 10. Establishment of rules that implement the requirements of 42 C.F.R. § 441.16.
- f. Time line for implementation of new IHCC and IHCA programs.
- ~~1.~~ Subject to approvals from CMS, DMA shall make every effort to implement the new IHCC and IHCA programs by January 1, 2013.
 - 2.1. DMA shall ensure that individuals who qualify for the IHCC and IHCA programs shall not experience a lapse in service and, if necessary, shall be admitted on the basis of their current provider assessment when an independent reassessment has not yet been performed and the current

- 1 assessment documents that the medical necessity
2 requirements for the IHCC or IHCA program, as applicable,
3 have been met.
- 4 ~~3-2.~~ Prior to the implementation date of the new IHCC and IHCA
5 programs, all recipients in the PCS and PCS-Plus programs
6 shall be notified pursuant to 42 C.F.R. § 431.220(b) and
7 discharged, and the Department shall no longer provide
8 services under the PCS and PCS-Plus programs, which shall
9 terminate. Recipients who qualify for the new IHCC and
10 IHCA programs shall be admitted and shall be eligible to
11 receive services immediately.
- 12 3. The program will sunset on December 31, 2012.
- 13 ~~(2) Clinical coverage. The Department of Health and Human Services,~~
14 ~~Division of Medical Assistance, shall amend applicable clinical policies and~~
15 ~~submit applicable State Plan amendments to Centers for Medicare and~~
16 ~~Medicaid Services (CMS) to implement the budget reductions authorized in~~
17 ~~the following clinical coverage areas in this act:~~
- 18 a. ~~Eliminate or limit adult physical therapy, occupational therapy, and~~
19 ~~speech therapy visits to three visits per calendar year.~~
- 20 (3) MH/DD/SAS personal care and personal assistance services provision. – A
21 denial, reduction, or termination of Medicaid-funded personal care
22 assistance services ~~or in-home care services~~ shall result in a similar denial,
23 reduction, or termination of State-funded MH/DD/SAS personal care and
24 personal assistance services.
- 25 (4) Community Support Team. – Authorization for a Community Support Team
26 shall be based upon medical necessity as defined by the Department and
27 shall not exceed 18 hours per week.
- 28 (5) MH residential. – The Department of Health and Human Services shall
29 restructure the Medicaid child mental health, developmental disabilities, and
30 substance abuse residential services to ensure that total expenditures are
31 within budgeted levels. All restructuring activities shall be in compliance
32 with federal and State law or rule. The Divisions of Medical Assistance and
33 Mental Health, Developmental Disabilities, and Substance Abuse Services
34 shall establish a team inclusive of providers, LMEs, and other stakeholders
35 to assure effective transition of recipients to appropriate treatment options.
36 The restructuring shall address all of the following:
- 37 a. Submission of the therapeutic family service definition to CMS.
- 38 b. The Department shall reexamine the entrance and continued stay
39 criteria for all residential services. The revised criteria shall promote
40 least restrictive services in the home prior to residential placement.
41 During treatment, there must be inclusion in community activities
42 and parent or legal guardian participation in treatment.
- 43 c. Require all existing residential providers or agencies to be nationally
44 accredited within one year of enactment of this act. Any providers
45 enrolled after the enactment of this act shall be subject to existing
46 endorsement and nationally accrediting requirements. In the interim,
47 providers who are nationally accredited will be preferred providers
48 for placement considerations.
- 49 d. Before a child can be admitted to Level III or Level IV placement, an
50 assessment shall be completed to ensure the appropriateness of
51 placement, and one or more of the following shall apply:

- 1 1. Placement shall be a step down from a higher level placement
2 such as a psychiatric residential treatment facility or inpatient
3 facility.
- 4 2. Multisystemic therapy or intensive in-home therapy services
5 have been unsuccessful.
- 6 3. The Child and Family Team has reviewed all other
7 alternatives and recommendations and recommends Level III
8 or Level IV placement due to maintaining health and safety.
- 9 4. Transition or discharge plan shall be submitted as part of the
10 initial or concurrent request.
- 11 e. Length of stay is limited to no more than 180 days. Any exceptions
12 granted will require (i) for non-CABHAs, an independent
13 psychological or psychiatric assessment, (ii) for CABHAs, a
14 psychological or psychiatric assessment that may be completed by
15 the CABHA, and (iii) for both, a Child and Family Team review of
16 goals and treatment progress, that family or discharge placement
17 setting are actively engaged in treatment goals and objectives, and
18 active participation of the prior authorization of vendor.
- 19 f. Submission of discharge plan is required in order for the request for
20 authorization for Level III or Level IV services to be considered
21 complete, but the authorization approval is not conditional upon the
22 receipt of the signature of the system of care coordinator. The LME
23 will designate appropriate individuals who can sign the discharge
24 plan within 24 hours of receipt of the discharge plan. Failure to
25 submit a complete discharge plan will result in the request being
26 returned as unable to process.
- 27 g. Any residential provider that ceases to function as a provider shall
28 provide written notification to DMA, the Local Management Entity,
29 recipients, and the prior authorization vendor 30 days prior to closing
30 of the business.
- 31 h. Record maintenance is the responsibility of the provider and must be
32 in compliance with record retention requirements. Records shall also
33 be available to State, federal, and local agencies.
- 34 i. Failure to comply with notification, recipient transition planning, or
35 record maintenance shall be grounds for withholding payment until
36 such activity is concluded. In addition, failure to comply shall be
37 conditions that prevent enrollment for any Medicaid or State-funded
38 service. A provider (including its officers, directors, agents, or
39 managing employees or individuals or entities having a direct or
40 indirect ownership interest or control interest of five percent (5%) or
41 more as set forth in Title XI of the Social Security Act) that fails to
42 comply with the required record retention may be subject to
43 sanctions, including exclusion from further participation in the
44 Medicaid program, as set forth in Title XI.
- 45 (6) Reduce Medicaid rates. – Subject to the prior approval of the Office of State
46 Budget and Management, the Secretary shall reduce Medicaid provider rates
47 to accomplish the reduction in funds for this purpose enacted in this act. The
48 reductions authorized by this subdivision are subject to the following
49 additional limitations:

- 1 a. The Secretary of Health and Human Services shall reduce Medicaid
2 provider rates for all Medicaid providers by an annualized two and
3 sixty-seven hundredths percent (~~2%~~)(2.67%) except as follows:
- 4 1. Physician services. – The provider rate for physicians shall
5 not be reduced.
 - 6 2. Hospital inpatient services. – The provider rate for inpatient
7 hospital services shall be reduced in the aggregate by an
8 annualized amount not to exceed seven and thirty-two
9 hundredths percent (7.32%). The provider rates for
10 non-State-owned freestanding psychiatric and rehabilitation
11 hospitals are not included in this exception.
 - 12 3. The Secretary shall consider the impact on access to care
13 through primary care providers and critical access hospitals
14 and may adjust the rates accordingly. Medicaid rates
15 predicated on Medicare fee schedules shall follow Medicare
16 reductions but not Medicare increases unless federally
17 required.
 - 18 4. Exceptions for certain providers. – The rate reduction applies
19 to all Medicaid private and public providers with the
20 following exceptions:
 - 21 I. Federally qualified health centers.
 - 22 II. Rural health centers.
 - 23 III. State institutions.
 - 24 IV. Hospital outpatient.
 - 25 V. Pharmacies.
 - 26 VI. The State Public Health Laboratory.
 - 27 VII. The noninflationary components of the case-mix
28 reimbursement system for nursing facilities.
 - 29 VIII. Adult care homes.
 - 30 IX. Local health departments.
 - 31 X. Critical Access Behavioral Health Agencies.
 - 32 5. Notwithstanding any other provision of law, no inflationary
33 increases shall be made to Medicaid provider rates during the
34 2011-2013 fiscal biennium, except that inflationary increases
35 for health care providers paying provider fees or assessments
36 may occur if the State share of the increases can be funded
37 with provider fees or assessments.
- 38 b. The rate reductions required by this section shall take effect in
39 accordance with the following schedule:
- 40 1. On or Before October 1, 2011. – The provider rate reductions
41 required by sub-subdivision a. of this subdivision shall take
42 effect on or before October 1, 2011. However, the reductions
43 shall be adjusted by a percentage sufficient to yield savings as
44 if the reductions had taken effect on July 1, 2011.
 - 45 ~~2. July 1, 2012. – On July 1, 2012, the provider rate reductions~~
46 ~~required by sub-sub-subdivision a.2. of this subdivision and~~
47 ~~any other rate reductions implemented pursuant to~~
48 ~~sub-subdivision a. of this subdivision, but not implemented~~
49 ~~by July 1, 2011, shall be adjusted to the level at which they~~
50 ~~would have been without the adjustment required by~~
51 ~~sub-sub-subdivision 1. of this sub-subdivision.~~

- 1 c. No other adjustments to the provider rates or payment methodologies
2 shall be made for physician services, critical access hospital services,
3 hospital inpatient services or hospital outpatient services,
4 non-State-owned freestanding psychiatric and rehabilitation
5 hospitals, nursing homes, and adult care homes except as provided in
6 sub-subdivision a. of this subdivision and except as authorized by
7 Section 10.47(d) of this act.
- 8 (7) Medicaid identification cards. – The Department shall issue Medicaid
9 identification cards to recipients on an annual basis with updates as needed.
- 10 (8) The Department of Health and Human Services shall develop a plan for the
11 consolidation of case management services utilizing CCNC. The plan shall
12 address the time line and process for implementation, the identification of
13 savings, and the Medicaid recipients affected by the consolidation.
14 Consolidation under this subdivision does not apply to HIV case
15 management. By December 1, 2012, the Department shall report on the plan
16 to the House of Representatives Appropriations Subcommittee on Health
17 and Human Services, the Senate Appropriations Committee on Health and
18 Human Services, and the Fiscal Research Division.
- 19 (9) For the purpose of promoting cost-effective utilization of outpatient mental
20 health services for children, DMA shall require prior authorization for
21 services following the 16th visit.
- 22 (10) Provision of Medicaid Private Duty Nursing (PDN). – DMA shall change
23 the Medicaid Private Duty Nursing program provided under the State
24 Medicaid Plan, as follows:
- 25 a. Restructure the current PDN program to provide services that are:
- 26 1. Provided only to qualified recipients under the age of 21.
27 2. Authorized by the recipient's primary care or attending
28 physician.
29 3. Limited to 16 hours of service per day, unless additional
30 services are required to correct or ameliorate defects and
31 physical and mental illnesses and conditions as defined in 42
32 U.S.C. § 1396d(r)(5).
33 4. Approved, based on an initial assessment and continuing need
34 reassessments performed by an Independent Assessment
35 Entity (IAE) that does not provide PDN services, and
36 authorized in amounts that are medically necessary based on
37 the recipient's medical condition, amount of family assistance
38 available, and other relevant conditions and circumstances, as
39 defined by the Medicaid Clinical Coverage Policy for this
40 service.
41 5. Provided in accordance with a plan of care approved by DMA
42 or its designee.
- 43 b. Develop and submit to CMS a 1915(c) Home and Community Based
44 Services Waiver for individuals dependent on technology to
45 substitute for a vital body function.
- 46 c. Once approved by CMS and upon approval of the Medicaid Clinical
47 Coverage Policy, transition all qualified recipients age 21 and older
48 currently receiving PDN to waiver services provided under the
49 Technology Dependent Waiver.
- 50 (11) Medicaid service modifications and eliminations. – Subject to the prior
51 approval of the Centers for Medicare and Medicaid Services where required,

- 1 the Division of Medical Assistance shall make the following eliminations of
2 or modifications to Medicaid services:
- 3 a. Optical. –
- 4 1. Eliminate adult routine eye exams. Eye exams shall be
5 restricted to cases in which a specific optical problem exists.
- 6 2. Eliminate optical services and supplies.
- 7 b. Durable medical equipment. – The Department may adjust the rate
8 paid for incontinence supplies or reduce cost through a negotiated
9 single source contract with a manufacturer for incontinence supply
10 procurement, notwithstanding any other provision of law. The
11 contract shall provide that suppliers may use the contract but are also
12 free to take advantage of better prices available elsewhere. The
13 Department may effectuate any combination of these options in order
14 to achieve the lowest available cost for incontinence supply
15 procurement.
- 16 c. Specialized therapies. – For adult evaluations and reevaluations, as
17 well as adult physical, occupational, speech, ~~respiratory~~, and
18 audiological treatment services, ~~reduce the maximum number of~~
19 ~~allowable services by one per year.~~ the Division shall implement a
20 tiered approach based on medical diagnosis.
- 21 d. Home health. – Restrict usage of the miscellaneous T199 code. All
22 billing must be for a specific service.
- 23 e. Pregnancy Home Model Initiative.
- 24 f. Dental. –
- 25 1. ~~Eliminate~~ Reduce reimbursement rates paid for composite
26 fillings for back teeth fillings and increase rates paid for
27 amalgam fillings for back teeth.
- 28 2. ~~Limit the number of surfaces that can be filled to four per~~
29 ~~tooth.~~ Limit the total reimbursement for multiple separate
30 fillings placed on a single permanent back tooth to the fee
31 paid for one filling of four or more surfaces and on a single
32 primary back tooth to the fee paid for one filling of three
33 surfaces.
- 34 3. Limit the allowed frequency of scaling and ~~replaning~~ root
35 planing to once every two years.
- 36 4. ~~Raise~~ Change the threshold for eligibility prior approval
37 criteria for eligibility for replaning scaling and root planing to
38 5mm from 4mm 4mm in periodontal pocket depth to 5mm.
- 39 5. Eliminate ~~cast dentures coverage for~~ of cast partial dentures
40 ~~only~~ and replace retain coverage of with acrylic partial
41 dentures. Change the frequency of replacement of partial
42 dentures from every 10 years to every eight years.
- 43 6. ~~Require prior authorization for oral excision of gum tissue.~~
- 44 g. Miscellaneous. –
- 45 1. Restrict usage of evaluation and management billing as well
46 as of unlisted codes and strengthen supporting documentation
47 requirements. Billing shall use specific service codes for
48 specific services as a prerequisite to reimbursement.
- 49 2. Restrict circumcision coverage to medically necessary
50 procedures.

3. Utilize Bloodhound, Inc., software, or comparable software, to examine billing codes that are duplicative or inconsistent with evidence-based practices.
4. Require prior authorization for back surgery for selective diagnoses and require that all other therapies have been exhausted prior to granting authorization.
5. Require prior authorization for capsule endoscopy but not traditional endoscopy.
6. Require prior authorization for selected medical procedures and services, including elective cardiac procedures, chronic pain management, and related procedures.
7. Negotiate a single source contract for genetic testing, notwithstanding any other provision of law."

NC HEALTH CHOICE CO-PAYS

SECTION 10.6. G.S. 108A-70.21(d) reads as rewritten:

"(d) **(See note)** Cost-Sharing. – There shall be no deductibles, copayments, or other cost-sharing charges for families covered under the Program whose family income is at or below one hundred fifty percent (150%) of the federal poverty level, except that fees for outpatient prescription drugs are applicable and shall be ~~one dollar (\$1.00)~~ two dollars (\$2.00) for each outpatient generic prescription drug, for each outpatient brand-name prescription drug for which there is no generic substitution available, and one dollar (\$1.00) for each covered over-the-counter medication. The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is ~~three dollars (\$3.00)~~ five dollars (\$5.00). Families covered under the Program whose family income is above one hundred fifty percent (150%) of the federal poverty level shall be responsible for copayments to providers as follows:

- (1) Five dollars (\$5.00) per child for each visit to a provider, except that there shall be no copayment required for well-baby, well-child, or age-appropriate immunization services;
- (2) Five dollars (\$5.00) per child for each outpatient hospital visit;
- (3) A ~~one dollar (\$1.00)~~ two-dollar (\$2.00) fee for each outpatient generic prescription drug, for each outpatient brand-name prescription drug for which there is no generic substitution available, and one dollar (\$1.00) for each covered over-the-counter medication. The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is ten dollars (\$10.00).
- (4) Twenty dollars (\$20.00) for each emergency room visit unless:
 - a. The child is admitted to the hospital, or
 - b. No other reasonable care was available as determined by the Department.

Copayments required under this subsection for prescription drugs apply only to prescription drugs prescribed on an outpatient basis."

SECTION 10.7. Section 10.38 of S.L. 2011-145 reads as rewritten:

"MEDICAID WAIVER FOR ASSISTED LIVING PERSONAL ASSISTANCE SERVICES"

"SECTION 10.38.(a) To achieve comparability of services across settings, the ~~The~~ Department of Health and Human Services, Division of Medical Assistance (Division), shall ~~develop~~ develop, seek CMS approval, and implement a home- and community-based services program under Medicaid State Plan 1915(i) authority in order to continue Medicaid funding of personal care ~~assistance services. services to individuals living in adult care homes.~~ Providers

1 who do not accept reimbursement for ~~residents'~~ personal care ~~assistance~~ services through
2 Medicaid or do not accept reimbursement through the State-County Special Assistance
3 program shall not be subject to the provisions, requirements, or conditions of ~~the~~ Medicaid
4 ~~waiver~~ pursuant to this section.

5 **"SECTION 10.38.(b)** The Division shall implement the program upon approval of the
6 application by the Centers for Medicare and Medicaid ~~Services.~~ Services, with an
7 implementation date of January 1, 2013.

8 ~~"SECTION 10.38.(c) On or before April 1, 2012, the Division shall provide a report on~~
9 ~~the status of approval and implementation of the program to the Joint Legislative Commission~~
10 ~~on Governmental Operations, the Senate Appropriations Committee on Health and Human~~
11 ~~Services, the House of Representatives Appropriations Subcommittee on Health and Human~~
12 ~~Services, and the Fiscal Research Division.~~

13 **"SECTION 10.38.(d)** Notwithstanding any other provision of this act or other State law or
14 rule to the contrary:

15 (1) Personal assistance services (PAS) shall be defined as assistance with
16 activities of daily living (ADLs) and instrumental activities of daily living
17 (IADLs).

18 a. ADLs are defined as bathing, dressing, mobility, toileting, and
19 eating.

20 b. IADLs are defined as meal preparation and medication management.
21 Home management IADLs may be provided that directly relate to the
22 individual's qualifying ADLs.

23 c. Essential errands that are critical to maintaining the health and
24 welfare of the recipient may be approved on a case-by-case basis
25 through independent assessment when there is no family member,
26 other individual, program, or service available to meet this need.
27 Approval, including the amount of time required to perform this task,
28 shall be documented on the recipient's assessment form and plan of
29 care.

30 d. Services shall be provided in a manner that supplements rather than
31 supplants family roles and responsibilities.

32 e. Services shall be authorized in amounts based on assessed need of
33 each recipient, taking into account care and services provided by the
34 family, other public and private agencies, and other informal
35 caregivers who may be available to assist the family. All available
36 resources shall be utilized fully, and services provided by such
37 agencies and individuals shall be disclosed to the DMA independent
38 assessor.

39 f. Services shall be directly related to the assistance and related tasks to
40 complete each qualifying ADL and IADL in accordance with the
41 independent assessment and plan of care.

42 g. Services shall not include household chores not directly related to the
43 qualifying ADLs, nonmedical transportation, or financial
44 management.

45 (2) Personal assistance services shall be provided to three target populations:

46 a. Individuals with physical disabilities:

47 1. Medicaid recipients of all ages with a documented medical
48 condition or physical disability (diagnosis) that a physician
49 attests limits the person's ability to independently perform
50 ADLs.

- 1 b. Adults with a diagnosis of mental illness (MI), mental
2 retardation/developmental disability (MR/DD), or cognitive
3 impairment:
4 1. Medicaid recipients age 18 or older with a documented MI,
5 MR/DD, or dementia diagnosis that a physician attests limits
6 a person's ability to independently perform ADLs.
7 2. Must require 24-hour caregiver availability as attested by a
8 physician.
9 c. Elderly individuals with functional disabilities:
10 1. Medicaid recipients 65 years of age or older with
11 physician-documented limitations in functional abilities and
12 risk of falls, malnutrition, skin breakdown, or complications
13 from medication noncompliance.
14 d. The recipient shall be seen by his or her primary or attending
15 physician, who shall provide written authorization for referral for the
16 service and written attestation to the medical necessity for the
17 service.
18 e. All assessments for personal assistance services, continuation of
19 service, and change of status reviews shall be performed by DMA's
20 independent assessment entity (IAE). The IAE may not be an owner
21 of a provider business or provider of personal assistance services of
22 any type.
23 1. The amount of service provided shall be based upon an
24 independent assessment conducted by an IAE to determine
25 the individual's ability to perform ADLs and IADLs. Ability
26 shall be rated as totally independent, requiring cueing or
27 supervision, requiring limited assistance, requiring extensive
28 assistance, or totally dependent.
29 f. Adults receiving personal assistance services shall be subject to a
30 maximum of 80 hours of service per month.
31 g. Adults qualifying for personal assistance services with unmet need
32 for hands-on assistance with one or zero ADLs shall be subject to a
33 maximum of one hour of service per day of unmet need for
34 assistance.
35 (3) To become eligible for personal assistance services, a Medicaid recipient
36 shall meet the criteria for one of the target populations and its unmet need
37 criteria based upon an individual assessment conducted by an independent
38 assessment entity:
39 a. Individuals with physical disabilities:
40 1. Unmet need for hands-on assistance with three ADLs; or
41 2. Unmet need for hands-on assistance with two ADLs, one of
42 which requires extensive or greater assistance; or
43 3. Unmet need for hands-on assistance with two ADLs and
44 assistance with meal preparation or medication management.
45 b. Adults with MI, MR/DD, or cognitive impairment
46 1. Unmet need for hands-on assistance with two ADLs; or
47 2. Unmet need for hands-on assistance with one ADL and
48 set-up/supervision assistance with two additional ADLs or
49 assistance with meal preparation or medication management;
50 or

- 1 3. Unmet need for set-up/supervision assistance with two ADLs
2 and assistance with meal preparation or medication
3 management.
- 4 c. Elderly individuals with functional disabilities:
5 1. Unmet need for hands-on assistance with two ADL; or
6 2. Unmet need for hands-on assistance with one ADL and
7 assistance with meal preparation or medication management.
- 8 (4) Personal assistance services shall be provided in the following settings:
9 a. A private living arrangement;
10 b. A residential facility licensed by the State of North Carolina as an
11 adult care home, a family care home, or a supervised living facility
12 for adults with MR/DD or MI; and
13 c. Personal assistance services shall not be provided in hospitals,
14 nursing facilities, or secured facilities considered special care units
15 within adult care homes.
- 16 (5) Personal assistance services shall be provided by enrolled Medicaid
17 providers who meet the following qualifications:
18 a. Home care agencies:
19 1. Licensed under 10A NCAC 13J; and
20 2. Conduct criminal background and NC Health Care Registry
21 checks before hiring, for all staff.
- 22 b. Adult care homes:
23 1. Licensed in accordance with G.S. 131 D and 10A NCAC 13F
24 and 13G;
25 2. Meet the Centers for Medicare and Medicaid Services' (CMS)
26 home- and community-based services characteristics;
27 3. Conduct criminal background and NC Health Care Registry
28 checks before hiring, for all staff.
29 4. Not determined an institution of mental disease (IMD) per
30 federal regulation;
31 5. Shall provide service through ACH staff or qualified staff
32 under contract to provide service; and
33 6. Direct care and medication aide staff shall meet training,
34 competency, and other requirements as outlined in licensure.
- 35 c. Supervised living:
36 1. Licensed in accordance with G.S. 122C and 10A NCAC 27G
37 .5600, Supervised Living Facilities designated as type A and
38 C homes;
39 2. Meet CMS home- and community-based services
40 characteristics;
41 3. Conduct criminal background and NC Health Care Registry
42 checks before hiring, for all staff;
43 4. Staff shall:
44 I. Meet requirements for paraprofessionals in 10A
45 NCAC 27G .0204;
46 II. Have a high school diploma or GED;
47 III. Meet participant specific competencies as identified
48 by the participant's person-centered planning team and
49 documented in the Person-Centered Plan; and

- 1 IV. Successfully complete First Aid, CPR, and
2 MH/DD/SAS Core Competencies and required
3 refresher training.
- 4 V. Paraprofessionals providing this service shall be
5 supervised by a qualified professional according to
6 10A NCAC 27G .0204 and licensure or certification
7 requirements of appropriate disciplines.
- 8 (6) Personal assistance services provided in residential facility settings shall
9 meet home- and community-based services (HCBS) characteristics as
10 defined by the federal Centers for Medicare and Medicaid Services (CMS).
- 11 a. HCBS standards must be applied to all residents in the facility,
12 except where such activities or abilities are contraindicated
13 specifically in an individual's person-centered plan and applicable
14 due process has been executed to restrict any of the standards or
15 rights. Residents must be respectful to others in their community, and
16 the facility has the authority to restrict activities when those activities
17 are disruptive or in violation of the rights of others living in the
18 community.
- 19 b. HCBS standards are defined as:
- 20 1. Telephone access:
- 21 I. Available 24 hours a day, seven days a week, 365
22 days a year;
- 23 II. Available operation assistance if necessary;
- 24 III. Private;
- 25 IV. Permitted personal phones in individual rooms.
- 26 2. Visitors:
- 27 I. Allowed 24 hours a day, seven days a week, 365 days
28 a year;
- 29 II. No facility approval required (although facility may
30 require visitors to sign in or notify the facility
31 administrator once in the facility); and
- 32 III. No conduct requirements beyond respectful behavior
33 toward other residents.
- 34 3. Living space:
- 35 I. No more than two residents to a room:
- 36 A. If two individuals share a room, allowed
37 choice as to whom roommate is;
- 38 B. Not required to share a room with someone
39 found objectionable;
- 40 II. Ability to work with the facility to achieve the closest
41 optimal roommate situations;
- 42 III. Ability to lock rooms;
- 43 IV. Allowed to decorate and keep personal items in
44 rooms;
- 45 V. Ability to come and go at any hour;
- 46 VI. Availability of an individual, personal, lockable
47 storage space available at any time;
- 48 VII. Ability to file anonymous complaints; and
- 49 VIII Allowed personal appliances and devices in rooms.
- 50 4. Service customization:

- 1 I. Provides maximum privacy in the delivery of
 2 services;
 3 II. Provides choice(s) in the structure of service delivery
 4 (services and supports, and from where and whom);
 5 III. Includes the individual in care planning process as
 6 well as people chosen by the individual to attend care
 7 plan meetings;
 8 IV. Provides the appropriate support(s) to ensure that the
 9 individual has an active role in directing the process;
 10 V. Provides convenient location and times for
 11 person-centered planning process for the individuals
 12 to attend; and
 13 VI. Provides opportunities for the person-centered plan to
 14 be updated on a continuous basis.
- 15 5. Kitchen
 16 I. Accessible at any time 24 hours a day, seven days a
 17 week, 365 days a year;
 18 II. Accessible appliances;
 19 III. Allowed input on food options provided; and
 20 IV. Allowed to choose with whom to eat meals including
 21 the ability to eat alone if desired.
- 22 6. Group activities:
 23 I. Choice of participating in facility's recreational
 24 activities; and
 25 II. Choice of with whom to participate in recreational
 26 activities.
- 27 7. Community activities:
 28 I. Choice of participation in community activities;
 29 II. Encouragement to remain active in their community;
 30 III. Not be restricted from participating in community
 31 activities of their choosing.
- 32 8. Community integration:
 33 I. Facility viewed as part of the community."
 34

MEDICAID RECIPIENT APPEALS

36 **SECTION 10.8.(a)** The Department of Health and Human Services shall review
 37 the appeals process for adverse Medicaid determinations for Medicaid recipients to examine
 38 whether it conforms with, or exceeds, the requirements of federal law.

39 **SECTION 10.8.(b)** G.S. 108A-79(a) reads as rewritten:

40 "(a) A public assistance applicant or recipient shall have a right to appeal the decision of
 41 the county board of social services, county department of social services, or the board of county
 42 commissioners or the local management entity (LME) operating under a 1915(b)/(c) Medicaid
 43 Waiver granting, denying, terminating, or modifying assistance, or the failure of the county
 44 board of social services or county department of social services to act within a reasonable time
 45 under the rules and regulations of the Social Services Commission or the Department. Each
 46 applicant or recipient shall be notified in writing of his right to appeal upon denial of his
 47 application for assistance and at the time of any subsequent action on his case."
 48

MEDICAID AND HEALTH CHOICE PROVIDER SCREENING

50 **SECTION 10.9.** G.S. 108C-3 reads as rewritten:

51 "**§ 108C-3. Medicaid and Health Choice provider screening.**

1 ...
2 (c) Limited Categorical Risk Provider Types. – The following provider types are hereby
3 designated as "limited" categorical risk:

4 ...
5 (11a) Portable X-ray suppliers.

6 (13a) Religious nonmedical health care institutions.

7 ...
8 (e) Moderate Categorical Risk Provider Types. – The following provider types are
9 hereby designated as "moderate" categorical risk:

10 ...
11 (7a) Local health departments.

12"

13 **TANF BENEFIT IMPLEMENTATION**

14 **SECTION 10.10.** Section 10.55 of S.L. 2011-145 reads as rewritten:

15 "SECTION 10.55.(a) The General Assembly approves the plan titled "North Carolina
16 Temporary Assistance for Needy Families State Plan FY ~~2010-2012~~,2012-2014" prepared by
17 the Department of Health and Human Services and presented to the General Assembly. The
18 North Carolina Temporary Assistance for Needy Families State Plan covers the period October
19 1, ~~2010, 2012,~~ through September 30, ~~2012, 2014.~~ The Department shall submit the State Plan,
20 as revised in accordance with subsection (b) of this section, to the United States Department of
21 Health and Human Services, as amended by this act or any other act of the 2011 General
22 Assembly.

23 "SECTION 10.55.(b) The counties approved as Electing Counties in the North Carolina
24 Temporary Assistance for Needy Families State Plan FY ~~2010-2012~~,2012-2014 as approved
25 by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

26 "SECTION 10.55.(c) Counties that submitted the letter of intent to remain as an Electing
27 County or to be redesignated as an Electing County and the accompanying county plan for
28 fiscal year ~~2011-2012~~ through ~~2012, 2014,~~ pursuant to G.S. 108A-27(e), shall operate under the
29 Electing County budget requirements effective July 1, ~~2009, 2012.~~ For programmatic purposes,
30 all counties referred to in this subsection shall remain under their current county designation
31 through September 30, ~~2012, 2014.~~

32 "SECTION 10.55.(d) For the ~~2011-2012-2012-2014~~ fiscal year, Electing Counties shall be
33 held harmless to their Work First Family Assistance allocations for the ~~2010-2011-2012-2014~~
34 fiscal year, provided that remaining funds allocated for Work First Family Assistance and
35 Work First Diversion Assistance are sufficient for payments made by the Department on behalf
36 of Standard Counties pursuant to G.S. 108A-27.11(b).

37 "SECTION 10.55.(e) In the event that departmental projections of Work First Family
38 Assistance and Work First Diversion Assistance for the ~~2011-2012-2012-2014~~ fiscal year
39 indicate that remaining funds are insufficient for Work First Family Assistance and Work First
40 Diversion Assistance payments to be made on behalf of Standard Counties, the Department is
41 authorized to deallocate funds, of those allocated to Electing Counties for Work First Family
42 Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for
43 payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by
44 the Office of State Budget and Management. If the Department adjusts the allocation set forth
45 in subsection (d) of this section, then a report shall be made to the Joint Legislative
46 Commission on Governmental Operations, the House of Representatives Appropriations
47 Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health
48 and Human Services, and the Fiscal Research Division."

49 **TELECOMMUNICATIONS RELAY SERVICE**

1 **SECTION 10.11.** G.S. 62-157 reads as rewritten:

2 "**§ 62-157. Telecommunications relay service.**

3 (a) Finding. – The General Assembly finds and declares that it is in the public interest
4 to provide access to public telecommunications services for hearing impaired or speech
5 impaired persons, including those who also have vision impairment, and that a statewide
6 telecommunications relay service for telephone service should be established.

7 (a1) Definitions. – For purposes of this section:

8 (1) "CMRS" is as defined in G.S. 62A-40.

9 (2) "CMRS connection" is as defined in G.S. 62A-40.

10 (3) "CMRS provider" is as defined in G.S. 62A-40.

11 (4) "Exchange access facility" means the access from a particular telephone
12 subscriber's premises to the telephone system of a local exchange telephone
13 company, and includes local exchange company-provided access lines,
14 private branch exchange trunks, and centrex network access registers, all as
15 defined by tariffs of telephone companies as approved by the Commission.

16 (5) "Local service provider" means a local exchange company, competing local
17 provider, or telephone membership corporation.

18 (b) Authority to Require Surcharge. – The Commission shall require local service
19 providers to impose a monthly surcharge on all residential and business local exchange access
20 facilities to fund a statewide telecommunications relay service by which hearing impaired or
21 speech impaired persons, including those who also have vision impairment, may communicate
22 with others by telephone. This surcharge, however, may not be imposed on participants in the
23 Subscriber Line Charge Waiver Program or the Link-up Carolina Program established by the
24 Commission. This surcharge, and long distance revenues collected under subsection (f) of this
25 section, are not includable in gross receipts subject to the franchise tax levied under
26 G.S. 105-120 or the sales tax levied under G.S. 105-164.4.

27 (c) Specification of Surcharge. – The Department of Health and Human Services shall
28 initiate a telecommunications relay service by filing a petition with the Commission requesting
29 the service and detailing initial projected required funding. The Commission shall, after giving
30 notice and an opportunity to be heard to other interested parties, set the initial monthly
31 surcharge based upon the amount of funding necessary to implement and operate the service,
32 including a reasonable margin for a reserve. The surcharge shall be identified on customer bills
33 as a special surcharge for provision of a telecommunications relay service for hearing impaired
34 and speech impaired persons. The Commission may, upon petition of any interested party, and
35 after giving notice and an opportunity to be heard to other interested parties, revise the
36 surcharge from time to time if the funding requirements change. In no event shall the surcharge
37 exceed twenty-five cents (25¢) per month for each exchange access facility.

38 (d) Funds to Be Deposited in Special Account. – The local service providers shall
39 collect the surcharge from their customers and deposit the moneys collected with the State
40 Treasurer, who shall maintain the funds in an interest-bearing, nonreverting account. After
41 consulting with the State Treasurer, the Commission shall direct how and when the local
42 service providers shall deposit these moneys. Revenues from this fund shall be available only
43 to the Department of Health and Human Services to administer the statewide
44 telecommunications relay service program, including its establishment, operation, and
45 promotion. The Commission may allow the Department of Health and Human Services to use
46 up to four cents (4¢) per access line per month of the surcharge for the purpose of providing
47 telecommunications devices for hearing impaired or speech impaired persons, including those
48 who also have vision impairment, through a distribution program. The Commission shall
49 prepare such guidelines for the distribution program as it deems appropriate and in the public
50 interest. Both the Commission and the Public Staff may audit all aspects of the
51 telecommunications relay service program, including the distribution programs, as they do with

1 any public utility subject to the provisions of this Chapter. Equipment paid for with surcharge
2 revenues, as allowed by the Commission, may be distributed only by the Department of Health
3 and Human Services.

4 (d1) The Department of Health and Human Services shall utilize revenues from the
5 wireless surcharge collected under subsection (i) of this section to ~~fund the Regional Resource~~
6 ~~Centers within the Division of Services for the Deaf and the Hard of Hearing,~~ support the
7 Division of Services for the Deaf and Hard of Hearing, in accordance with G.S. 143B-216.33,
8 G.S. 143B-216.34, and Chapter 8B of the General Statutes.

9 (e) Administration of Service. – The Department of Health and Human Services shall
10 administer the statewide telecommunications relay service program, including its
11 establishment, operation, and promotion. The Department may contract out the provision of
12 this service for four-year periods to one or more service providers, using the provisions of
13 G.S. 143-129. The Department shall administer all programs and services, including the
14 Regional Resource Centers within the Division of Services for the Deaf and the Hard of
15 Hearing in accordance with G.S. 143B-216.33, G.S. 143B-216.34, and Chapter 8B of the
16 General Statutes.

17 (f) Charge to Users. – The users of the telecommunications relay service shall be
18 charged their approved long distance and local rates for telephone services (including the
19 surcharge required by this section), but no additional charges may be imposed for the use of the
20 relay service. The local service providers shall collect revenues from the users of the relay
21 service for long distance services provided through the relay service. These revenues shall be
22 deposited in the special fund established in subsection (d) of this section in a manner
23 determined by the Commission after consulting with the State Treasurer. Local service
24 providers shall be compensated for collection, inquiry, and other administrative services
25 provided by said companies, subject to the approval of the Commission.

26 (g) Reporting Requirement. – The Commission shall, after consulting with the
27 Department of Health and Human Services, develop a format and filing schedule for a
28 comprehensive financial and operational report on the telecommunications relay service
29 program. The Department of Health and Human Services shall thereafter prepare and file these
30 reports as required by the Commission with the Commission and the Public Staff. The
31 Department shall also be required to report to the Revenue Laws Study Committee.

32 (h) Power to Regulate. – The Commission shall have the same power to regulate the
33 operation of the telecommunications relay service program as it has to regulate any public
34 utility subject to the provisions of this Chapter.

35 (i) Wireless Surcharge. – A CMRS provider, as part of its monthly billing process,
36 must collect the same surcharge imposed on each exchange access facility under this section for
37 each CMRS connection. A CMRS provider may deduct a one percent (1%) administrative fee
38 from the total amount of surcharge collected. A CMRS provider shall remit the surcharge
39 collected, less the administrative fee, to the 911 Board in the same manner and with the same
40 frequency as the local service providers remit the surcharge to the State Treasurer. The 911
41 Board shall remit the funds collected from the surcharge to the special account created under
42 subsection (d) of this section."

43 44 **CONSOLIDATION OF ALL PUBLIC GUARDIANSHIP**

45 **SECTION 10.12.(a)** G.S. 35A-1202(4) reads as rewritten:

46 "(4) "Disinterested public agent" means

- 47 a. the director or assistant directors of a ~~local human services agency,~~
48 ~~or county department of social services.~~
49 b. ~~An adult officer, agent, or employee of a State human services~~
50 ~~agency.~~

1 The fact that a disinterested public agent ~~is employed by a State or local~~
2 ~~human services agency that~~ provides financial assistance, services, or
3 treatment to a ward does not disqualify that person from being appointed as
4 guardian."

5 **SECTION 10.12.(b)** G.S. 35A-1213(c) reads as rewritten:

6 "(c) A corporation may be appointed as guardian only if it is authorized by its charter to
7 serve as a guardian or in similar fiduciary capacities. A corporation must meet the requirements
8 outlined in Chapter 55 of the General Statutes, North Carolina Business Corporation Act, and
9 Chapter 55D of the General Statutes, Filings, Names, and Registered Agents for Corporations,
10 Nonprofit Corporations, and Partnerships. A corporation will provide a written copy of its
11 charter to the clerk of superior court. A corporation contracting with a public agency to serve as
12 guardian is required to attend guardianship training provided by the Department of Health and
13 Human Services and provide verification of attendance to the contracting agency."

14 **SECTION 10.12.(c)** G.S. 35A-1292(a) reads as rewritten:

15 "(a) Any guardian who wishes to resign ~~may apply in writing to the clerk, must file a~~
16 motion with the clerk setting forth the circumstances of the case. If a general guardian or
17 guardian of the estate, at the time of making the application, also exhibits his final account for
18 settlement, and if the clerk is satisfied that the guardian has fully accounted, the clerk may
19 accept the resignation of the guardian and discharge him and appoint a successor ~~guardian, but~~
20 ~~the guardian.~~ The guardian so discharged and his sureties are still liable in relation to all
21 matters connected with the guardianship before the discharge, discharge and must continue to
22 ensure that the ward's needs are met until the clerk officially appoints a successor. The guardian
23 must attend the hearing to modify guardianship, if physically able."

24 25 **AMEND STATE DIRECTORY OF NEW HIRE STATUTE TO COMPLY WITH** 26 **FEDERAL REQUIREMENTS**

27 **SECTION 10.13.(a)** G.S. 110-129.2(c) reads as rewritten:

28 "(c) Report Contents. – Each report required by this section shall contain the name,
29 ~~address, and address,~~ social security number of the ~~employee, employee, the date services for~~
30 remuneration were first performed by the employee, and the name and address of the employer
31 and the employer's identifying number assigned under section 6109 of the Internal Revenue
32 Code of 1986 and the employer's State employer identification number. Reports shall be made
33 on the W-4 form or, at the option of the employer, an equivalent form, and may be transmitted
34 magnetically, electronically, or by first-class mail."

35 **SECTION 10.13.(b)** G.S. 110-129.2(j) reads as rewritten:

36 "(j) Definitions. – As used in this section, unless the context clearly requires otherwise,
37 the term:

- 38 (1) "Business day" means a day on which State offices are open for business.
39 (2) "Department" means the Department of Health and Human Services.
40 (3) "Employee" means an individual who is an employee within the meaning of
41 Chapter 24 of the Internal Revenue Code of 1986. The term "employee"
42 does not include an employee of a federal or State agency performing
43 intelligence or counterintelligence functions, if the head of the agency has
44 determined that reporting information as required under this section could
45 endanger the safety of the employee or compromise an ongoing investigation
46 or intelligence mission.
47 (4) "Employer" has the meaning given the term in section 3401(d) of the
48 Internal Revenue Code of 1986 and includes persons who are governmental
49 entities and labor organizations. The term "labor organization" shall have the
50 meaning given that term in section 2(5) of the National Labor Relations Act,
51 and includes any entity which is used by the organization and an employer to

1 carry out requirements described in section 8(f)(3) of the National Labor
2 Relations Act of an agreement between the organization and the employer.

3 (5) "Newly hired employee" means an employee who:

4 a. Has not previously been employed by the employer; or

5 b. Was previously employed by the employer but has been separated
6 from such prior employment for at least 60 consecutive days."

7
8 **CHANGES TO LICENSURE STATUTES FOR LICENSED CLINICAL SOCIAL**
9 **WORKERS CLINICAL ADDICTION SPECIALISTS, AND PSYCHOLOGISTS**

10 **SECTION 10.14.(a)** G.S. 90-270.5(d)(3) reads as rewritten:

11 "(3) A psychologist who meets all other requirements of G.S. 90-270.11(a) as a
12 licensed psychologist, except the two years of supervised experience, may be
13 issued a provisional license as a psychologist, or a license as a psychological
14 associate, without having received a master's degree or specialist degree in
15 psychology, by the Board for the practice of psychology. ~~If the psychologist~~
16 terminates the supervised experience before the completion of two years, the
17 Board may place the psychologist on inactive status, during which time
18 supervision will not be required, and the practice of psychology or the offer
19 to practice psychology is prohibited. In the event a licensed psychologist
20 issued a provisional license under this subsection is placed on inactive status
21 or is completing the supervised experience on a part time basis, the Board
22 may renew the provisional license as necessary until such time as the
23 psychologist has completed the equivalent of two years' supervised
24 experience.

25 **SECTION 10.14.(b)** G.S. 90B-3 reads as rewritten:

26 **"§ 90B-3. Definitions.**

27 The following definitions apply in this Chapter:

28 ...

29 (7a) ~~Provisional-Licensed Clinical Social Worker-Associate.~~ Associate. – A person issued a
30 ~~provisional-an associate~~ license to provide clinical social work services
31 pursuant to G.S. 90B-7(f).

32 (8) Social Worker. – A person certified, licensed, or ~~provisionally-associate~~
33 licensed by this Chapter or otherwise exempt under G.S. 90B-10.

34"

35 **SECTION 10.14.(c)** G.S. 90B-7(f) reads as rewritten:

36 "(f) The Board may issue ~~a provisional-an associate~~ license in clinical social work to a
37 person who has a masters or doctoral degree in a social work program from a college or
38 university having a social work program approved by the Council on Social Work Education
39 and desires to be licensed as a clinical social worker. The ~~provisional-associate~~ license may not
40 be issued for a period exceeding two years and the person issued the ~~provisional-associate~~
41 license must practice under the supervision of a licensed clinical social worker or a
42 Board-approved alternate. Notwithstanding G.S. 90B-6(g), ~~a provisional-an associate~~ licensee
43 shall pass the qualifying clinical examination prescribed by the Board within two years to be
44 eligible for renewal of the ~~provisional-associate~~ license. The ~~provisional-associate~~ licensee shall
45 complete all requirements for ~~full~~ licensure within three renewal cycles, or a total of six years,
46 unless otherwise directed by the Board."

47 **SECTION 10.14.(d)** G.S. 90B-16 reads as rewritten:

48 **"§ 90B-16. Title protection.**

49 (a) Except as provided in G.S. 90B-10, an individual who (i) is not certified, licensed,
50 or ~~provisionally-associate~~ licensed by this Chapter as a social worker, (ii) does not hold a
51 bachelor's or master's degree in social work from a college or university having a social work

1 program accredited or admitted to candidacy for accreditation by the Council of Social Work
 2 Education, or (iii) has not received a doctorate in social work shall not use the title "Social
 3 Worker" or any variation of the title.

4 (b) The Board is authorized to enforce title protection pursuant to this section in
 5 accordance with G.S. 90B-13.

6 (c) The Board shall adopt rules to implement this section."

7 **SECTION 10.14.(e)** G.S. 90-113.31A reads as rewritten:

8 **"§ 90-113.31A. Definitions.**

9 The following definitions shall apply in this Article:

10 ...

11 (22a) ~~Provisional licensed clinical addictions specialist.~~ Licensed clinical
 12 addictions specialist associate. – A registrant who successfully completes
 13 300 hours of Board-approved supervised practical training in pursuit of
 14 licensure as a clinical addictions specialist.

15 ...

16 (26) Substance abuse professional. – A registrant, certified substance abuse
 17 counselor, substance abuse counselor intern, certified substance abuse
 18 prevention consultant, certified clinical supervisor, ~~provisional licensed~~
 19 ~~clinical addictions specialist,~~ licensed clinical addictions specialist associate,
 20 licensed clinical addictions specialist, certified substance abuse residential
 21 facility director, clinical supervisor intern, or certified criminal justice
 22 addictions professional.

23"

24 **SECTION 10.14.(f)** G.S. 90-113.42 reads as rewritten:

25 "(d) Only individuals registered, certified, or licensed under this Article may use the title
 26 "Certified Substance Abuse Counselor", "Certified Substance Abuse Prevention Consultant",
 27 "Certified Clinical Supervisor", "Licensed Clinical Addictions Specialist", "Certified Substance
 28 Abuse Residential Facility Director", "Certified Criminal Justice Addictions Professional",
 29 "Substance Abuse Counselor Intern", "~~Provisional Licensed Clinical Addictions Specialist~~",
 30 "Licensed Clinical Addictions Specialist Associate," "Clinical Supervisor Intern", or
 31 "Registrant"."

32 **SECTION 10.14.(g)** G.S. 90-113.43 reads as rewritten:

33 **"§ 90-113.43. Illegal practice; misdemeanor penalty.**

34 (a) Except as otherwise authorized in this Article, no person shall:

35 (1) Offer substance abuse professional services, practice, attempt to practice, or
 36 supervise while holding himself or herself out to be a certified substance
 37 abuse counselor, certified substance abuse prevention consultant, certified
 38 clinical supervisor, licensed clinical addictions specialist, ~~provisional~~
 39 ~~licensed clinical addictions specialist,~~ licensed clinical addictions specialist
 40 associate, certified substance abuse residential facility director, certified
 41 criminal justice addictions professional, clinical supervisor intern, substance
 42 abuse counselor intern, or registrant without first having obtained a
 43 notification of registration, certification, or licensure from the Board.

44 (2) Use in connection with any name any letters, words, numerical codes, or
 45 insignia indicating or implying that this person is a registrant, certified
 46 substance abuse counselor, certified substance abuse prevention consultant,
 47 certified clinical supervisor, licensed clinical addictions specialist, certified
 48 substance abuse residential facility director, substance abuse counselor
 49 intern, certified criminal justice addictions professional, or ~~provisional~~
 50 ~~licensed clinical addictions specialist~~ licensed clinical addictions specialist

- 1 associate unless this person is registered, certified, or licensed pursuant to
2 this Article.
- 3 (3) Practice or attempt to practice as a certified substance abuse counselor,
4 certified substance abuse prevention consultant, certified clinical supervisor,
5 licensed clinical addictions specialist, certified criminal justice addictions
6 professional, substance abuse counselor intern, ~~provisional licensed clinical~~
7 ~~addictions specialist, licensed clinical addictions specialist associate,~~ clinical
8 supervisor intern, certified substance abuse residential facility director or
9 registrant with a revoked, lapsed, or suspended certification or license.
- 10 (4) Aid, abet, or assist any person to practice as a certified substance abuse
11 counselor, certified substance abuse prevention consultant, certified criminal
12 justice addictions professional, certified clinical supervisor, licensed clinical
13 addictions specialist, certified substance abuse residential facility director,
14 registrant, substance abuse counselor intern, ~~provisional licensed clinical~~
15 ~~addictions specialist, licensed clinical addictions specialist associate,~~ or
16 clinical supervisor intern in violation of this Article.
- 17 (5) Knowingly serve in a position required by State law or rule or federal law or
18 regulation to be filled by a registrant, certified substance abuse counselor,
19 certified substance abuse prevention consultant, certified criminal justice
20 addictions professional, certified clinical supervisor, licensed clinical
21 addictions specialist, certified substance abuse residential facility director,
22 substance abuse counselor intern, ~~provisional licensed clinical addictions~~
23 ~~specialist, licensed clinical addictions specialist associate,~~ or clinical
24 supervisor intern unless that person is registered, certified, or licensed under
25 this Article.
- 26 (6) Repealed by S.L. 1997-492, s. 13.
- 27 (7) Repealed by Session Laws 2008-130, s. 6, effective July 28, 2008.
- 28 (b) A person who engages in any of the illegal practices enumerated by this section is
29 guilty of a Class 1 misdemeanor. Each act of unlawful practice constitutes a distinct and
30 separate offense."

31 32 **DISCLOSURE OF ESC DATA**

33 **SECTION 10.15.** G.S. 96-4(x)(1) reads as rewritten:

34 "(x) Confidentiality of Records, Reports, and Information Obtained from Claimants,
35 Employers, and Units of Government.

- 36 (1) Confidentiality of Information Contained in Records and Reports. – (i)
37 Except as hereinafter otherwise provided, it shall be unlawful for any person
38 to obtain, disclose, or use, or to authorize or permit the use of any
39 information which is obtained from any employing unit, individual, or unit
40 of government pursuant to the administration of this Chapter or
41 G.S. 108A-29. (ii) Any claimant or employer or their legal representatives
42 shall be supplied with information from the records of the Division to the
43 extent necessary for the proper presentation of claims or defenses in any
44 proceeding under this Chapter. Notwithstanding any other provision of law,
45 any claimant may be supplied, subject to restrictions as the Division may by
46 regulation prescribe, with any information contained in his payment record
47 or on his most recent monetary determination, and any individual, as well as
48 any interested employer, may be supplied with information as to the
49 individual's potential benefit rights from claim records. (iii) Subject to
50 restrictions as the Secretary may by regulation provide, information from the
51 records of the Division may be made available to any agency or public

1 official for any purpose for which disclosure is required by statute or
2 regulation. (iv) The Division may, in its sole discretion, permit the use of
3 information in its possession by public officials in the performance of their
4 public duties. (v) The Division may, in its sole discretion, permit the use of
5 information in its possession to an agent or contractor of a public official to
6 whom disclosure is permissible under (iv) above. (vi) The Division shall
7 release the payment and the amount of unemployment compensation
8 benefits upon receipt of a subpoena in a proceeding involving child support.
9 ~~(vi)-(vii)~~ The Division shall furnish to the State Controller any information
10 the State Controller needs to prepare and publish a comprehensive annual
11 financial report of the State or to track debtors of the State."
12

13 FALSE CLAIMS ACT

14 **SECTION 10.16.(a)** G.S. 1-606 reads as rewritten:

15 "§ 1-606. Definitions.

16 The following words and phrases when used in this act have the following meanings, unless
17 the context clearly indicates otherwise:

18 ...

19 (7) ~~"Public employee," "public official," and "public employment" includes~~
20 ~~federal, State, and local employees and officials."~~

21"

22 **SECTION 10.16.(b)** G.S. 1-608 reads as rewritten:

23 "§ 1-608. Civil actions for false claims.

24 (a) Responsibilities of the Attorney General. – The Attorney General diligently shall
25 investigate a violation under G.S. 1-607. If the Attorney General finds that a person has
26 violated or is violating G.S. 1-607, the Attorney General may bring a civil action under this
27 section against that person.

28 (b) Actions by Private Persons. – A person may bring a civil action for a violation of
29 G.S. 1-607 or under G.S. 108A-70.12 for the person and for the State, as follows:

30 (1) The action shall be brought in the name of the State, and the person bringing
31 the action shall be referred to as the qui tam plaintiff. Once filed, the action
32 may be dismissed voluntarily by the person bringing the action only if the
33 court and Attorney General have given written consent to the dismissal.

34 (2) A copy of the complaint and written disclosure of substantially all material
35 evidence and information the person possesses shall be served on the
36 Attorney General pursuant to applicable rules of the North Carolina Rules of
37 Civil Procedure. The complaint shall be filed in camera, shall remain under
38 seal for at least 120 days, and shall not be served on the defendant until the
39 court so orders. The State may elect to intervene and proceed with the action
40 within 120 days after it receives both the complaint and the material
41 evidence and information.

42 (3) The State may, for good cause shown, move the court for extensions of the
43 time during which the complaint remains under seal under subdivision (2) of
44 this subsection. Any such motions may be supported by affidavits or other
45 submissions in camera. The defendant shall not be required to respond to
46 any complaint filed under this section until 30 days after the complaint is
47 unsealed and served upon the defendant pursuant to the North Carolina
48 Rules of Civil Procedure.

49 (4) Before the expiration of the 120-day period or any extensions obtained under
50 subdivision (3) of this subsection, the State shall:

- 1 a. Proceed with the action, in which case the action shall be conducted
2 by the State; or
3 b. Notify the court that it declines to take over the action, in which case
4 the person bringing the action shall have the right to conduct the
5 action.

6 (5) When a person brings an action under this subsection, ~~the federal False~~
7 ~~Claims Act, 31 U.S.C. § 3729 et seq., or any similar provision of law in any~~
8 ~~other state,~~ no person other than the State may intervene or bring a related
9 action based on the facts underlying the pending action; ~~provided, however,~~
10 ~~that nothing in this subdivision prohibits a person from amending a pending~~
11 ~~action in another jurisdiction to allege a claim under this subsection.~~action.

12 (c) The Attorney General may retain a portion of the damages recovered for a State
13 agency out of the proceeds of the action or settlement under this Article as reimbursement for
14 costs incurred by the Attorney General in investigating and bringing a civil action under this
15 Article, including reasonable attorneys' fees and investigative costs. Retained funds shall be
16 used by the Attorney General to carry out the provisions of this Article."

17 **SECTION 10.16.(c)** G.S. 1-611 reads as rewritten:

18 **"§ 1-611. Certain actions barred.**

19 ...
20 (e) ~~No civil action may be brought under this Article by a person who is or was a public~~
21 ~~employee or public official if the allegations of such action are based substantially upon either~~
22 ~~of the following:~~

- 23 (1) ~~Allegations of wrongdoing or misconduct which such person had a duty or~~
24 ~~obligation to report or investigate within the scope of his or her public~~
25 ~~employment or office.~~
26 (2) ~~Information or records to which the person had access as a result of his or~~
27 ~~her public employment or office.~~

28 (d) ~~No court shall have jurisdiction over an action under G.S. 1-608(b) based upon the~~
29 ~~public disclosure of allegations or transactions (i) in a criminal, civil, or administrative hearing~~
30 ~~at the State or federal level, (ii) in a congressional, legislative, administrative, General~~
31 ~~Accounting Office, or State Auditor's report, hearing, audit, or investigation, or (iii) from the~~
32 ~~news media, unless the action is brought by the Attorney General, or the person bringing the~~
33 ~~action is an original source of the information. For purposes of this section, "original source"~~
34 ~~means an individual who has direct and independent knowledge of the information on which~~
35 ~~the allegations are based and has voluntarily provided the information to the State before filing~~
36 ~~an action under G.S. 1-608(b) that is based on the information.~~

37 (c) (1) The court shall dismiss an action or claim under this Article, unless opposed
38 by the State, if substantially the same allegations or transactions as alleged in
39 the action or claim were publicly disclosed:

- 40 a. In a State criminal, civil, or administrative hearing in which the State
41 or its agent is a party;
42 b. In a State legislative, Office of the State Auditor, or other State
43 report, hearing, audit, or investigation; or
44 c. From the news media,
45 unless the action is brought by the Attorney General or the person bringing
46 the action is an original source of the information.

47 (2) For purposes of this section, "original source" means an individual who
48 either:

- 49 a. Prior to a public disclosure under subsection (c)(1) of this section,
50 has voluntarily disclosed to the State the information on which
51 allegations or transactions in a claim are based, or

1 b. Who has knowledge that is independent of and materially adds to the
2 publicly disclosed allegations or transactions, and who has
3 voluntarily provided the information to the State before filing an
4 action under this Article."

5 **SECTION 10.16.(d)** G.S. 1-613 reads as rewritten:

6 **"§ 1-613. Private action for retaliation action.**

7 Any employee, contractor, or agent who is discharged, demoted, suspended, threatened,
8 harassed, or in any other manner discriminated against in the terms and conditions of
9 employment because of lawful acts done by the employee, contractor, ~~or agent on behalf of the~~
10 ~~employee, contractor, or agent~~ or associated others in furtherance of an action under this
11 ~~Article, or in furtherance of Article or other efforts to stop one or more violations of~~
12 G.S. 1-607, including investigation for, initiation of, testimony for, or assistance in an action
13 filed or to be filed under this Article, shall be entitled to all relief necessary to make the
14 employee whole. Such relief shall include reinstatement with the same seniority status the
15 employee, contractor, or agent would have had but for the discrimination, two times the amount
16 of back pay, interest on the back pay, and compensation for any special damages sustained as a
17 result of the discrimination, including litigation costs and reasonable attorneys' fees. An
18 employee, contractor, or agent may bring an action in superior court for the relief provided in
19 this section. A civil action under this section may not be brought more than three years after the
20 date when the retaliation occurred."

21
22 **REPAYMENT OF FEDERAL PORTION OF DRUG REBATES FOR CALENDAR**
23 **YEAR 2010**

24 **SECTION 10.17.** The Secretary may utilize overrealized drug rebates in the
25 Division of Medical Assistance and prior year earned revenue received for the Department of
26 Health and Human Services to repay the twenty-four million six hundred twenty-nine thousand
27 fifty-eight dollars (\$24,629,058) that is owed to the Center for Medicaid and Medicare Services
28 (CMS) for the period January 1, 2010, through December 1, 2010. States have until September
29 30, 2012, to pay CMS for the federal share of drug rebates due for the calendar year 2010 that
30 are a result of federal regulation changes due to the Affordable Care Act. In the event the
31 Department does not receive prior year earned revenues or overrealized drug rebates in the
32 amounts authorized by this section, the Department is authorized, with the approval of the
33 Director of the Budget, to utilize overrealized receipts and funds appropriated to the
34 Department to achieve the level of funding specified in this section for repayment of the federal
35 portion of the drug rebate to CMS.

36
37 **HOSPITAL NOTIFICATION OF ELIGIBILITY AND AVAILABILITY OF CHARITY**
38 **CARE**

39 **SECTION 10.18.** Hospitals are required to post notice in conspicuous places
40 throughout the hospital, including the billing office, that describe their financial assistance
41 policies and state how to apply for free and reduced-cost care. A hospital shall include on every
42 patient bill information that describes the hospital's financial assistance policy, including
43 eligibility requirements and how to apply for financial assistance. The information will also
44 include contact information for appropriate hospital staff available to help the patients
45 understand how they can apply for free and reduced-cost care.

46
47 **STUDY TO ANALYZE/DEVELOP TRANSPARENCY IN HOSPITAL BILLING**

48 **SECTION 10.19.** The sum of one hundred thousand dollars (\$100,000) is
49 appropriated to the Department of Health and Human Services for the 2012-2013 State fiscal
50 year for a study by the North Carolina Institute of Medicine (NCIOM). NCIOM shall study,
51 analyze, and develop recommendations for greater transparency in hospital billing that will lead

1 to better patients understanding of their health care costs. NCIOM will submit a final report by
2 February 15, 2013, to the Governor and the General Assembly.

4 MENTAL HEALTH CHANGES

5 SECTION 10.20. Section 10.8 of S.L. 2011-145 reads as rewritten:

6 "SECTION 10.8.(a) For the purpose of mitigating cash flow problems that many
7 nonsingle-stream local management entities (LMEs) experience at the beginning of each fiscal
8 year, the Department of Health and Human Services, Division of Mental Health,
9 Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method
10 by which allocations of service dollars are distributed to each nonsingle-stream LME. To this
11 end, the allocations shall be adjusted such that at the beginning of the fiscal year the
12 Department shall distribute not less than one-twelfth of the LME's continuation allocation and
13 subtract the amount of the adjusted distribution from the LME's total reimbursements for the
14 fiscal year.

15 "SECTION 10.8.(b) Of the funds appropriated in this act to the Department of Health and
16 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
17 Services, ~~the sum of twenty nine million one hundred twenty one thousand six hundred~~
18 ~~forty four dollars (\$29,121,644) for the 2011-2012 fiscal year and the sum of twenty thirty-nine~~
19 million one hundred twenty-one thousand six hundred forty-four dollars (\$29,121,644)
20 (\$39,121,644) for the 2012-2013 fiscal year shall be allocated for the purchase of local
21 inpatient psychiatric beds or bed days. In addition, at the discretion of the Secretary of Health
22 and Human Services, existing funds allocated to LMEs for community-based mental health,
23 developmental disabilities, and substance abuse services may be used to purchase additional
24 local inpatient psychiatric beds or bed days. In addition, at the discretion of the Secretary of
25 Health and Human Services, the Division may use up to ten percent (10%) of these funds to
26 support indigent local psychiatric beds or bed days in hospitals with the highest psychiatric care
27 rates that are not currently participating in the Three-Way Bed Contract Initiative. The
28 Secretary of the Department of Health and Human Services shall designate the hospitals and
29 the amount each hospital may receive. These beds or bed days shall be distributed across the
30 State in LME catchment areas and according to need as determined by the Department. The
31 Department shall enter into contracts with the LMEs and community hospitals for the
32 management of these beds or bed days. The Department shall work to ensure that these
33 contracts are awarded equitably around all regions of the State. Local inpatient psychiatric beds
34 or bed days shall be managed and controlled by the LME, including the determination of which
35 local or State hospital the individual should be admitted to pursuant to an involuntary
36 commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide
37 reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse
38 Services to pay for services authorized by the LMEs and billed by the hospitals through the
39 LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt
40 of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt
41 of payment from the Division. If the Department determines (i) that an LME is not effectively
42 managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days
43 in the local hospital not being utilized while demand for services at the State psychiatric
44 hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment
45 provisions of this subsection, the Department may contract with another LME to manage the
46 beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the
47 hospital directly. The Department shall develop reporting requirements for LMEs regarding the
48 utilization of the beds or bed days. Funds appropriated in this section for the purchase of local
49 inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not
50 currently funded by or through LMEs and shall not be used to supplant other funds available or
51 otherwise appropriated for the purchase of psychiatric inpatient services under contract with

1 community hospitals, including beds or bed days being purchased through Hospital Utilization
2 Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2012, the Department shall
3 report to the House of Representatives Appropriations Subcommittee on Health and Human
4 Services, the Senate Appropriations Committee on Health and Human Services, the Joint
5 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance
6 Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days
7 purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital
8 Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

9 **"SECTION 10.8.(c)** Of the funds appropriated in this act to the Department of Health and
10 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
11 Services, for mobile crisis teams, the sum of five million seven hundred thousand dollars
12 (\$5,700,000) shall be distributed to LMEs to support 30 mobile crisis teams. The new mobile
13 crisis units shall be distributed over the State according to need as determined by the
14 Department.

15 **"SECTION 10.8.(d)** The Department of Health and Human Services may create a midyear
16 process by which it can reallocate State service dollars away from LMEs that do not appear to
17 be on track to spend the LMEs' full appropriation and toward LMEs that appear able to spend
18 the additional funds."
19

20 **ADULT PROTECTIVE SERVICES PILOT**

21 **SECTION 10.21.(a)** The Department of Health and Human Services, Division of
22 Aging and Adult Services, in conjunction with county departments of social services, shall
23 implement the findings and recommendations from the Department's Adult Protective Services
24 Task Force. These findings and recommendations described as the North Carolina Vulnerable
25 Adult Protection System (VAPS) shall be implemented in up to six pilot sites across the State
26 and will be used when responding to allegations of abuse, neglect, exploitation, or substantial
27 risk of vulnerable and elder adults not previously covered by Article 6 of Chapter 108A of the
28 General Statutes. The Division of Aging and Adult Services shall consider geographic balance
29 and county population in implementing the pilot and shall use a Request for Proposal process to
30 select pilot counties. G.S. 1A-1, Rule 4, Rules of Civil Procedure, and G.S. 7A-451(a)(11),
31 7A-450, and 7A-451(9a)(11) shall apply in the pilot counties.

32 **SECTION 10.21.(b)** The Division of Aging and Adult Services shall develop data
33 collection processes and conduct an evaluation of the pilot sites to enable the General
34 Assembly to assess the impact on the following:

- 35 (1) Vulnerable and elder adult safety;
- 36 (2) Identification and protection of unserved and underserved vulnerable and
37 elder adults alleged to be abused, neglected, or exploited and those
38 vulnerable and elder adults at substantial risk of abuse, neglect, or
39 exploitation;
- 40 (3) Effectiveness of the three components of the Vulnerable Adult Protection
41 System to strengthen the State's response to allegations of abuse, neglect,
42 and exploitation or substantial risk of vulnerable and elder adults;
- 43 (4) Coordination among local human services providers and other community
44 partners;
- 45 (5) Cost-effectiveness of the Vulnerable Adult Protection System; and
- 46 (6) Improved capacity to provide protective services utilizing policies and
47 procedures developed by the Division of Aging and Adult Services for the
48 delivery of Adult Protective Services in the pilot counties.

49 **SECTION 10.21.(c)** The sum of two million three hundred seventy-five thousand
50 six hundred forty-nine dollars (\$2,375,649) appropriated to the Department of Health and
51 Human Services, Division of Aging and Adult Services, for 2012-2013 fiscal year shall be used

1 to carry out the requirements in subsections (a) and (b) of this section. The Department may
 2 use up to \$100,00 to support one FTE and an independent evaluator for the pilot initiative. Of
 3 the remaining funds, county departments of social services may use up to one million five
 4 hundred seventy-seven thousand three hundred twenty-two dollars (\$1,577,322) to hire staff to
 5 support this pilot and six hundred forty-one thousand twenty-three dollars (\$641,023) to
 6 support essential services when other funded services are not available.

7 **SECTION 10.21.(d)** It is the intent of the General Assembly that the pilot will
 8 operate for three years. The Department shall report to the Chairs of the House of
 9 Representatives Committee on Appropriations and the House of Representatives Subcommittee
 10 on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the
 11 Senate Appropriations Committee on Health and Human Services, the Joint Legislative
 12 Oversight Committee on Health and Human Services, and the Fiscal Research Division no later
 13 than October 1, 2015.

14
 15 **DHHS BLOCK GRANTS**

16 **SECTION 10.22.(a)** Appropriations from federal block grants are made for the
 17 fiscal year ending June 30, 2013, according to the following schedule:

18
 19 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**
 20 **(TANF) FUNDS**

21
 22 Local Program Expenditures

23
 24 Division of Social Services

25			
26	01.	Work First Family Assistance	\$61,671,297
27			
28	02.	Work First County Block Grants	83,386,330
29			
30	03.	Work First Electing Counties	2,378,213
31			
32	04.	Adoption Services – Special Children's Adoption Fund	2,026,877
33			
34	05.	Child Protective Services – Child Welfare	
35		Workers for Local DSS	11,533,284
36			
37	06.	Child Welfare Collaborative	632,416
38			

39 Division of Child Development

40			
41	07.	Subsidized Child Care Program	60,014,626
42			

43 Division of Public Health

44			
45	08.	Teen Pregnancy Prevention Initiatives	2,096,550
46			
47	09.	Teen Pregnancy Initiatives	377,379
48			

49 DHHS Administration

50			
51	10.	Division of Social Services	2,482,260

1		
2	11. Office of the Secretary	34,042
3		
4	Transfers to Other Block Grants	
5		
6	Division of Child Development	
7		
8	12. Transfer to the Child Care and Development Fund	79,437,674
9		
10	13. Transfer to Social Services Block Grant for Child	
11	Protective Services – Child Welfare Training in	
12	Counties	1,300,000
13		
14	14. Transfer to Social Services Block Grant for Child	
15	Protective Services	5,040,000
16		
17	15. Transfer to Social Services Block Grant for County	
18	Departments of Social Services	4,148,001
19		
20	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
21	(TANF) FUNDS	\$ 316,558,949
22		
23	TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)	
24	EMERGENCY CONTINGENCY FUNDS	
25		
26	Local Program Expenditures	
27		
28	Division of Social Services	
29		
30	01. Work First Family Assistance	\$ 6,141,103
31		
32	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)	
33	EMERGENCY CONTINGENCY FUNDS	\$ 6,141,103
34		
35	SOCIAL SERVICES BLOCK GRANT	
36		
37	Local Program Expenditures	
38		
39	Divisions of Social Services and Aging and Adult Services	
40		
41	01. County Departments of Social Services	\$ 42,160,252
42	(Transfer from TANF \$4,148,001)	
43		
44	02. Child Protective Services (Transfer from TANF)	5,040,000
45		
46	03. Adult Protective Services	1,346,047
47		
48	04. State In-Home Services Fund	2,101,113
49		
50	05. State Adult Day Care Fund	2,155,301
51		

1	06.	Child Protective Services/CPS Investigative	
2		Services-Child Medical Evaluation Program	609,455
3			
4	07.	Special Children Adoption Incentive Fund	500,000
5			
6	08.	Child Protective Services-Child Welfare Training	
7		for Counties (Transfer from TANF)	1,300,000
8			
9	09.	Home and Community Care Block Grant (HCCBG)	1,834,077
10			
11		Division of Central Management and Support	
12			
13	10.	Developmental Disabilities Services Program	4,356,604
14			
15		DHHS Program Expenditures	
16			
17		Division of Aging and Adult Services	
18			
19	11.	UNC-CARES Training Contract	247,920
20			
21		Division of Services for the Blind	
22			
23	12.	Independent Living Program	3,633,077
24			
25	13.	Accessible Electronic Information for Blind and Disabled Persons	75,000
26			
27		Division of Health Service Regulation	
28			
29	14.	Adult Care Licensure Program	411,897
30			
31	15.	Mental Health Licensure and Certification Program	205,668
32			
33		DHHS Administration	
34			
35	16.	Division of Aging and Adult Services	688,436
36			
37	17.	Division of Social Services	892,624
38			
39	18.	Office of the Secretary/Controller's Office	138,058
40			
41	19.	Office of the Secretary/DIRM	87,483
42			
43	20.	Division of Child Development	15,000
44			
45	21.	Division of Mental Health, Developmental	
46		Disabilities, and Substance Abuse Services	29,665
47			
48	22.	Division of Health Service Regulation	235,625
49			
50	23.	Office of the Secretary	48,053
51			

1	Transfers to Other Block Grants	
2		
3	Division of Public Health	
4		
5	24. Transfer to Preventive Health Services Block Grant	
6	for HIV/STD Prevention and Community Planning	145,819
7		
8	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 68,257,174
9		
10	LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	
11		
12	Local Program Expenditures	
13		
14	Division of Social Services	
15		
16	01. Low-Income Energy Assistance Program (LIEAP)	\$ 14,252,199
17		
18	02. Crisis Intervention Program (CIP)	33,255,130
19		
20	Local Administration	
21		
22	Division of Social Services	
23		
24	03. County DSS Administration	3,263,981
25		
26	DHHS Administration	
27		
28	04. Division of Social Services	81,765
29		
30	05. Division of Mental Health	11,571
31		
32	06. Office of the Secretary/DIRM	676,710
33		
34	07. Office of the Secretary/Controller's Office	16,637
35		
36	Transfers to Other State Agencies	
37		
38	Department of Commerce	
39		
40	08. Weatherization Program	8,733,987
41		
42	09. Heating Air Repair and Replacement	
43	Program (HARRP)	4,073,690
44		
45	10. Local Residential Energy Efficiency Service	
46	Providers – Weatherization	397,929
47		
48	11. Local Residential Energy Efficiency Service	
49	Providers – HARRP	185,600
50		
51	12. Department of Commerce Administration –	

1	Weatherization	397,929
2		
3	13. Department of Commerce Administration –	
4	HARRP	185,600
5		
6	Department of Administration	
7		
8	14. N.C. Commission on Indian Affairs	110,638
9		
10	TOTAL LOW-INCOME HOME ENERGY ASSISTANCE	
11	BLOCK GRANT	\$65,643,366
12		
13	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
14		
15	Local Program Expenditures	
16		
17	Division of Child Development	
18		
19	01. Subsidized Child Care Services (CCDF)	\$ 156,179,888
20		
21	02. Electronic Tracking System	4,000,000
22		
23	03. Subsidized Child Care Services	
24	(Transfer from TANF)	79,437,674
25		
26	04. Quality and Availability Initiatives	
27	(TEACH Program \$3,800,000)	26,484,816
28		
29	Division of Social Services	
30		
31	05. Local Subsidized Child Care Services Support	12,875,201
32	(3% Administrative Allowance)	
33		
34	DHHS Administration	
35		
36	Division of Child Development	
37		
38	06. DCD Administrative Expenses	6,539,277
39		
40	Division of Central Administration	
41		
42	07. DHHS Central Administration – DIRM Technical Services	774,317
43		
44	TOTAL CHILD CARE AND DEVELOPMENT FUND	
45	BLOCK GRANT	\$ 286,291,173
46		
47	MENTAL HEALTH SERVICES BLOCK GRANT	
48		
49	Local Program Expenditures	
50		
51	01. Mental Health Services – Adult	\$8,870,595

1		
2	02. Mental Health Services – Child	5,121,991
3		
4	03. Administration	100,000
5		
6	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$14,092,586
7		
8	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
9		
10	Local Program Expenditures	
11		
12	01. Substance Abuse Services – Adult	\$14,258,540
13		
14	02. Substance Abuse Treatment Alternatives for Women	6,050,300
15		
16	03. Substance Abuse Services – HIV and IV Drug	5,959,934
17		
18	04. Substance Abuse Prevention – Child	7,186,857
19		
20	05. Substance Abuse Services – Child	4,940,500
21		
22	06. Administration	250,000
23		
24	TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT	
25	BLOCK GRANT	\$38,646,131
26		
27	MATERNAL AND CHILD HEALTH BLOCK GRANT	
28		
29	Local Program Expenditures	
30		
31	Division of Public Health	
32		
33	01. Children's Health Services	\$ 7,569,221
34		
35	02. Women's Health	9,163,435
36		
37	03. Oral Health	42,268
38		
39	DHHS Program Expenditures	
40		
41	Division of Public Health	
42		
43	04. Children's Health Services	1,417,087
44		
45	05. Women's Health	136,628
46		
47	06. State Center for Health Statistics	164,829
48		
49	07. Quality Improvement in Public Health	2,774
50		
51	08. Health Promotion	89,374

1		
2	09. Office of Minority Health	41,489
3		
4	DHHS Administration	
5		
6	Division of Public Health	
7		
8	10. Division of Public Health Administration	631,966
9		
10	TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$ 19,259,071
11		
12	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
13		
14	Local Program Expenditures	
15		
16	Division of Public Health	
17		
18	01. Services to Rape Victims	\$ 180,470
19		
20	02. HIV/STD Prevention and Community Planning	145,819
21	(Transfer from Social Services Block Grant)	
22		
23	DHHS Program Expenditures	
24		
25	Division of Public Health	
26		
27	03. Services to Rape Victims	160,000
28		
29	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$ 486,289
30		
31	COMMUNITY SERVICES BLOCK GRANT	
32		
33	Local Program Expenditures	
34		
35	Office of Economic Opportunity	
36		
37	01. Community Action Agencies	\$ 18,391,445
38		
39	02. Limited Purpose Agencies	1,021,747
40		
41	DHHS Administration	
42		
43	03. Office of Economic Opportunity	1,021,747
44		
45	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 20,434,939
46		

GENERAL PROVISIONS

48 **SECTION 10.22.(b)** Information to Be Included in Block Grant Plans. – The
49 Department of Health and Human Services shall submit a separate plan for each Block Grant
50 received and administered by the Department, and each plan shall include the following:

- 1 (1) A delineation of the proposed allocations by program or activity, including
2 State and federal match requirements.
- 3 (2) A delineation of the proposed State and local administrative expenditures.
- 4 (3) An identification of all new positions to be established through the Block
5 Grant, including permanent, temporary, and time-limited positions.
- 6 (4) A comparison of the proposed allocations by program or activity with two
7 prior years' program and activity budgets and two prior years' actual program
8 or activity expenditures.
- 9 (5) A projection of current year expenditures by program or activity.
- 10 (6) A projection of federal Block Grant funds available, including unspent
11 federal funds from the current and prior fiscal years.

12 **SECTION 10.22.(c)** Changes in Federal Fund Availability. – If the Congress of the
13 United States increases the federal fund availability for any of the Block Grants or contingency
14 funds and other grants related to existing Block Grants administered by the Department of
15 Health and Human Services from the amounts appropriated in this section, the Department
16 shall allocate the increase proportionally across the program and activity appropriations
17 identified for that Block Grant in this section. In allocating an increase in federal fund
18 availability, the Office of State Budget and Management shall not approve funding for new
19 programs or activities not appropriated in this section.

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

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

31 **SECTION 10.22.(d)** Appropriations from federal Block Grant funds are made for
32 the fiscal year ending June 30, 2013, according to the schedule enacted for State fiscal year
33 2012-2013 or until a new schedule is enacted by the General Assembly.

34 **SECTION 10.22.(e)** All changes to the budgeted allocations to the Block Grants or
35 contingency funds and other grants related to existing Block Grants administered by the
36 Department of Health and Human Services that are not specifically addressed in this section
37 shall be approved by the Office of State Budget and Management, and the Office of State
38 Budget and Management shall consult with the Joint Legislative Commission on Governmental
39 Operations for review prior to implementing the changes. The report shall include an itemized
40 listing of affected programs, including associated changes in budgeted allocations. All changes
41 to the budgeted allocations to the Block Grants shall be reported immediately to the House of
42 Representatives Appropriations Subcommittee on Health and Human Services, the Senate
43 Appropriations Committee on Health and Human Services, and the Fiscal Research Division.
44 This subsection does not apply to Block Grant changes caused by legislative salary increases
45 and benefit adjustments or technical adjustments needed to liquidate an approved obligation
46 from a previous or prior fiscal year.

47 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

48 **SECTION 10.23.(a)** The sum of sixty one million six hundred seventy-one
49 thousand two hundred ninety-seven dollars (\$61,671,297) appropriated in this section in TANF
50 funds to the Department of Health and Human Services, Division of Social Services, for the
51

1 2012-2013 fiscal year shall be used for Work First County Block Grants. The Division shall
2 certify these funds in the appropriate State level services based on prior year actual
3 expenditures. The Division has the authority to realign the authorized budget for these funds
4 among the State-level services based on current year actual expenditures.

5 **SECTION 10.23.(b)** The sum of two million four hundred eighty-two thousand
6 two hundred sixty dollars (\$2,482,260) appropriated in this section in TANF funds to the
7 Department of Health and Human Services, Division of Social Services, for the 2012-2013
8 fiscal year shall be used to support administration of TANF-funded programs.

9 **SECTION 10.23.(c)** The sum of eleven million five hundred fifty-three thousand
10 two hundred eighty-four dollars (\$11,553,284) appropriated in this section to the Department of
11 Health and Human Services, Division of Social Services, in TANF funds for the 2012-2013
12 fiscal year for child welfare improvements shall be allocated to the county departments of
13 social services for hiring or contracting staff to investigate and provide services in Child
14 Protective Services cases; to provide foster care and support services; to recruit, train, license,
15 and support prospective foster and adoptive families; and to provide interstate and
16 post-adoption services for eligible families.

17 **SECTION 10.23.(d)** The sum of two million twenty-six thousand eight hundred
18 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the
19 Department of Health and Human Services, Special Children Adoption Fund, for the
20 2012-2013 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in Section
21 10.48 of S.L. 2009-451. The Division of Social Services, in consultation with the North
22 Carolina Association of County Directors of Social Services and representatives of licensed
23 private adoption agencies, shall develop guidelines for the awarding of funds to licensed public
24 and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in
25 foster care. Payments received from the Special Children Adoption Fund by participating
26 agencies shall be used exclusively to enhance the adoption services program. No local match
27 shall be required as a condition for receipt of these funds.

28 **SECTION 10.23.(e)** The sum of six hundred thirty-two thousand four hundred
29 sixteen dollars (\$632,416) appropriated in this section to the Department of Health and Human
30 Services in TANF funds for the 2012-2013 fiscal year shall be used to continue support for the
31 Child Welfare Collaborative.

32 **SOCIAL SERVICES BLOCK GRANT**

33 **SECTION 10.24.(a)** The sum of forty-two million one hundred sixty thousand two
34 hundred fifty-two dollars (\$42,160,252) appropriated in this section in the Social Services
35 Block Grant to the Department of Health and Human Services, Division of Social Services, for
36 the 2012-2013 fiscal year shall be used for County Block Grants. The Division shall certify
37 these funds in the appropriate State-level services based on prior year actual expenditures. The
38 Division has the authority to realign the authorized budget for these funds among the
39 State-level services based on current year actual expenditures.

40 **SECTION 10.24.(b)** The sum of one million three hundred thousand dollars
41 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department
42 of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall
43 be used to support various child welfare training projects as follows:

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

47 **SECTION 10.24.(c)** The Department of Health and Human Services is authorized,
48 subject to the approval of the Office of State Budget and Management, to transfer Social
49 Services Block Grant funding allocated for departmental administration between divisions that
50 have received administrative allocations from the Social Services Block Grant.
51

1 **SECTION 10.24.(d)** Social Services Block Grant funds appropriated for the
2 Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

3 **SECTION 10.24.(e)** The sum of five million forty thousand dollars (\$5,040,000)
4 appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year
5 shall be allocated to the Department of Health and Human Services, Division of Social
6 Services. The Division shall allocate these funds to local departments of social services to
7 replace the loss of Child Protective Services State funds that are currently used by county
8 governments to pay for Child Protective Services staff at the local level. These funds shall be
9 used to maintain the number of Child Protective Services workers throughout the State. These
10 Social Services Block Grant funds shall be used to pay for salaries and related expenses only
11 and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent
12 (25%).

13 **SECTION 10.24.(f)** The sum of seventy-five thousand dollars (\$75,000)
14 appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to
15 the Department of Health and Human Services, Division of Services for the Blind, shall be
16 used to provide accessible electronic information for blind and disabled persons. These funds
17 are exempt from the provisions of 10A NCAC 71R .0201(3).

18 **LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

19 **SECTION 10.25.(a)** Additional emergency contingency funds received may be
20 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
21 consultation with the Joint Legislative Commission on Governmental Operations. Additional
22 funds received shall be reported to the Joint Legislative Commission on Governmental
23 Operations and the Fiscal Research Division upon notification of the award. The Department of
24 Health and Human Services shall not allocate funds for any activities, including increasing
25 administration, other than assistance payments, without prior consultation with the Joint
26 Legislative Commission on Governmental Operations.

27 **SECTION 10.25.(b)** The sum of fourteen million two hundred fifty-two thousand
28 one hundred ninety-nine dollars (\$14,252,199) appropriated in this section in the Low-Income
29 Home Energy Assistance Block Grant for the 2012-2013 fiscal year to the Department of
30 Health and Human Services, Division of Social Services, shall be used for energy assistance
31 payments for the households of (i) elderly persons age 60 and above with income up to one
32 hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for
33 services funded through the Division of Aging and Adult Services. County departments of
34 social services shall submit to the Division of Social Services an outreach plan for targeting
35 households with 60-year-old household members no later than August 1 of each year.
36
37

38 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

39 **SECTION 10.26.(a)** The sum of one million four hundred ninety-seven thousand
40 dollars (\$1,497,000) appropriated in this section in the Maternal and Child Health Block Grant
41 for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of
42 Public Health, shall be used to fund the following activities as indicated:

- 43 (1) March of Dimes, to provide folic acid and education for women before
44 pregnancy to reduce birth defects and infant mortality, the sum of three
45 hundred fifty thousand dollars (\$350,000).
- 46 (2) Teen Pregnancy Prevention, the sum of six hundred fifty thousand dollars
47 (\$650,000).
- 48 (3) Healthy Start/Safe Sleep, the sum of two hundred forty-seven thousand
49 dollars (\$247,000).
- 50 (4) Perinatal Quality Collaborative of North Carolina, the sum of two hundred
51 fifty thousand dollars (\$250,000).

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES****AMEND CLEAN WATER MANAGEMENT TRUST FUND**

SECTION 12.1. Section 13.26 of S.L. 2011-145 reads as rewritten:

"...

"SECTION 13.26.(c) The funds appropriated in this act to the Clean Water Management Trust Fund shall be allocated as follows:

- (1) Notwithstanding the provisions of G.S. 113A-253(d), the sum of three million dollars (\$3,000,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs of administering the Clean Water Management Trust Fund, including costs to support the Board of Trustees of the Clean Water Management Trust Fund and its staff, the operating costs of the Board of Trustees of the Clean Water Management Trust Fund and its staff, and the costs of making debt payments to retire debt as provided under G.S. 113A-253(c);
- (2) Notwithstanding the provisions of G.S. 113A-253(c) and G.S. 113A-254, the sum of one million five hundred thousand dollars (\$1,500,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for State matching funds for the Readiness and Environmental Protection Initiative and any other United States Department of Defense program that provides for military buffers and protects the overall military training mission; and
- (3) ~~The sum of six million two hundred thousand dollars (\$6,250,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs for wastewater projects, water quality restoration projects, minigrants, conservation easements, and stormwater projects consistent with the provisions of Article 18 of Chapter 113A of the General Statutes.~~

~~**"SECTION 13.26.(d)** The funds allocated under subdivision (1) and subdivision (3) of subsection (c) of this section shall not be used for land acquisition; however, the funds allocated under subdivision (3) of subsection (c) of this section may be used to purchase conservation easements. Notwithstanding the provisions of G.S. 113A-253(e) and G.S. 113A-254, the funds allocated under subdivision (2) of subsection (c) of this section may be used for land acquisition.~~

~~**"SECTION 13.26.(e)** Any funds that become available to the Clean Water Management Trust Fund during the 2011-2012 fiscal year and the 2012-2013 fiscal year that are in excess of the funds allocated under subsection (c) of this section for that fiscal year shall be used as provided in subdivision (1) and subdivision (3) of subsection (c) of this section.~~

~~**"SECTION 13.26.(e2)** Any funds not needed to implement subdivision (1) under subsection (c1) of this section and any other funds that become available to the Clean Water Management Trust Fund during the 2012-2013 fiscal year may be used in accordance with G.S. 113A-253(c).~~

CLEAN WATER STATE REVOLVING FUND

SECTION 12.2. The Department of Environment and Natural Resources may use interest earned on its loan origination fee fund to provide the twenty percent (20%) State match needed to draw down the maximum available federal funds for the Clean Water State Revolving Fund. The U.S. EPA has given the Department permission to use the interest on these funds for the State match.

DRINKING WATER STATE REVOLVING FUND

SECTION 12.3. Notwithstanding the provisions of Chapter 159G of the General Statutes, within the Water Infrastructure Fund established under 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 to be used to match maximum available federal grant moneys authorized by section 1453 of the federal Safe Drinking Water Act of 1996 for the 2012-2013 fiscal year.

PART XIII. DEPARTMENT OF COMMERCE**COMPREHENSIVE REEMPLOYMENT INITIATIVE**

SECTION 13.1. There is appropriated from the Worker Training Trust Fund to the North Carolina Department of Commerce, Division of Workforce Solutions, the sum of five million dollars (\$5,000,0000) for the 2012-2013 fiscal year to fund a Comprehensive Reemployment Initiative to move unemployment insurance recipients to employment. The goal of the initiative shall be to reduce the length of time unemployed workers receive unemployment benefits, reduce the State's debt to the federal government, move the Reserve Fund toward solvency, and guide and assist benefit recipients toward employment in demand occupations. The initiative shall include requirements that:

- (1) Unemployment insurance benefit recipients participate in a reemployment assessment and eligibility process shortly after their receipt of initial benefit payments.
- (2) Results of the assessment be used to develop a reemployment plan for the recipient.
- (3) The reemployment plan include assistance from among the following areas:
 - a. Intensive job search and placement services.
 - b. Career Readiness Certification and related training.
 - c. Career counseling.
 - d. Support for short-term training in demand occupations at community colleges.
 - e. Placement in work-based learning opportunities to include Opportunity NC, on-the-job training, work experience, and internships.
 - f. Support services to include transportation and child care assistance.
- (4) Performance metrics be established and tracked to gauge effectiveness and impact.

The Department of Commerce, Division of Workforce Solutions, shall develop and implement the Reemployment Initiative in consultation with the Department of Community Colleges, the North Carolina Commission on Workforce Development, and the Department of Commerce, Division of Employment Services. Funds for the initiative may be used to maintain and expand the Opportunity NC program, administer assessment tools, including the Career Readiness Certification, support Community College 12-in-6 training opportunities, raise public awareness of demand occupations, and provide necessary staffing support. Other resources from State and federal funds may leverage these funds in support of this initiative, including federal Workforce Investment Act funds, federal reemployment grant funds, and State employment security reserve funds.

NER BLOCK GRANTS

SECTION 13.2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	\$ 1,275,000
02.	Scattered Site Housing	13,200,000
03.	Economic Development	7,596,000
04.	Small Business/Entrepreneurship	1,875,000
05.	NC Catalyst	10,000,000
06.	Infrastructure	7,554,000
07.	Capacity Building	1,000,000

TOTAL COMMUNITY DEVELOPMENT

BLOCK GRANT – 2013 Program Year \$ 42,500,000

SECTION 13.2.(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 13.2.(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 13.2.(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: (i) up to one million two hundred seventy-five thousand dollars (\$1,275,000) may be used for State Administration; (ii) up to thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered Site Housing; (iii) up to seven million five hundred ninety-six thousand dollars (\$7,596,000) may be used for Economic Development; (iv) up to one million eight hundred seventy-five thousand dollars (\$1,875,000) may be used for Small Business/Entrepreneurship; (v) up to ten million dollars (\$10,000,000) may be used for NC Catalyst; (vi) up to seven million five hundred fifty-four thousand dollars (\$7,554,000) may be used for Infrastructure; and (vii) up to one million dollars (\$1,000,000) 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 13.2.(e) Increase Capacity for Nonprofit Organizations. – Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

SECTION 13.2.(f) 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 (1) A reallocation is required because of an emergency that poses an imminent
2 threat to public health or public safety, the Director of the Budget may
3 authorize the reallocation without consulting the Commission. The
4 Department of Commerce shall report to the Commission on the reallocation
5 no later than 30 days after it was authorized and shall identify in the report
6 the emergency, the type of action taken, and how it was related to the
7 emergency.
- 8 (2) The State will lose federal block grant funds or receive less federal block
9 grant funds in the next fiscal year unless a reallocation is made, the
10 Department of Commerce shall provide a written report to the Commission
11 on the proposed reallocation and shall identify the reason that failure to take
12 action will result in the loss of federal funds. If the Commission does not
13 hear the issue within 30 days of receipt of the report, the Department may
14 take the action without consulting the Commission.

15
16 **INCREASE TECHNICAL ASSISTANCE FOR STATE COMMUNITY**
17 **DEVELOPMENT BLOCK GRANT PROGRAM**

18 **SECTION 13.3.** There is appropriated from the CDBG Revolving Loan Fund
19 (Budget Code 64616, Fund 6416) the sum of one million seven hundred thousand dollars
20 (\$1,700,000) to establish a Technical Assistance Fund within the Department of Commerce's
21 Division of Community Development to help build State and local capacity to implement
22 Community Development Block Grant (CDBG) activities. The primary purpose of the
23 Technical Assistance Fund is to provide hands-on assistance to local governments to increase
24 the State's drawdown rate of CDBG funds from the U.S. Department of Housing and Urban
25 Development (HUD). Fund uses are limited to what is allowed under section 105 (a)(19) of the
26 Housing and Community Development Act of 1974, as amended, for the provision of technical
27 and advisory services, including training; development and distribution of technical
28 information; and other methods of demonstrating and making available skills, information, and
29 knowledge to assist units of general local government in planning, developing, administering,
30 or assessing assistance related to CDBG funding.

31
32 **DEPARTMENT OF COMMERCE, EMPLOYMENT SECURITY AND**
33 **UNEMPLOYMENT INSURANCE FUNDS**

34 **SECTION 13.4.(a)** Funds from the Employment Security Commission Reserve
35 Fund shall be available to the Department of Commerce to use as collateral to secure federal
36 funds and to pay the administrative costs associated with the collection of the Employment
37 Security Commission Reserve Fund surcharge. The total administrative costs paid with funds
38 from the Reserve in the 2012-2013 fiscal year shall not exceed two million five hundred
39 thousand dollars (\$2,500,000).

40 **SECTION 13.4.(b)** There is appropriated from the Employment Security
41 Commission Reserve Fund to the Department of Commerce the sum of twenty million dollars
42 (\$20,000,000) for the 2012-2013 fiscal year to be used for the following purposes:

- 43 (1) \$19,500,000 for the operation and support of local Employment Security
44 offices.
- 45 (2) \$200,000 to operate the system that tracks former participants in State
46 education and training programs.
- 47 (3) \$300,000 to maintain compliance with Chapter 96 of the General Statutes,
48 which directs the Department of Commerce to employ the Common
49 Follow-Up Management Information System to evaluate the effectiveness of
50 the State's job training, education, and placement programs.

1 **SECTION 13.4.(c)** There is appropriated from the Employment Security
2 Commission Reserve Fund to the Department of Commerce an amount not to exceed one
3 million dollars (\$1,000,000) for the 2012-2013 fiscal year to fund State initiatives not currently
4 funded through federal grants.

5 **SECTION 13.4.(d)** There is appropriated from the Worker Training Trust Fund to
6 the Department of Commerce the sum of one million dollars (\$1,000,000) for the 2012-2013
7 fiscal year to fund "Opportunity NC," which provides work-based training opportunities to
8 recipients of unemployment insurance benefits. Opportunity NC must meet all of the following
9 factors:

- 10 (1) The training, even though it includes actual operation of the facilities of the
11 employer, is similar to what would be given in a vocational school or
12 academic educational instruction.
- 13 (2) The training is for the benefit of the trainee.
- 14 (3) The trainees do not displace regular employees, but work under their close
15 observation.
- 16 (4) The employer who provides the training derives no immediate advantage
17 from the activities of the trainees, and, on occasion, the employer's
18 operations may actually be impeded.
- 19 (5) The trainees are not necessarily entitled to a job at the conclusion of the
20 training period.
- 21 (6) The employer and the trainees understand that the trainees are not entitled to
22 wages for the time spent in training.

23 **SECTION 13.4.(e)** Of the funds credited to and held in the State of North
24 Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the
25 United States pursuant to and in accordance with section 903 of the Social Security Act and
26 pursuant to Title II of Division B of P.L. 111-5, the Assistance for Unemployed Workers and
27 Struggling Families Act, the Department of Commerce may expend the sum of two hundred
28 five million sixty-three thousand five hundred fifty-two dollars (\$205,063,552) as follows: (i)
29 one hundred million dollars (\$100,000,000) shall be used to design and build the integrated
30 unemployment insurance benefit and tax accounting system, and (ii) the remaining funds shall
31 be used for the operation of the unemployment insurance program.

32 **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS ALLOCATIONS**

33 **SECTION 13.5.(a)** Funds appropriated in this act to the Department of Commerce
34 for regional economic development commissions shall be allocated to the following
35 commissions in accordance with subsection (b) of this section: Western North Carolina
36 Regional Economic Development Commission, Research Triangle Regional Partnership,
37 Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad
38 Partnership, Northeastern North Carolina Regional Economic Development Commission,
39 North Carolina's Eastern Region Economic Development Partnership, and Carolinas
40 Partnership, Inc.

41 **SECTION 13.5.(b)** Funds appropriated pursuant to subsection (a) of this section
42 shall be allocated to each regional economic development commission as follows:

- 43 (1) First, the Department shall establish each commission's allocation by
44 determining the sum of allocations to each county that is a member of that
45 commission. Each county's allocation shall be determined by dividing the
46 county's development factor by the sum of the development factors for
47 eligible counties and multiplying the resulting percentage by the amount of
48 the appropriation. As used in this subdivision, the term "development factor"
49 means a county's development factor as calculated under G.S. 143B-437.08;
50 and
51

- 1 (2) Next, the Department shall subtract from funds allocated to the North
2 Carolina's Eastern Region Economic Development Partnership the sum of
3 one hundred seventy-four thousand eight hundred ninety dollars (\$174,890)
4 in the 2012-2013 fiscal year, which sum represents (i) the total interest
5 earnings in the prior fiscal year on the estimated balance of the seven million
6 five hundred thousand dollars (\$7,500,000) appropriated to the Global
7 TransPark Development Zone in Section 6 of Chapter 561 of the 1993
8 Session Laws and (ii) the total interest earnings in the prior fiscal year on
9 loans made from the seven million five hundred thousand dollars
10 (\$7,500,000) appropriated to the Global TransPark Development Zone in
11 Section 6 of Chapter 561 of the 1993 Session Laws; and
- 12 (3) Next, the Department shall redistribute the sum of one hundred seventy-four
13 thousand eight hundred ninety dollars (\$174,890) in the 2012-2013 fiscal
14 year to the seven regional economic development commissions named in
15 subsection (a) of this section. Each commission's share of this redistribution
16 shall be determined according to the development factor formula set out in
17 subdivision (1) of this subsection. This redistribution shall be in addition to
18 each commission's allocation determined under subdivision (1) of this
19 subsection.

20 **SECTION 13.5.(c)** No more than one hundred thousand dollars (\$100,000) in State
21 funds shall be used for the annual salary of any one employee of a regional economic
22 development commission.
23

24 **USE OF TVA SETTLEMENT FUNDS**

25 **SECTION 13.6** Funds received by the State pursuant to the provisions of
26 paragraphs 122-128 inclusive of the Consent Decree entered into by the State in *State of*
27 *Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in the United States
28 District Court for the Eastern District of Tennessee are appropriated to the Department of
29 Commerce. These funds, eleven million two hundred thousand dollars (\$11,200,000) in all and
30 expected to total approximately two million dollars (\$2,000,000) annually for a period of five
31 years, shall be used exclusively to award grants for "Environmental Mitigation Projects" of the
32 types specified in the Consent Decree. The Secretary of Commerce shall develop a competitive
33 grant application process and guidelines in consultation with the Energy Policy Council, and
34 may make awards to local government agencies and nonprofits. The process shall include best
35 efforts to identify and a nonexclusive preference to fund projects located in TVA's power
36 service area or the Tennessee River watershed in Western North Carolina as provided in
37 paragraph 125 of the Consent Decree. Beginning October 1, 2012, and annually thereafter until
38 the funds are expended, the Department of Commerce shall submit a report to the Office of
39 State Budget and Management and the Fiscal Research Division containing the following
40 information about each grant awarded: (i) the name and location of the grant recipient; (ii) a
41 description of the project; (iii) the purpose of the grant award under the Consent Decree; (iv)
42 the performance period of the grant award; and (v) the amount of funds awarded.
43

44 **ENERGY EFFICIENT VALUATION**

45 **SECTION 13.7.(a)** Effective July 1, 2015, Chapter 93E of the General Statutes is
46 amended by adding a new section to read:

47 **"§ 93E-1-15. Green or energy efficient valuation in residential properties.**

48 All licensed appraisers in North Carolina shall use the Appraisal Institute Form 820.03:
49 Residential Green and Energy Efficient Addendum to value green or energy efficient features
50 in residential properties."

1 **SECTION 13.7.(b)** The Department of Commerce, North Carolina Energy Office,
2 may, from funds available to the Office, use up to two hundred thousand dollars (\$200,000) in
3 2012-2013 fiscal year for mini-grants for training of realtors and appraisers on how to value
4 energy consumption reduction features in buildings as well as to update MLS systems in the
5 State to capture the energy efficient data of a house.

6 7 **INCREASE JDIG FEES**

8 **SECTION 13.8.(a)** G.S. 143B-435.55(b) reads as rewritten::

9 "(b) Application Fee. – When filing an application under this section, the business must
10 pay the Committee a fee of ~~five thousand dollars (\$5,000)~~ seven thousand five hundred dollars
11 (\$7,500). The fee is due at the time the application is filed. The Secretary of Commerce, the
12 Secretary of Revenue, and the Director of the Office of State Budget and Management shall
13 determine the allocation of the fee imposed by this section among their agencies. The proceeds
14 of the fee are receipts of the agency to which they are credited."

15 **SECTION 13.8.(b)** G.S. 143B-437.58(a) reads as rewritten:

16 "(a) No later than March 1 of each year, for the preceding grant year, every business that
17 is awarded a grant under this Part shall submit to the Committee an annual payroll report
18 showing withholdings as a condition of its continuation in the grant program and identifying
19 eligible positions that have been created during the base period that remain filled at the end of
20 each year of the grant. Annual reports submitted to the Committee shall include social security
21 numbers of individual employees identified in the reports. Upon request of the Committee, the
22 business shall also submit a copy of its State and federal tax returns. Payroll and tax
23 information, including social security numbers of individual employees and State and federal
24 tax returns, submitted under this subsection is tax information subject to G.S. 105-259.
25 Aggregated payroll or withholding tax information submitted or derived under this subsection
26 is not tax information subject to G.S. 105-259. When making a submission under this section,
27 the business must pay the Committee a fee of ~~one thousand five hundred dollars (\$1,500)~~ two
28 thousand five hundred dollars (\$2,500). The fee is due at the time the submission is made. The
29 Secretary of Commerce, the Secretary of Revenue, and the Director of the Office of State
30 Budget and Management shall determine the allocation of the fee imposed by this section
31 among their agencies. The proceeds of the fee are receipts of the agency to which they are
32 credited."

33 34 **ONE NORTH CAROLINA FUND**

35 **SECTION 13.9.** Of the funds appropriated in this act to the One North Carolina
36 Fund for the 2012-2013 fiscal year, the Department of Commerce may use up to two hundred
37 fifty thousand dollars (\$250,000) to cover its expenses in administering the One North Carolina
38 Fund and other economic development incentive grant programs during the 2012-2013 fiscal
39 year. The Department of Commerce shall not use more than two hundred fifty thousand dollars
40 (\$250,000) for administrative costs in any one fiscal year.

41 42 **NORTH CAROLINA BIOTECHNOLOGY CENTER**

43 **SECTION 13.10.** Section 14.15 of S.L. 2011-145 reads as rewritten:

44 "**SECTION 14.15.(a)** Of the funds appropriated in this act to the North Carolina
45 Biotechnology Center (Center), the sum of ~~seventeen million five hundred fifty one thousand~~
46 ~~seven hundred ten dollars (\$17,551,710)~~ eighteen million seventy-six thousand seven hundred
47 ten dollars (\$18,076,710) for ~~each fiscal year in the 2011-2013 biennium~~ the 2012-2013 fiscal
48 year shall be allocated as follows:

- 49 (1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development,
50 Regional Offices and Statewide Development, and related activities –
51 \$3,779,721;\$4,079,721.

- 1 (2) Science and Commercialization: Science and Technology Development,
2 Centers of Innovation, Business and Technology Development, Education
3 and Training, and related activities – ~~\$11,360,700; and \$11,580,700.~~
4 (3) Center Operations: Administration, Professional and Technical Assistance
5 and Oversight, Corporate Communications, Human Resource Management,
6 Financial and Grant Administration, Legal, and Accounting – \$2,411,289.

7 **"SECTION 14.15.(b)** Except to provide administrative flexibility, up to ten percent (10%)
8 of each of the allocations in subsection (a) of this section may be reallocated to one or more of
9 the other allocations in subsection (a) of this section if, in the judgment of Center management,
10 the reallocation will advance the mission of the Center.

11 **"SECTION 14.15.(c)** The Center shall comply with the following reporting requirements:

- 12 (1) By September 1 of each year, and more frequently as requested, report to the
13 Joint Legislative Commission on Governmental Operations and the Fiscal
14 Research ~~Division—~~Division, and the Office of State Budget and
15 Management on prior State fiscal year program activities, objectives, and
16 accomplishments and prior State fiscal year itemized expenditures and fund
17 sources.
18 (2) Provide to the Fiscal Research Division a copy of the Center's annual audited
19 financial statement within 30 days of issuance of the statement.

20 **"SECTION 14.15.(d)** Remaining allotments after September 1 shall not be released to the
21 Center if it does not satisfy the reporting requirements provided in subsection (b) of this
22 section.

23 **"SECTION 14.15.(e)** Beginning in fiscal year 2012-2013, no more than one hundred
24 twenty thousand dollars (\$120,000) in State funds shall be used for the annual salary of any one
25 employee of the Center."
26

27 **RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM**

28 **SECTION 13.11.** Of the funds appropriated in this act to the North Carolina Rural
29 Economic Development Center, Inc., the sum of five million dollars (\$5,000,000) for the
30 2012-2013 fiscal year shall be used to provide grant funding for critically needed water and
31 wastewater projects located in rural counties and to fund crisis projects in which a public
32 drinking water supply is contaminated with pollutants that constitute an acute health hazard or a
33 public drinking water supply is facing the loss of its water supply due to the depletion of
34 ground water or surface water sources.
35

36 **RURAL CENTER/RURAL JOBS FUND**

37 **SECTION 13.12.** Section 14.20 of S.L. 2011-145 reads as rewritten:

38 **"SECTION 14.20.(a)** Appropriation. – There is appropriated from the General Fund to the
39 North Carolina Rural Economic Development Center, Inc., (Rural Center) the sum of ~~five~~
40 ~~million dollars (\$5,000,000)~~ twenty million dollars (\$20,000,000) for the 2011-2012 fiscal year
41 in nonrecurring funds and the sum of five million dollars (\$5,000,000) for the 2012-2013 fiscal
42 year in nonrecurring funds to be used to provide grants to local government units for
43 infrastructure needs as provided in this section.
44

45 **"SECTION 14.20.(i)** Reports. – By September 1 of each year, and more frequently as
46 requested, the Rural Center shall report to the Joint Legislative Commission on Governmental
47 ~~Operations and Operations,~~ the Fiscal Research ~~Division—~~Division, and the Office of State
48 Budget and Management concerning the progress of the emergency Rural Jobs Infrastructure
49 Grant program created under the provisions of this section."
50

51 **INDUSTRIAL COMMISSION STATUTORY CHANGES**

1 **SECTION 13.13.(a)** G.S. 58-36-16 reads as rewritten:

2 "**§ 58-36-16. Bureau to share information with Department of Labor.**

3 The Bureau shall provide to the Department of Labor and the North Carolina Industrial
4 Commission information from the Bureau's records indicating each employer's experience rate
5 modifier established for the purpose of setting premium rates for workers' compensation
6 insurance and the name and business address of each employer whose workers' compensation
7 coverage is provided through the assigned-risk pool pursuant to G.S. 58-36-1. Information
8 provided to the Department of Labor and the North Carolina Industrial Commission with
9 respect to experience rate modifiers shall include the name of the employer and the employer's
10 most current intrastate or interstate experience rate modifier. The information provided to the
11 Department and Commission under this section shall be confidential and not open for public
12 inspection. The Bureau shall be immune from civil liability for erroneous information released
13 by the Bureau pursuant to this section, provided that the Bureau acted in good faith and without
14 malicious or ~~wilful~~ willful intent to harm in releasing the erroneous information."

15 **SECTION 13.13.(b)** Article 36 of Chapter 58 of the General Statutes is amended
16 by adding a new section to read:

17 "**§ 58-36-16.1. Additional information to be shared with the North Carolina Industrial**
18 **Commission.**

19 The Bureau shall provide to the North Carolina Industrial Commission, from the Bureau's
20 records, each employer's name, business address, phone number, and all subsidiaries thereof
21 which have workers' compensation policies provided through the assigned risk pool pursuant to
22 G.S. 58-36-1 or which voluntarily provide the above listed information by means other than the
23 assigned risk pool. Workers' compensation policy information provided to the North Carolina
24 Industrial Commission shall include the name of each employer's workers' compensation
25 carrier, third-party administrator, self-insured fund, or Professional Employer Organization
26 (PEO). Policy information shall also include the employer's workers' compensation policy
27 number, Federal Employer Identification Number (FEIN), Employer Identification Number
28 (EIN) policy effective dates, including initiation, expiration, reinstatement, cancellation dates,
29 and all endorsements and renewals. The information provided to the North Carolina Industrial
30 Commission under this section shall be confidential and not open for public inspection. The
31 Bureau shall be immune from civil liability for erroneous information released by the Bureau
32 pursuant to this section, provided that the Bureau acted in good faith and without malicious or
33 willful intent to harm in releasing the erroneous information."

34 35 **PART XIV. DEPARTMENT OF CULTURAL RESOURCES**

36 37 **RECEIPTS FROM PRIVATE DONATIONS ADDED TO SPECIAL REVENUE FUND**

38 **SECTION 14.1.** G.S. 121-7.7(a) reads as rewritten:

39 "**§ 121-7.7. State Historic Sites ~~and Museums~~ special fund.**

40 (a) Fund. – The State Historic Sites and Museums Fund is created as a special,
41 interest-bearing revenue fund in the Division of State Historic ~~Sites~~ Sites and the Division of
42 State History Museums. The Fund consists of all receipts derived from the lease or rental of
43 property or facilities, disposition of structures or products of the land, private donations, and
44 admissions and fees collected at the State Historic ~~Sites~~ Sites and State History and Maritime
45 Museums. The revenues in the Fund may be used only for the operation, interpretation,
46 maintenance, preservation, development, and expansion of the individual State Historic Site
47 and Museum where the receipts are generated. The Division and the staff from each State
48 Historic Site and Museum will determine how the funds will be used at that Historic Site."

49 50 **PART XV. JUDICIAL DEPARTMENT**

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 15.1. Section 15.4 of S.L. 2011-145 reads as rewritten:

"**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, ~~2011, 2012,~~ for the purchase or repair of office or information technology equipment during the ~~2011-2012-2012-2013~~ fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental ~~Operations and Operations,~~ the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public ~~Safety Safety,~~ and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases".

PART XVI. DEPARTMENT OF JUSTICE**PART XVII. DEPARTMENT OF PUBLIC SAFETY****TECHNICAL REVOCATION CENTER STUDY**

SECTION 17.1. The Department of Public Safety, Adult Correction Division, shall study the feasibility of creating a Technical Violation Center (Center) to house probationers ordered to serve a period of 90 days in confinement due to a technical violation of the condition of their probation. The study would determine the feasibility and cost-effectiveness of using a Center operated by Community Corrections for confinements resulting from technical corrections rather than placing the probationers in State prisons. The Department shall report its findings and recommendations to the Office of State Budget and Management and the Joint Appropriations Subcommittee for Justice and Public Safety no later than January 1, 2013.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 17.2. Section 17.1 of S.L. 2011-145 reads as rewritten:

"**SECTION 17.1.** Funds appropriated in this act to the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of Public Safety, Division of Juvenile Justice, for the ~~2011-2012-2012-2013~~ fiscal year 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 Juvenile Justice and Delinquency Prevention~~ 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~~ Department of Public Safety, Division of Juvenile Justice, 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 ~~2011-2012-2012-2013~~ fiscal year, the amount of funds anticipated for the ~~2012-2013-2013-2014~~ fiscal year, and the allocation of funds by program and purpose."

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 17.3.(a) Section 17.4 of S.L. 2011-145 reads as rewritten:

"**SECTION 17.4.(a)** On or before October 1 of each year, the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of Public Safety, Division of Juvenile Justice, shall submit to the Joint Legislative Commission on Governmental Operations and the Appropriations Committees of the Senate and House of Representatives a list of the recipients

1 of the grants awarded, or preapproved for award, from funds appropriated to the Department
2 for local Juvenile Crime Prevention Council (JCPC) grants, including the following:

- 3 (1) The amount of the grant awarded.
- 4 (2) The membership of the local committee or council administering the award
5 funds on the local level.
- 6 (3) The type of program funded.
- 7 (4) A short description of the local services, programs, or projects that will
8 receive funds.
- 9 (5) Identification of any programs that received grant funds at one time but for
10 which funding has been eliminated by the Department.
- 11 (6) The number of at-risk, diverted, and adjudicated juveniles served by each
12 county.
- 13 (7) The Department's actions to ensure that county JCPCs prioritize funding for
14 dispositions of intermediate and community-level sanctions for
15 court-adjudicated juveniles under minimum standards adopted by the
16 Department.
- 17 (8) The total cost for each funded program, including the cost per juvenile and
18 the essential elements of the program.

19 An electronic copy of the list and other information regarding the projects shall also
20 be sent to the Fiscal Research Division of the General Assembly.

21 "**SECTION 17.4.(b)** Of the funds appropriated by this act for the ~~2011-2012-2012-2013~~
22 fiscal year to the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of
23 Public Safety, Division of Juvenile Justice, for Juvenile Crime Prevention Council grants, the
24 sum of one hundred twenty-one thousand six hundred dollars (\$121,600) shall be transferred to
25 Project Challenge North Carolina, Inc., to be used for the continued support of Project
26 Challenge programs throughout the State."
27

28 **PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY** 29 **PREVENTION**

30 **PART XIX. DEPARTMENT OF CORRECTION**

31 **PART XX. DEPARTMENT OF ADMINISTRATION**

32 **STERILIZATION VICTIMS COMPENSATION**

33 **SECTION 20.1.** The Justice for Sterilization Victims Foundation (JSVF) is
34 continued through June 30, 2017, in the Department of Administration for the purposes of
35 verifying the victims who were sterilized by the State Eugenics Board; for safeguarding the
36 victims' records; for administering the program to grant compensation as established by the
37 State; for overseeing the design and development of an outreach program to ensure victims are
38 made aware of the compensation program and that other citizens learn about the history of the
39 former eugenics program to ensure no future State-sponsored program will happen again; and,
40 finally, for assessing and designing a method to ensure mental health and supportive services
41 are available to the victims.
42

43 **AMEND ADVISORY COMMISSION ON MILITARY AFFAIRS**

44 **SECTION 20.2.** G.S. 127C-2 reads as rewritten:

45 **"§ 127C-2. Membership.**

46 (a) The North Carolina Advisory Commission on Military Affairs shall consist of 21
47 voting members, who shall serve on the Executive Committee, and ~~17~~21 nonvoting, ex officio
48 members who shall serve by reason of their positions.
49
50
51

- 1 (b) The Executive Committee shall be appointed as follows:
- 2 (1) Three members appointed by the Speaker of the House of Representatives,
3 one of whom shall be a member of a recognized veterans' organization.
- 4 (2) Three members appointed by the President Pro Tempore of the Senate, one
5 of whom shall be a member of a recognized veterans' organization.
- 6 (3) Fifteen members appointed by the Governor, consisting of:
- 7 a. Three representatives from the Jacksonville community.
- 8 b. Three representatives from the Havelock community.
- 9 c. Three representatives from the Goldsboro community.
- 10 d. Three representatives from the Fayetteville community.
- 11 e. Three public members from across the State.
- 12 (c) The following members, or their designee, shall serve ex officio:
- 13 (1) The Lieutenant Governor.
- 14 (1a) Secretary of Public Safety.
- 15 (2) Secretary of Commerce.
- 16 (2a) The Secretary of Transportation.
- 17 (2b) The Secretary of the Department of Environment and Natural Resources.
- 18 (2c) The Commissioner of Agriculture.
- 19 (3) ~~Commanding General 18th Airborne Corps, Garrison Commander Fort~~
20 ~~Bragg.~~
- 21 (4) ~~Commanding General Marine Corps Base, Camp Lejeune-Lejeune and~~
22 ~~Marine Corps Installations – East.~~
- 23 (5) ~~Commanding General Marine Corps Air Station, Cherry Point.~~
- 24 (6) Commander 4th FW, Seymour Johnson Air Force Base.
- 25 (7) ~~Commander 43rd Airlift Wing, Pope Air Force Base.~~Commanding Officer,
26 Marine Corps Air Station New River.
- 27 (8) Commander of the U.S. Coast Guard Support Center, Elizabeth City.
- 28 (9) Adjutant General of the North Carolina National Guard.
- 29 (10) The Executive Director of the North Carolina League of Municipalities.
- 30 (11) The Executive Director of the North Carolina Association of County
31 Commissioners.
- 32 (12) The Assistant Secretary for Veterans Affairs, Department of Administration.
- 33 (13) The President of The University of North Carolina.
- 34 (14) The President of the North Carolina Community College System.
- 35 (15) Commander, U.S. Coast Guard Sector North Carolina.
- 36 (16) Commanding Officer, Military Ocean Terminal Sunny Point.
- 37 (17) Commander, U.S. Army Corps of Engineers, Wilmington District.
- 38 (d) The Governor shall designate one member of the Executive Committee appointed
39 pursuant to subsection (b) of this section to serve as chair. The Executive Committee shall elect
40 four persons from amongst its membership to serve as vice-chairs.
- 41 (e) The terms of the members of the Executive Committee shall be as follows:
- 42 (1) The members initially appointed by the Speaker of the House of
43 Representatives and the President Pro Tempore of the Senate shall serve
44 terms ending on December 31, 2003.
- 45 (2) Seven of the members appointed by the Governor shall serve initial terms
46 ending on December 31, 2002.
- 47 (3) Eight of the members appointed by the Governor shall serve initial terms
48 ending on December 31, 2003.
- 49 Thereafter, all members shall serve two-year terms."
- 50
- 51

PART XXI. DEPARTMENT OF INSURANCE

1 **SECTION 21.1.** G.S. 58-2-215(c) reads as rewritten:

2 "~~(e) Moneys appropriated by the General Assembly shall be deposited in the Fund and~~
3 ~~shall become a part of the continuation budget of the Department of Insurance. Such~~
4 ~~continuation budget amount shall equal the actual expenditures drawn from the Fund during the~~
5 ~~prior fiscal year plus the official inflation rate designated by the Director of the Budget in the~~
6 ~~preparation of the State Budget for each ensuing fiscal year; provided that if interest income on~~
7 ~~the Fund exceeds the amount yielded by the application of the official inflation rate, such~~
8 ~~continuation budget amount shall be the actual expenditures drawn from the Fund, except that~~
9 ~~the appropriation for the 1995-96 fiscal year shall not exceed the sum of seven hundred fifty~~
10 ~~thousand dollars (\$750,000) and for the 1996-97 fiscal year shall not exceed the sum of two~~
11 ~~hundred fifty thousand dollars (\$250,000). In the event the amount in the Fund exceeds two~~
12 ~~hundred fifty thousand dollars (\$250,000) at the end of any fiscal year, beginning with the~~
13 ~~1995-96 fiscal year, such excess shall revert to the General Fund."~~

14 (c) Moneys appropriated by the General Assembly shall be deposited in the Fund and
15 shall become a part of the continuation budget of the Department of Insurance, and no
16 unexpended surplus shall revert to the General Fund."

17 **SECTION 21.2.** Section 7 of S.L. 2009-474 reads as rewritten:

18 "**SECTION 7.** The Department of Insurance shall transfer to the Department of
19 Administration four building code review positions selected by the Department of
20 Administration for the purpose of assisting the Department of Administration in administering
21 G.S. 143-341(3) and G.S. 143-139(e). These positions shall be supported by the Insurance
22 Regulatory Fund at one hundred percent (100%) of the full budgeted amount for each position
23 from fiscal year 2009-2010 through fiscal year 2011-2012. ~~Beginning fiscal year 2012-2013,~~
24 ~~the State Treasurer, as custodian of the State Property Fire Insurance Fund, shall support those~~
25 ~~positions out of the State Property Fire Insurance Fund. Beginning fiscal year 2012-2013, these~~
26 ~~positions shall remain supported by the Insurance Regulatory Fund at one hundred percent~~
27 ~~(100%) of the full budgeted amount for each position for fiscal year 2011-2012."~~

28 **PART XXII. DEPARTMENT OF REVENUE**

29 **TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE** 30 **PARTNERSHIP AUTHORIZED**

31 **SECTION 22.1.(a)** Additional Public-Private Partnership. – The Secretary of the
32 Department of Revenue (Secretary) may enter into an additional public-private arrangement in
33 order to expand the implementation of the Tax Information Management System (TIMS). The
34 public-private arrangement may include terms necessary to implement additional
35 revenue-increasing or cost-saving components, if all of the following conditions are met:

- 36 (1) The funding of the project under the arrangement comes from revenue
37 generated by or cost-savings resulting from the project.
- 38 (2) The funding of the project is dependent on increased-revenue or cost-savings
39 streams that are different from the existing benefits stream for the
40 implementation of TIMS.
- 41 (3) The project involves additional identified initiatives that will be integrated
42 into the TIMS solution.

43 All public-private partnership arrangements related to TIMS shall terminate by no later than
44 June 30, 2018.

45 **SECTION 22.1.(b)** Contracts. – Work under the additional public-private
46 arrangement authorized by this section may be contracted by requests for proposals,
47 modifications to the existing contracts, purchases using existing contracts, or other related
48 contract vehicles.

1 **SECTION 22.1.(c)** Management/Performance Measurement. – The Secretary shall
2 follow the existing model for public-private arrangement oversight. The Secretary shall
3 establish a measurement process to determine the increased revenue or cost savings attributed
4 to the additional public-private arrangement authorized by this section. To accomplish this, the
5 Secretary shall consult subject matter experts in the Department of Revenue, in other
6 governmental units, and in the private sector, as necessary. At a minimum, the measurement
7 process shall include all of the following:

- 8 (1) Calculation of a revenue baseline against which the increased revenue
9 attributable to the project is measured and a cost-basis baseline against
10 which the cost savings resulting from the project are measured.
- 11 (2) Periodic evaluation to determine if the baselines need to be modified based
12 on significant measurable changes in the economic environment.
- 13 (3) Monthly calculation of increased revenue and cost-savings attributable to
14 contracts executed under this section.

15 **SECTION 22.1.(d)** Funding. – Of funds generated from increased revenues or
16 cost-savings as compared to the baselines in the General Fund, the Highway Fund, and that
17 State portion of the Unauthorized Substance Tax collections of the Special Revenue Fund, the
18 sum of sixteen million dollars (\$16,000,000) is appropriated for the 2012-2013 fiscal year from
19 funds generated from increased revenues or cost savings as compared to the baselines
20 established by subdivision (1) of subsection (c) of this section. This amount includes payment
21 for services from non-State entities. The funds appropriated by this subsection shall fund
22 purchases to the implementation of the additional public-private arrangement authorized by this
23 section. The funds appropriated by this subsection are subject to the provisions of
24 G.S. 143C-1-2(b)(iii).

25 **SECTION 22.1.(e)** Internal Costs. – For the 2012-2013 fiscal year, in addition to
26 the funding authorized in Section 6A.5(a) of S.L. 2011-145 and by subsection (d) of this
27 section, the Department of Revenue may retain an additional sum of ten million two hundred
28 twenty-eight thousand dollars (\$10,228,000), which amount is hereby appropriated from
29 benefits generated for the General Fund since the beginning of the public-private partnership
30 authorized under Section 6A.5(a) of S.L. 2011-145. These funds shall be used as payment of
31 the Department's internal costs for the 2011-2013 fiscal biennium.

32 **SECTION 22.1.(f)** Expert Counsel Required. – Notwithstanding G.S. 114-2.3, the
33 Department of Revenue shall engage the services of private counsel having the pertinent
34 information technology and computer law expertise to negotiate and review contracts
35 associated with the additional public-private arrangement authorized by this section.

36 **SECTION 22.1.(g)** Oversight Committee. – The Oversight Committee established
37 under Section 6A.5(c) of S.L. 2011-145 is vested with the same responsibilities and duties with
38 respect to the additional public-private arrangement authorized by this section that it has with
39 respect to public-private arrangements to implement TIMS and the additional PDP components.

40 **SECTION 22.1.(h)** Reporting. – Beginning August 1, 2012, and quarterly
41 thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the
42 House of Representatives and Senate Committees on Appropriations, to the Joint Legislative
43 Oversight Committee on Information Technology, and to the Fiscal Research Division of the
44 General Assembly. The report shall include an explanation of all of the following:

- 45 (1) Details of each public-private contract.
- 46 (2) The benefits from each contract.
- 47 (3) A comprehensive forecast of the benefits of using public-private agreements
48 to implement TIMS, the additional PDP components, and additional
49 components authorized by this section, including cost savings and the
50 acceleration of the project time line.
- 51 (4) Any issues associated with the operation of the public-private partnership.

1 **SECTION 22.1.(i)** IT Project Oversight. – In addition to the oversight provided by
2 the Oversight Committee established in Section 6A.5(c) of S.L. 2011-145, the additional
3 public-private arrangement authorized by this section shall be subject to existing State
4 information technology project oversight laws and statutes, and the project management shall
5 comply with all statutory requirements and other criteria established by the State Chief
6 Information Officer and the Office of State Budget and Management for information
7 technology projects. The State Chief Information Officer and the Office of State Budget and
8 Management shall immediately report any failure to do so to the Joint Legislative Oversight
9 Committee on Information Technology, the Chairs of the House of Representatives and Senate
10 Committees on Appropriations, and the Fiscal Research Division.

11 **SECTION 22.2.** Extension. – Section 6A.5(c) of S.L. 2011-145 reads as rewritten:

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

25 The members of the Committee shall include the following:

- 26 (1) The State Budget Director;
- 27 (2) The Secretary of the Department of Revenue;
- 28 (3) The State Chief Information Officer;
- 29 (4) Two persons appointed by the Governor;
- 30 (5) One member of the general public having expertise in information
31 technology appointed by the General Assembly upon the recommendation of
32 the Speaker of the House of Representatives; and
- 33 (6) One member of the general public having expertise in economic and revenue
34 forecasting appointed by the General Assembly upon recommendation of the
35 President Pro Tempore of the Senate.

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

42 **SECTION 22.3.** One-Time Payment. – To accelerate the implementation of the
43 Tax Information Management System, including any additional components authorized by
44 Section 22.1 of this act, the Office of State Budget and Management may authorize the
45 Secretary to make a one-time payment of two million dollars (\$2,000,000) to the vendor of
46 TIMS for implementation of TIMS, but only if all of the conditions of this subsection are
47 satisfied. The one-time payment shall be paid within 90 days of satisfaction of all conditions of
48 this section or when sufficient funds are available, whichever is later. The source of funds for
49 this payment is the same increased-revenue and cost-savings streams identified under Section
50 22.1 of this act. The payment authorized by this section is in addition to the payment authorized

1 by Section 22.1(d) of this act. The three conditions precedent required for the one-time
2 payment authorized by this subsection include all of the following:

- 3 (1) Release 5 of the Enterprise Technology Management (ETM) project is
4 initially implemented on or before July 31, 2013.
- 5 (2) The post-implementation defect rate for Release 5 of the ETM project is
6 within standards agreed to by the Secretary and the vendor. For purposes of
7 this section, the post-implementation period is the period from the date of
8 initial implementation until 90 days after the initial implementation date.
- 9 (3) All defects identified as part of Release 5 of the ETM project before the end
10 of the post-implementation period are resolved within time frames agreed to
11 by the Secretary and the vendor.

12 **PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT**

13 **SECTION 23.1.** Section 27A.1 of S.L. 2010-31, reads as rewritten:

14 **"MILITARY MORALE AND WELFARE FUND**

15 **"SECTION 27A.1.(a)** Of the funds appropriated to the Office of State Budget and
16 Management, the sum of five hundred thousand dollars (\$500,000) for the ~~2010-2011~~
17 2012-2013 fiscal year shall be placed in a Reserve for the Military Morale, Recreation, and
18 Welfare Fund.

19 **"SECTION 27A.1.(b)** The Office of State Budget and Management shall distribute for the
20 purposes described in this section the amount appropriated by subsection (a) of this section.
21 That amount shall be distributed to each military installation on a per capita basis.

22 **"SECTION 27A.1.(c)** Funds distributed to a military installation exchange under this
23 section must be deposited in the Military Morale, Recreation, and Welfare Fund for that
24 installation and used only for community services and other expenditures to improve quality of
25 life programs for military members and their families in North Carolina.

26 **"SECTION 27A.1.(d)** Beginning with the ~~2010-2011~~2012-2013 fiscal year, each military
27 installation shall report at least annually on the allocation and use of the funding to the Joint
28 Legislative Commission on Governmental Operations."
29

30 **PART XXIV. OFFICE OF THE GOVERNOR**

31 **PART XXV. STATE BOARD OF ELECTIONS**

32 **APPROPRIATE MAINTENANCE OF EFFORT FUNDS TO ACCESS HAVA TITLE II FUNDS**

33 **SECTION 25.1.(a)** The State Board of Elections shall expend Help America Vote
34 Funds (HAVA) Title II Funds for the 2012-2013 fiscal year with appropriation of the State's
35 required Maintenance of Effort funds in the amount of six hundred sixty-three thousand nine
36 hundred thirty-six dollars (\$663,936).
37

38 **SECTION 25.1.(b)** Section 28.1 of S.L. 2011-145 is repealed.
39

40 **PART XXVI. DEPARTMENT OF TRANSPORTATION**

41 **REPEAL FERRY TOLLS**

42 **SECTION 26.1.(a)** Effective April 1, 2012, G.S. 136-82 reads as rewritten:

43 **"§ 136-82. (Effective April 1, 2012) Department of Transportation to establish and**
44 **maintain ferries.**
45
46
47
48
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50

1 The Department of Transportation is vested with authority to provide for the establishment
2 and maintenance of ferries connecting the parts of the State highway system, whenever in its
3 discretion the public good may so require, and to prescribe and collect such tolls therefor as
4 may, in the discretion of the Department of Transportation, be expedient. ~~The Board of
5 Transportation shall establish tolls for all ferry routes, except for the Ocracoke/Hatteras Ferry
6 and the Knotts Island Ferry.~~

7 To accomplish the purpose of this section said Department of Transportation is authorized
8 to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or
9 other facilities required for the proper operation of such ferries or to enter into contracts with
10 persons, firms or corporations for the operation thereof and to pay therefor such reasonable
11 sums as may in the opinion of said Department of Transportation represent the fair value of the
12 public service rendered.

13 The Department of Transportation, notwithstanding any other provision of law, may
14 operate, or contract for the operation of, concessions on the ferries and at ferry facilities to
15 provide to passengers on the ferries food, drink, and other refreshments, personal comfort
16 items, and souvenirs publicizing the ferry system."

17 **SECTION 26.1.(b)** Section 31.30(b) of S.L. 2011-145 is repealed.

18 19 **CAP GAS TAX**

20 **SECTION 26.2.** Effective July 1, 2012, G.S. 105-449.80 reads as rewritten:

21 "**§ 105-449.80. Tax rate.**

22 (a) Rate. – The motor fuel excise tax rate is a flat rate of seventeen and one-half cents
23 (17 1/2¢) a gallon plus a variable wholesale component. The variable wholesale component is
24 ~~either three and one-half cents (3 1/2¢) a gallon or seven percent (7%) of the average wholesale~~
25 ~~price of motor fuel for the applicable base period, whichever is greater.~~ shall not exceed twenty
26 cents (20¢) a gallon for the period July 1, 2012, through June 30, 2013.

27 The two base periods are six-month periods; one ends on September 30 and one ends on
28 March 31. The Secretary must set the tax rate twice a year based on the wholesale price for
29 each base period. A tax rate set by the Secretary using information for the base period that ends
30 on September 30 applies to the six-month period that begins the following January 1. A tax rate
31 set by the Secretary using information for the base period that ends on March 31 applies to the
32 six-month period that begins the following July 1.

33 (b) Wholesale Price. – The Secretary must determine the average wholesale price of
34 motor fuel for each base period. To do this, the Secretary must use information on refiner and
35 gas plant operator sales prices of finished motor gasoline and No. 2 diesel fuel for resale,
36 published by the United States Department of Energy in the "Monthly Energy Review", or
37 equivalent data.

38 The Secretary must compute the average sales price of finished motor gasoline for the base
39 period, compute the average sales price for No. 2 diesel fuel for the base period, and then
40 compute a weighted average of the results of the first two computations based on the proportion
41 of tax collected on each under this Article for the base period. The Secretary must then convert
42 the weighted average price to a cents-per-gallon rate and round the rate to the nearest one-tenth
43 of a cent (1/10¢). If the converted cents-per-gallon rate is exactly between two-tenths of a cent
44 (2/10¢) the Secretary must round the rate up to the higher of the two.

45 (c) Notification. – The Secretary must notify affected taxpayers of the tax rate to be in
46 effect for each six-month period beginning January 1 and July 1."

47 48 **LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUNDS**

49 **SECTION 26.3.** Effective July 1, 2012, G.S. 119-18(b) reads as rewritten:

50 "(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied
51 first to the costs of administering this Article and Subchapter V of Chapter 105 of the General

1 Statutes. The remainder of the proceeds shall be credited on a monthly basis to the ~~Highway~~
 2 ~~Fund to be used for system preservation under the Department of Transportation in the highway~~
 3 ~~maintenance program.~~ Commercial Leaking Petroleum Underground Storage Tank Cleanup
 4 Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund. If
 5 the amount of revenue in the Noncommercial Fund at the end of a month is at least five million
 6 dollars (\$5,000,000), one-half of the remainder of the proceeds shall be credited to the
 7 Noncommercial Fund and one-half of the remainder of the proceeds shall be credited to the
 8 Commercial Fund. If the amount of revenue in the Noncommercial Fund at the end of a month
 9 is less than this threshold amount, all of the remainder of the proceeds shall be credited to the
 10 Noncommercial Fund."

11 RESTORE MOBILITY FUND

12 **SECTION 26.4.** Subsections 28.33(c) and (d) of S.L. 2011-145 are repealed.

13 PART XXVII. SALARIES AND BENEFITS

14 GOVERNOR AND COUNCIL OF STATE

15 **SECTION 27.1.(a)** Effective July 1, 2012, G.S. 147-11(a) reads as rewritten:

16
 17 "(a) The salary of the Governor shall be ~~one hundred thirty nine thousand five hundred~~
 18 ~~ninety dollars (\$139,590)~~ one hundred forty-two thousand one hundred three dollars (\$142,103)
 19 annually, payable monthly."

20
 21 **SECTION 27.1.(b)** Effective July 1, 2012, the annual salaries for the members of
 22 the Council of State, payable monthly, for the 2012-2013 fiscal year are:

23	<u>Council of State</u>	<u>Annual Salary</u>
24	Lieutenant Governor	\$125,416
25	Attorney General	125,416
26	Secretary of State	125,416
27	State Treasurer	125,416
28	State Auditor	125,416
29	Superintendent of Public Instruction	125,416
30	Agriculture Commissioner	125,416
31	Insurance Commissioner	125,416
32	Labor Commissioner	125,416

33 NONELECTED DEPARTMENT HEAD

34 **SECTION 27.2.(a)** Effective July 1, 2012, the salaries set by G.S. 143B-9, the
 35 maximum annual salaries, payable monthly, for the nonelected heads of the principal State
 36 departments for the 2012-2013 fiscal year are:

37	<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
38	Secretary of Administration	\$122,530
39	Secretary of Correction	122,530
40	Secretary of Crime Control and Public Safety	122,530
41	Secretary of Cultural Resources	122,530
42	Secretary of Commerce	122,530
43	Secretary of Environment and Natural Resources	122,530
44	Secretary of Health and Human Services	122,530
45	Secretary of Juvenile Justice and	
46	Delinquency Prevention	122,530
47	Secretary of Revenue	122,530

1 Secretary of Transportation 122,530
 2 **SECTION 27.2.(b)** Effective July 1, 2012, subsection (a) of this section reads as
 3 rewritten:
 4 "**SECTION 27.2.(a)** Effective July 1, 2012, the salaries set by G.S. 143B-9, the maximum
 5 annual salaries, payable monthly, for the nonelected heads of the principal State departments
 6 for the 2012-2013 fiscal year are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$122,530
Secretary of Correction	122,530
Secretary of Crime Control and Public Safety	122,530
Secretary of Cultural Resources	122,530
Secretary of Commerce	122,530
Secretary of Environment and Natural Resources	122,530
Secretary of Health and Human Services	122,530
Secretary of Juvenile Justice and	
Delinquency Prevention	122,530
Secretary of Public Safety	122,530
Secretary of Revenue	122,530
Secretary of Transportation	122,530".

CERTAIN EXECUTIVE BRANCH OFFICIALS

23 **SECTION 27.3.** Effective for the 2012-2013 fiscal year, the annual salaries,
 24 payable monthly, for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$111,525
State Controller	156,079
Commissioner of Motor Vehicles	111,525
Commissioner of Banks	125,416
Chairman, Employment Security Commission	122,530
State Personnel Director	122,530
Chairman, Parole Commission	101,836
Members of the Parole Commission	47,009
Chairman, Utilities Commission	139,673
Members of the Utilities Commission	125,416
Executive Director, Agency for	
Public Telecommunications	94,018
Director, Museum of Art	114,277
Executive Director, North Carolina	
Agricultural Finance Authority	108,554
State Chief Information Officer	156,079

JUDICIAL BRANCH

45 **SECTION 27.4.(a)** Effective for the 2012-2013 fiscal year, the annual salaries,
 46 payable monthly, for specified judicial branch officials are:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$143,469
Associate Justice, Supreme Court	139,719
Chief Judge, Court of Appeals	137,492

1	Judge, Court of Appeals	133,899
2	Judge, Senior Regular Resident Superior Court	130,260
3	Judge, Superior Court	126,621
4	Chief Judge, District Court	114,979
5	Judge, District Court	111,341
6	District Attorney	121,452
7	Administrative Officer of the Courts	129,019
8	Assistant Administrative Officer of the Courts	117,847
9	Public Defender	121,452
10	Director of Indigent Defense Services	125,236

11

12 **SECTION 27.4.(b)** The district attorney or public defender of a judicial district,
 13 with the approval of the Administrative Officer of the Courts or the Commission on Indigent
 14 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant
 15 public defenders, respectively, in that district such that the average salaries of assistant district
 16 attorneys or assistant public defenders in that district do not exceed seventy thousand three
 17 hundred fifteen dollars (\$70,315), and the minimum salary of any assistant district attorney or
 18 assistant public defender is at least thirty-six thousand seven hundred forty-four dollars
 19 (\$36,744), effective July 1, 2012.

20 **SECTION 27.4.(b1)** The district attorney or public defender of a judicial district,
 21 with the approval of the Administrative Officer of the Courts or the Commission on Indigent
 22 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant
 23 public defenders, respectively, in that district such that the average salaries of assistant district
 24 attorneys or assistant public defenders in that district do not exceed seventy-two thousand two
 25 hundred twenty-three dollars (\$72,223), and the minimum salary of any assistant district
 26 attorney or assistant public defender is at least thirty-seven thousand eight hundred fifty-one
 27 dollars (\$37,851), effective July 1, 2012.

28 **SECTION 27.4.(c)** Effective July 1, 2012, the annual salaries of permanent,
 29 full-time employees of the Judicial Department whose salaries are not itemized in this act shall
 30 be increased by one and eight-tenths percent (1.8%).

31 **SECTION 27.4.(d)** Effective July 1, 2012, the annual salaries of permanent,
 32 part-time employees of the Judicial Department whose salaries are not itemized in this act shall
 33 be increased by one and eight-tenths percent (1.8%).

34

35 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

36 **SECTION 27.5.** Effective July 1, 2012, G.S. 7A-101(a) reads as rewritten:

37 "(a) The clerk of superior court is a full-time employee of the State and shall receive an
 38 annual salary, payable in equal monthly installments, based on the population of the county as
 39 determined in subsection (a1) of this section, according to the following schedule:

40	Population	Annual Salary
41	Less than 100,000	\$ 82,401 <u>83,842</u>
42	100,000 to 149,999	92,468 <u>94,132</u>
43	150,000 to 249,999	102,536 <u>104,382</u>
44	250,000 and above	112,607 <u>114,634</u> .

45 When a county changes from one population group to another, the salary of the clerk shall
 46 be changed, on July 1 of the fiscal year for which the change is reported, to the salary
 47 appropriate for the new population group, except that the salary of an incumbent clerk shall not
 48 be decreased by any change in population group during his continuance in office."

49

50 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES**

51 **SECTION 27.6.** Effective July 1, 2012, G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$ 32,222 <u>32,802</u>
Maximum	54,767 <u>55,753</u>
Deputy Clerks	Annual Salary
Minimum	\$ 27,888 <u>28,390</u>
Maximum	42,596 <u>43,363.</u> "

MAGISTRATES' SALARY INCREASES

SECTION 27.7.(a) Effective July 1, 2012, G.S. 7A-171.1(a) reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

- (1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$32,633 <u>\$33,220</u>
Step 1	35,525 <u>36,164</u>
Step 2	38,671 <u>39,367</u>
Step 3	42,134 <u>42,892</u>
Step 4	45,999 <u>46,823</u>
Step 5	50,335 <u>51,261</u>
Step 6	55,238. <u>56,232.</u>

- (2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.
- (3) Notwithstanding any other provision of this subsection, a magistrate who is licensed to practice law in North Carolina or any other state shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4."

1 **SECTION 27.7.(b)** Effective July 1, 2012, G.S. 7A-171.1(a1)(1) reads as
2 rewritten:

3 "(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply
4 to individuals who were serving as magistrates on June 30, 1994:

5 (1) The salaries of magistrates who on June 30, 1994, were paid at a salary level
6 of less than five years of service under the table in effect that date shall be as
7 follows:

8 Less than 1 year of service	\$26,528	\$27,006
9 1 or more but less than 3 years of service	27,695	28,1944
10 3 or more but less than 5 years of service	30,044	30,585.

11 Upon completion of five years of service, those magistrates shall receive
12 the salary set as the Entry Rate in the table in subsection (a)."

13 14 **GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES**

15 **SECTION 27.8.** Effective July 1, 2012, G.S. 120-37(c) reads as rewritten:

16 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled
17 to other benefits available to permanent legislative employees and shall be paid an annual
18 salary of ~~one hundred four thousand eighty four dollars (\$104,084)~~ one hundred five thousand
19 nine hundred fifty-eight dollars (\$105,958) payable monthly. Each principal clerk shall also
20 receive such additional compensation as approved by the Speaker of the House of
21 Representatives or the President Pro Tempore of the Senate, respectively, for additional
22 employment duties beyond those provided by the rules of their House. The Legislative Services
23 Commission shall review the salary of the principal clerks prior to submission of the proposed
24 operating budget of the General Assembly to the Governor and shall make appropriate
25 recommendations for changes in those salaries. Any changes enacted by the General Assembly
26 shall be by amendment to this paragraph."

27 28 **SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES**

29 **SECTION 27.9.** Effective July 1, 2012, G.S. 120-37(b) reads as rewritten:

30 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of
31 ~~three hundred eighty dollars (\$380.00)~~ three hundred eighty-seven dollars (\$387.00) per week
32 plus subsistence at the same daily rate provided for members of the General Assembly, plus
33 mileage at the rate provided for members of the General Assembly for one round trip only from
34 their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the
35 General Assembly and at such time prior to the convening of, and subsequent to adjournment
36 or recess of, sessions as may be authorized by the Legislative Services Commission. The
37 reading clerks shall serve during sessions only."

38 39 **LEGISLATIVE EMPLOYEES/SALARY INCREASES**

40 **SECTION 27.10.** Effective July 1, 2012, the Legislative Services Officer shall
41 increase the salaries of nonelected employees of the General Assembly in effect for fiscal year
42 2011-2012 by one and eight-tenths percent (1.8%). Nothing in this act limits any of the
43 provisions of G.S. 120-32.

44 45 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

46 **SECTION 27.11.(a)** The Director of the Budget shall transfer from the Reserve for
47 Compensation Increases, created in this act for fiscal year 2012-2013, funds to the North
48 Carolina Community Colleges System Office necessary to provide an annual salary increase of
49 one and eight-tenths percent (1.8%), including funds for the employer's retirement and social
50 security contributions, commencing July 1, 2012, for all community college employees
51 supported by State funds.

1 **SECTION 27.11.(a1)** Effective July 1, 2012, the Director of the Budget shall
 2 transfer from the Reserve for Compensation Increases, created in this act for fiscal year
 3 2012-2013, funds to the North Carolina Community Colleges System Office necessary to
 4 provide an annual salary increase of:

- 5 (1) One and eight-tenths percent (1.8%), including funds for the employer's
 6 retirement and social security contributions, commencing July 1, 2012, for
 7 all community college faculty and professional staff supported by State
 8 funds.
- 9 (2) One and eight-tenths percent (1.8%), including funds for the employer's
 10 retirement and social security contributions, commencing July 1, 2012, for
 11 all other community college employees supported by State funds.

12
 13 **COMMUNITY COLLEGE FACULTY SALARIES**

14 **SECTION 27.12.** Section 8.5 of S.L. 2007-323 is amended by adding a new
 15 subsection to read:

16 "SECTION 8.5.(h) For the 2012-2013 school year, the minimum salaries for nine-month,
 17 full-time curriculum community college faculty shall be as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
<u>Vocational Diploma/Certificate or Less</u>	<u>\$34,932</u>
<u>Associate Degree or Equivalent</u>	<u>\$35,446</u>
<u>Bachelor's Degree</u>	<u>\$37,675</u>
<u>Master's Degree or Education Specialist</u>	<u>\$39,653</u>
<u>Doctoral Degree</u>	<u>\$42,505.</u>

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 23
 24 No full-time faculty member shall earn less than the minimum salary for his or her education
 25 level.

26 The pro rata hourly rate of the minimum salary for each education level shall be used to
 27 determine the minimum salary for part-time faculty members."

28
 29 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

30 **SECTION 27.13.(a)** Effective July 1, 2012, the Director of the Budget shall
 31 transfer to the Board of Governors of The University of North Carolina sufficient funds from
 32 the Reserve for Compensation Increases, created in this act for fiscal years 2012-2013,
 33 including funds for the employer's retirement and social security contributions, to provide to
 34 employees of The University of North Carolina, other than teachers of the North Carolina
 35 School of Science and Mathematics, whose salaries are supported by State funds and who are
 36 exempt from the State Personnel Act (EPA) an annual salary increase of one and eight-tenths
 37 percent (1.8%) for faculty. The percentage annual salary increase authorized by this section
 38 shall be made on an aggregated average basis, according to the rules adopted by the Board of
 39 Governors of The University of North Carolina and may not be used for any purpose other than
 40 for salary increases and necessary employer contributions provided by this section. The Board
 41 of Governors may use a portion of the annual salary increase provided by this section to
 42 improve competitive national peer rankings for faculty.

43 **SECTION 27.13.(a1)** Effective July 1, 2012, the Director of the Budget shall
 44 transfer to the Board of Governors of The University of North Carolina sufficient funds from
 45 the Reserve for Compensation Increases, created in this act for fiscal year 2012-2013, including
 46 funds for the employer's retirement and social security contributions, to provide to employees
 47 of The University of North Carolina, other than teachers of the North Carolina School of
 48 Science and Mathematics, whose salaries are supported by State funds and who are exempt
 49 from the State Personnel Act (EPA) an annual salary increase of one and eight-tenths percent
 50 (1.8%) for faculty and nonfaculty. The percentage annual salary increase authorized by this
 51 section shall be made on an aggregated average basis, according to the rules adopted by the

1 Board of Governors of The University of North Carolina, and may not be used for any purpose
2 other than for salary increases and necessary employer contributions provided by this section.

3 **SECTION 27.13.(b)** Effective July 1, 2012, the Director of the Budget shall
4 transfer to the Board of Governors of The University of North Carolina sufficient funds from
5 the Reserve for Compensation Increases, created in this act for fiscal year 2012-2013, including
6 funds for the employer's retirement and social security contributions, to provide to employees
7 of The University of North Carolina, other than teachers of the North Carolina School of
8 Science and Mathematics, whose salaries are supported by State funds and who are exempt
9 from the State Personnel Act (EPA) an annual salary increase of one and eight-tenths percent
10 (1.8%) for nonfaculty.

11 **SECTION 27.13.(c)** The Director of the Budget shall transfer to the Board of
12 Governors of The University of North Carolina sufficient funds from the Reserve for
13 Compensation Increases, created in this act for fiscal year 2012-2013 to provide an average
14 annual salary increase of one and eight-tenths percent (1.8%), including funds for the
15 employer's retirement and social security contributions, commencing July 1, 2012, for all
16 teaching employees of the North Carolina School of Science and Mathematics, supported by
17 State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds
18 shall be allocated to individuals according to the rules adopted by the Board of Trustees of the
19 North Carolina School of Science and Mathematics and may not be used for any purpose other
20 than for salary increases and necessary employer contributions provided by this section.

21
22 **SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/NO**
23 **AUTOMATIC INCREASES**

24 **SECTION 27.14.(a)** Section 29.8(a) of S.L. 2011-145, as amended by Section 59A
25 of S.L. 2011-391, reads as rewritten:

26 "SECTION 29.8.(a) The annual pay of all State employees for the 2011-2013 fiscal
27 biennium shall remain unchanged from that authorized on June 30, 2011, or the last date in pay
28 status during the 2010-2011 fiscal year, if earlier, except that an increase may be allowed under
29 the following special circumstances:

- 30 (1) For all State employees regardless of funding source, and for employees of
31 the North Carolina Community College System and local school boards who
32 are paid from State funds, salaries may be increased for reallocations or
33 promotions, in-range adjustments for job change, career progression
34 adjustments for demonstrated competencies, or where an OSP classification
35 and compensation study has determined the State to be noncompetitive in
36 the labor market, none of which are subject to the salary freeze otherwise
37 provided by this Part. All other salary increases are prohibited.
- 38 (1a) For employees of the North Carolina Community College System,
39 notwithstanding subdivision (1) of this subsection, salaries may be increased
40 if the increase is funded from local funding sources.
- 41 (2) For The University of North Carolina, (i) faculty using funds from the
42 Faculty Recruiting and Retention Fund, the Distinguished Professors
43 Endowment Fund, or the University Cancer Research Fund in the case of
44 faculty involved in cancer research supported by that fund and (ii) faculty,
45 nonfaculty, and other employee adjustments, including retention
46 adjustments, funded from non-State funding sources.
- 47 (3) For employees of the judicial branch, for local supplementation as
48 authorized by G.S. 7A-300.1.

49 The cumulative salary adjustment allowed under this subsection for the 2011-2012 fiscal year
50 may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance
51 by the Office of State Budget and Management, Personnel, The University of North Carolina

1 Board of Governors, the Board of the North Carolina Community College System, the
2 Legislative Services Commission, the local board of education, or other authorized body as
3 appropriate."

4 **SECTION 27.14.(b)** Notwithstanding G.S. 53-96.1, and except as provided by
5 subdivision (1) of subsection (a) of Section 29.8 of S.L. 2011-145, employees of the Office of
6 the Commissioner of Banks shall not receive compensation increases or bonuses during the
7 2012-2013 fiscal year in excess of one and eight tenths percent (1.8%).

8 **SECTION 27.14.(c)** Employees of the Lottery Commission shall not receive
9 compensation bonuses during the 2012-2013 fiscal year in excess of one and eight-tenths
10 percent (1.8%).

11 **SECTION 27.14.(d)** No employee of any other State agency or constituent
12 institution of The University of North Carolina, excluding employees of the University of
13 North Carolina Health Care System and employees participating in a constituent institution's
14 medical faculty practice plan, shall receive compensation bonuses in excess of one and
15 eight-tenths percent (1.8%)."

16 17 **MOST STATE EMPLOYEES/SALARY INCREASES**

18 **SECTION 27.15.(a)** The salaries in effect June 30, 2012, of all permanent
19 full-time State employees whose salaries are set in accordance with the State Personnel Act,
20 and who are paid from the General Fund or the Highway Fund, shall be increased, effective
21 July 1, 2012, by one and eight-tenths percent (1.8%).

22 **SECTION 27.15.(b)** Except as otherwise provided in this act, the fiscal year
23 2012-2013 salaries for permanent full-time State officials and persons in exempt positions that
24 are recommended by the Governor and set by the General Assembly shall be increased by one
25 and eight-tenths percent (1.8%), effective July 1, 2012.

26 **SECTION 27.15.(c)** The salaries in effect for fiscal year 2012-2013 for all
27 permanent part-time State employees shall be increased, effective July 1, 2012, by the one and
28 eight-tenths percent (1.8%) salary increase provided for permanent full-time employees
29 covered under this part. Effective July 1, 2012, the salaries of permanent part-time State
30 employees shall be increased by the pro rata amount of one and eight-tenths (1.8%).

31 **SECTION 27.15.(d)** The Director of the Budget may allocate out of special
32 operating funds or from other sources of the employing agency, except tax revenues, sufficient
33 funds to allow salary increases, effective July 1, 2012, increases in accordance with subsection
34 (a), (b), or (c) of this section, including funds for the employer's retirement and social security
35 contributions, for the permanent full-time and part-time employees of the agency, provided the
36 employing agency elects to make available the necessary funds.

37 **SECTION 27.15.(e)** For the 2012-2013 fiscal year, within regular State Budget
38 Act procedures as limited by this act, all State agencies and departments may increase on an
39 equitable basis the rate of pay of temporary and permanent hourly State employees, subject to
40 availability of funds in the particular agency or department, by pro rata amounts of the one and
41 eight-tenths percent (1.8%) salary increase provided for permanent full-time employees
42 covered by the provisions of subsection (a) of this section, commencing July 1, 2012.

43 44 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

45 **SECTION 27.16.(a)** Salaries and related benefits for positions that are funded
46 partially from the General Fund or Highway Fund and partially from sources other than the
47 General Fund or Highway Fund shall be increased from the General Fund or Highway Fund
48 appropriation only to the extent of the proportionate part of the salaries paid from the General
49 Fund or Highway Fund.

1 SECTION 27.16.(b) The granting of the salary increases under this act does not
2 affect the status of eligibility for salary increments for which employees may be eligible unless
3 otherwise required by this act.

4 SECTION 27.16.(c) The fiscal year 2012-2013 salary increases provided in this act
5 to be effective July 1, 2012, do not apply to persons separated from State service due to
6 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to
7 July 1, 2012.

8 Payroll checks issued to employees after July 1, 2012, which represent payment of
9 services provided prior to July 1, 2012, shall not be eligible for salary increases provided for in
10 this act. This subsection shall apply to all employees, subject to or exempt from the State
11 Personnel Act, paid from State funds, including public schools, community colleges, and The
12 University of North Carolina.

13 SECTION 27.16.(d) The Director of the Budget shall transfer from the Reserve for
14 Compensation Increases in this act for fiscal year 2012-2013 all funds necessary for the salary
15 increases provided by this act, including funds for the employer's retirement and social security
16 contributions.

17 SECTION 27.16.(e) Nothing in this act authorizes the transfer of funds between
18 the General Fund and the Highway Fund for salary increases.

19 SECTION 27.16.(f) For the 2012-2013 fiscal year, permanent full-time employees
20 who work a nine-, ten-, or eleven-month work year schedule shall receive the one and
21 eight-tenths percent (1.8%) annual increase provided by this act.

22
23 **STATE AGENCY TEACHERS' COMPENSATION**

24 SECTION 27.17. The salaries of employees of schools operated by the Department
25 of Health and Human Services and the Department of Public Safety who are paid on the
26 Teacher Salary Schedule or the School Based Administrator Salary Schedule shall be paid
27 according to the salary schedule set forth in Section 27.18(a) for the 2012-2013 fiscal
28 biennium.

29
30 **TEACHER SALARY SCHEDULES**

31 SECTION 27.18.(a) Effective for the 2012-2013 school year, the Director of the
32 Budget shall transfer from the Reserve for Compensation Increases funds necessary to
33 implement the teacher salary schedules set out in this section and for longevity in accordance
34 with subsection (b) of this section, including funds for the employer's retirement and social
35 security contributions for all teachers whose salaries are supported from the State's General
36 Fund.

37 These funds shall be allocated to individuals according to rules adopted by the State
38 Board of Education.

39 The following monthly salary schedules shall apply for the 2012-2013 fiscal year to
40 certified personnel of the public schools who are classified as teachers. The schedules contain
41 35 steps, with each step corresponding to one year of teaching experience. Public school
42 employees paid according to this salary schedule and receiving NBPTS certification or
43 obtaining a master's degree shall not be prohibited from receiving the appropriate increase in
44 salary.

45
46 2012-2013 Monthly Salary Schedule

"A" Teachers			
Years of Experience	"A" Teachers	NBPTS Certification	
0	\$3,043	N/A	
1	\$3,085	N/A	
2	\$3,085	N/A	

1	3	\$3,085	\$3,455
2	4	\$3,085	\$3,455
3	5	\$3,129	\$3,504
4	6	\$3,264	\$3,656
5	7	\$3,404	\$3,812
6	8	\$3,538	\$3,963
7	9	\$3,667	\$4,107
8	10	\$3,771	\$4,224
9	11	\$3,819	\$4,277
10	12	\$3,868	\$4,332
11	13	\$3,918	\$4,388
12	14	\$3,967	\$4,443
13	15	\$4,018	\$4,500
14	16	\$4,069	\$4,557
15	17	\$4,122	\$4,617
16	18	\$4,176	\$4,677
17	19	\$4,231	\$4,739
18	20	\$4,286	\$4,800
19	21	\$4,345	\$4,866
20	22	\$4,403	\$4,931
21	23	\$4,461	\$4,996
22	24	\$4,523	\$5,066
23	25	\$4,584	\$5,134
24	26	\$4,650	\$5,208
25	27	\$4,714	\$5,280
26	28	\$4,779	\$5,352
27	29	\$4,845	\$5,426
28	30	\$4,913	\$5,503
29	31	\$4,984	\$5,582
30	32	\$5,055	\$5,662
31	33	\$5,153	\$5,771
32	34+	\$5,255	\$5,886

2012-2013 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0	\$3,347	N/A
1	\$3,394	N/A
2	\$3,394	N/A
3	\$3,394	\$3,801
4	\$3,394	\$3,801
5	\$3,442	\$3,855
6	\$3,590	\$4,021
7	\$3,744	\$4,193
8	\$3,892	\$4,359
9	\$4,034	\$4,518
10	\$4,148	\$4,646
11	\$4,201	\$4,705
12	\$4,255	\$4,766
13	\$4,310	\$4,827
14	\$4,364	\$4,888

1	15	\$4,420	\$4,950
2	16	\$4,476	\$5,013
3	17	\$4,534	\$5,078
4	18	\$4,594	\$5,145
5	19	\$4,654	\$5,212
6	20	\$4,715	\$5,281
7	21	\$4,780	\$5,354
8	22	\$4,843	\$5,424
9	23	\$4,907	\$5,496
10	24	\$4,975	\$5,572
11	25	\$5,042	\$5,647
12	26	\$5,115	\$5,729
13	27	\$5,185	\$5,807
14	28	\$5,257	\$5,888
15	29	\$5,330	\$5,970
16	30	\$5,404	\$6,052
17	31	\$5,482	\$6,140
18	32	\$5,561	\$6,228
19	33	\$5,668	\$6,348
20	34+	\$5,781	\$6,475

SECTION 27.18.(b) Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

SECTION 27.18.(c) Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 27.18.(d) The first step of the salary schedule for school psychologists shall be equivalent to Step 8, corresponding to eight years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Certified psychologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified psychologists. Certified psychologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified psychologists.

SECTION 27.18.(e) Speech pathologists who are certified as speech pathologists at the master's degree level and audiologists who are certified as audiologists at the master's degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

1 Speech pathologists and audiologists with certification based on academic
 2 preparation at the six-year degree level shall receive a salary supplement of one hundred
 3 twenty-six dollars (\$126.00) per month in addition to the compensation provided for speech
 4 pathologists and audiologists. Speech pathologists and audiologists with certification based on
 5 academic preparation at the doctoral degree level shall receive a salary supplement of two
 6 hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for
 7 speech pathologists and audiologists.

8 **SECTION 27.18.(f)** Certified school nurses who are employed in the public
 9 schools as nurses shall be paid on the "M" salary schedule.

10 **SECTION 27.18.(g)** As used in this section, the term "teacher" shall also include
 11 instructional support personnel.
 12

13 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

14 **SECTION 27.19.(a)** Effective for the 2012-2013 school year, the Director of the
 15 Budget shall transfer from the Reserve for Compensation Increases funds necessary to
 16 implement the salary schedules for school-based administrators as provided in this section.
 17 These funds shall be used for State-paid employees only.

18 The following base salary schedule for school-based administrators shall apply only
 19 to principals and assistant principals. This base salary schedule shall apply for the 2012-2013
 20 fiscal year, commencing July 1, 2012.
 21

22 2012-2013 Principal and Assistant Principal Salary Schedules
 23 Classification

24 Years of Exp	Assistant 25 Principal	Prin I 26 (0-10)	Prin II 27 (11-21)	Prin III 28 (22-32)	Prin IV 29 (33-43)
30 0-7	\$3,781	-	-	-	-
31 8	\$3,931	-	-	-	-
32 9	\$4,074	-	-	-	-
33 10	\$4,189	-	-	-	-
34 11	\$4,243	\$4,243	-	-	-
35 12	\$4,298	\$4,298	-	-	-
36 13	\$4,353	\$4,353	\$4,408	-	-
37 14	\$4,408	\$4,408	\$4,464	-	-
38 15	\$4,464	\$4,464	\$4,521	\$4,579	-
39 16	\$4,521	\$4,521	\$4,579	\$4,640	\$4,701
40 17	\$4,579	\$4,579	\$4,640	\$4,701	\$4,762
41 18	\$4,640	\$4,640	\$4,701	\$4,762	\$4,828
42 19	\$4,701	\$4,701	\$4,762	\$4,828	\$4,891
43 20	\$4,762	\$4,762	\$4,828	\$4,891	\$4,956
44 21	\$4,828	\$4,828	\$4,891	\$4,956	\$5,025
45 22	\$4,891	\$4,891	\$4,956	\$5,025	\$5,092
46 23	\$4,956	\$4,956	\$5,025	\$5,092	\$5,166
47 24	\$5,025	\$5,025	\$5,092	\$5,166	\$5,237
48 25	\$5,092	\$5,092	\$5,166	\$5,237	\$5,310
49 26	\$5,166	\$5,166	\$5,237	\$5,310	\$5,383
50 27	\$5,237	\$5,237	\$5,310	\$5,383	\$5,458
51 28	\$5,310	\$5,310	\$5,383	\$5,458	\$5,537
	\$5,383	\$5,383	\$5,458	\$5,537	\$5,617
	\$5,458	\$5,458	\$5,537	\$5,617	\$5,725
	\$5,537	\$5,537	\$5,617	\$5,725	\$5,839
	\$5,617	\$5,617	\$5,725	\$5,839	\$5,956

1	33	\$5,725	\$5,725	\$5,839	\$5,956	\$6,075
2	34	\$5,839	\$5,839	\$5,956	\$6,075	\$6,197
3	35	-	\$5,956	\$6,075	\$6,197	\$6,321
4	36	-	-	\$6,197	\$6,321	\$6,447
5	37	-	-	\$6,321	\$6,447	\$6,576
6	38	-	-	-	\$6,576	\$6,708
7	39	-	-	-	\$6,708	\$6,842
8	40	-	-	-	-	\$6,979

2012-2013 Principal and Assistant Principal Salary Schedules
Classification

13	Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
15	0-17	\$4,828	-	-	-
16	18	\$4,891	-	-	-
17	19	\$4,956	\$5,025	-	-
18	20	\$5,025	\$5,092	\$5,237	-
19	21	\$5,092	\$5,166	\$5,310	\$5,383
20	22	\$5,166	\$5,237	\$5,383	\$5,458
21	23	\$5,237	\$5,310	\$5,458	\$5,537
22	24	\$5,310	\$5,383	\$5,537	\$5,617
23	25	\$5,383	\$5,458	\$5,617	\$5,725
24	26	\$5,458	\$5,537	\$5,725	\$5,839
25	27	\$5,537	\$5,617	\$5,839	\$5,956
26	28	\$5,617	\$5,725	\$5,956	\$6,075
27	29	\$5,725	\$5,839	\$6,075	\$6,197
28	30	\$5,839	\$5,956	\$6,197	\$6,321
29	31	\$5,956	\$6,075	\$6,321	\$6,447
30	32	\$6,075	\$6,197	\$6,447	\$6,576
31	33	\$6,197	\$6,321	\$6,576	\$6,708
32	34	\$6,321	\$6,447	\$6,708	\$6,842
33	35	\$6,447	\$6,576	\$6,842	\$6,979
34	36	\$6,576	\$6,708	\$6,979	\$7,119
35	37	\$6,708	\$6,842	\$7,119	\$7,261
36	38	\$6,842	\$6,979	\$7,261	\$7,406
37	39	\$6,979	\$7,119	\$7,406	\$7,554
38	40	\$7,119	\$7,261	\$7,554	\$7,705
39	41	\$7,261	\$7,406	\$7,705	\$7,859
40	42	-	\$7,554	\$7,859	\$8,016
41	43	-	\$7,705	\$8,016	\$8,176
42	44	-	-	\$8,176	\$8,340

SECTION 27.19.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	

1	Principal I	Fewer than 11 Teachers
2	Principal II	11-21 Teachers
3	Principal III	22-32 Teachers
4	Principal IV	33-43 Teachers
5	Principal V	44-54 Teachers
6	Principal VI	55-65 Teachers
7	Principal VII	66-100 Teachers
8	Principal VIII	More than 100 Teachers

9
10 The number of teachers supervised includes teachers and assistant principals paid
11 from State funds only; it does not include teachers or assistant principals paid from non-State
12 funds or the principal or teacher assistants.

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

17 **SECTION 27.19.(c)** A principal shall be placed on the step on the salary schedule
18 that reflects total number of years of experience as a certificated employee of the public schools
19 and no more than one step for every three years of experience as a principal.

20 Notwithstanding the salary schedule provided in subsection (a) of this section, the
21 following base salary schedule shall apply for assistant principals and principals:

22	Classification	Years of Experience	Monthly Salary
23	Assistant Principal	5-7	\$3,931
24	Principal I	9-11	\$4,298
25	Principal II	11-13	\$4,464
26	Principal III	13-15	\$4,640
27	Principal IV	14-16	\$4,762
28	Principal V	15-17	\$4,891
29	Principal VI	17-19	\$5,092
30	Principal VII	18-20	\$5,310
31	Principal VIII	19-21	\$5,458

32
33
34
35 A principal or assistant principal shall also continue to receive any additional
36 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school
37 years for improvement in student performance or maintaining a safe and orderly school.

38 **SECTION 27.19.(d)** Principals and assistant principals with certification based on
39 academic preparation at the six-year degree level shall be paid a salary supplement of one
40 hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a
41 salary supplement of two hundred fifty-three dollars (\$253.00) per month.

42 **SECTION 27.19.(e)** Longevity pay for principals and assistant principals shall be
43 as provided for State employees under the State Personnel Act.

44 **SECTION 27.19.(f)** If a principal is reassigned to a higher job classification
45 because the principal is transferred to a school within a local school administrative unit with a
46 larger number of State-allotted teachers, the principal shall be placed on the salary schedule as
47 if the principal had served the principal's entire career as a principal at the higher job
48 classification.

49 If a principal is reassigned to a lower job classification because the principal is
50 transferred to a school within a local school administrative unit with a smaller number of

1 State-allotted teachers, the principal shall be placed on the salary schedule as if the principal
2 had served the principal's entire career as a principal at the lower job classification.

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

7 **SECTION 27.19.(g)** Participants in an approved full-time master's in school
8 administration program shall receive up to a 10-month stipend at the beginning salary of an
9 assistant principal during the internship period of the master's program. For the 2006-2007
10 fiscal year and subsequent fiscal years, the stipend shall not exceed the difference between the
11 beginning salary of an assistant principal plus the cost of tuition, fees, and books and any
12 fellowship funds received by the intern as a full-time student, including awards of the Principal
13 Fellows Program. The Principal Fellows Program or the school of education where the intern
14 participates in a full-time master's in school administration program shall supply the
15 Department of Public Instruction with certification of eligible full-time interns.

16 **SECTION 27.19.(h)** During the 2012-2013 fiscal year, the placement on the salary
17 schedule of an administrator with a one-year provisional assistant principal's certificate shall be
18 at the entry-level salary for an assistant principal or the appropriate step on the teacher salary
19 schedule, whichever is higher.

20 21 CENTRAL OFFICE SALARIES

22 **SECTION 27.20.(a)** The monthly salary ranges that follow apply to assistant
23 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
24 officers, effective July 1, 2012:

25	School Administrator I	\$3,369	\$6,319
26	School Administrator II	\$3,571	\$6,701
27	School Administrator III	\$3,791	\$7,110
28	School Administrator IV	\$3,944	\$7,393
29	School Administrator V	\$4,103	\$7,692
30	School Administrator VI	\$4,352	\$8,157
31	School Administrator VII	\$4,527	\$8,486

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

37 **SECTION 27.20.(b)** The monthly salary ranges that follow apply to public school
38 superintendents, effective July 1, 2012:

39	Superintendent I	\$4,805	\$9,002
40	Superintendent II	\$5,101	\$9,546
41	Superintendent III	\$5,412	\$10,127
42	Superintendent IV	\$5,744	\$10,742
43	Superintendent V	\$6,096	\$11,398

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

48 **SECTION 27.20.(c)** Longevity pay for superintendents, assistant superintendents,
49 associate superintendents, directors/coordinators, supervisors, and finance officers shall be as
50 provided for State employees under the State Personnel Act.

1 **SECTION 27.20.(d)** Superintendents, assistant superintendents, associate
2 superintendents, directors/coordinators, supervisors, and finance officers with certification
3 based on academic preparation at the six-year degree level shall receive a salary supplement of
4 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided
5 pursuant to this section. Superintendents, assistant superintendents, associate superintendents,
6 directors/coordinators, supervisors, and finance officers with certification based on academic
7 preparation at the doctoral degree level shall receive a salary supplement of two hundred
8 fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this
9 section.

10 **SECTION 27.20.(e)** The State Board of Education shall not permit local school
11 administrative units to transfer State funds from other funding categories for salaries for public
12 school central office administrators.

13 **SECTION 27.20.(f)** The annual salary increase for all permanent full-time
14 personnel paid from the Central Office Allotment shall be the one and eight-tenths percent
15 (1.8%), commencing July 1, 2012. The State Board of Education shall allocate these funds to
16 local school administrative units. The local boards of education shall establish guidelines for
17 providing salary increases to these personnel.

18 **NONCERTIFIED PERSONNEL SALARIES**

19 **SECTION 27.21.(a)** The annual salary increase for permanent full-time
20 noncertified public school employees whose salaries are supported from the State's General
21 Fund shall be increased by one and eight-tenths percent (1.8%), commencing July 1, 2012.

22 **SECTION 27.21.(b)** Local boards of education shall increase the rates of pay for
23 such employees who were employed for all or part of fiscal year 2011-2012 and who continue
24 their employment for fiscal year 2012-2013 by providing an annual salary increase for
25 employees of one and eight-tenths percent (1.8%).

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

28 **SECTION 27.21.(c)** The State Board of Education may adopt salary ranges for
29 noncertified personnel to support increases of one and eight-tenths percent (1.8%) for the
30 2012-2013 fiscal year.

31 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 32 **SCHEDULES**

33 **SECTION 27.22.** Effective July 1, 2012, any permanent personnel employed on
34 July 1, 2012, and paid at the top of the principal and assistant principal salary schedule shall
35 receive a one-time bonus equivalent to two percent (2%).

36 Effective July 1, 2012, any permanent certified personnel employed on July 1, 2012,
37 and paid at the top of the teacher salary schedule shall receive a one-time bonus equivalent to
38 one and eight-tenths percent (1.8%).

39 **SALARY-RELATED CONTRIBUTIONS**

40 **SECTION 27.25.(a)** Effective for the 2012-2013 fiscal year, required employer
41 salary-related contributions for employees whose salaries are paid from department, office,
42 institution, or agency receipts shall be paid from the same source as the source of the
43 employees' salary. If an employee's salary is paid in part from the General Fund or Highway
44 Fund and in part from department, office, institution, or agency receipts, required employer
45 salary-related contributions may be paid from the General Fund or Highway Fund only to the
46 extent of the proportionate part paid from the General Fund or Highway Fund in support of the
47 salary of the employee, and the remainder of the employer's requirements shall be paid from the
48 source that supplies the remainder of the employee's salary. The requirements of this section as
49
50
51

1 to source of payment are also applicable to payments on behalf of the employee for
2 hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave,
3 workers' compensation, severance pay, separation allowances, and applicable disability income
4 benefits.

5 Notwithstanding any other provision of law, an employing unit, as defined in
6 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
7 a retiree that is in receipt of monthly retirement benefits from any retirement system supported
8 in whole or in part by contributions of the State shall enroll the retiree in the active group and
9 pay the cost for the hospital-medical benefits if that retiree is employed in a position that would
10 require the employer to pay hospital-medical benefits if the individual had not been retired.

11 **SECTION 27.25.(b)** Effective July 1, 2012, the State's employer contribution rates
12 budgeted for retirement and related benefits as percentage of covered salaries for the 2012-2013
13 fiscal year are: (i) fourteen and thirty-one hundredths percent (14.31%) – Teachers and State
14 Employees; (ii) nineteen and thirty-one hundredths percent (19.31%) – State Law Enforcement
15 Officers; (iii) twelve and sixty-six hundredths percent (12.66%) – University Employees'
16 Optional Retirement System; (iv) twelve and sixty-six hundredths percent (12.66%) –
17 Community College Optional Retirement Program; (v) thirty-one and seventy hundredths
18 percent (31.70%) – Consolidated Judicial Retirement System; and (vi) five and thirty
19 hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing
20 contribution rates includes five and thirty hundredths percent (5.30%) for hospital and medical
21 benefits. The rate for Teachers and State Employees, State Law Enforcement Officers,
22 Community College Optional Retirement Program, and for the University Employees' Optional
23 Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income
24 Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include
25 sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law
26 Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

27 **SECTION 27.25.(c)** Effective July 1, 2012, the maximum annual employer
28 contributions, payable monthly, by the State for each covered employee or retiree for the
29 2012-2013 fiscal year to the State Health Plan for Teachers and State Employees are: (i)
30 Medicare-eligible employees and retirees – four thousand thirty-five dollars (\$4,035) and (ii)
31 non-Medicare-eligible employees and retirees – five thousand one hundred ninety-two dollars
32 (\$5,192).

33
34 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS'
35 AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL
36 RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**

37 **SECTION 27.26.(a)** G.S. 135-5 is amended by adding a new subsection to read:

38 "(rrr) From and after July 1, 2012, the retirement allowance to or on account of
39 beneficiaries whose retirement commenced on or before July 1, 2011, shall be increased by one
40 and nine-tenths percent (1.9%) of the allowance payable on June 1, 2012, in accordance with
41 G.S. 135-5(o). Furthermore, from and after July 1, 2012, the retirement allowance to or on
42 account of beneficiaries whose retirement commenced after July 1, 2011, but before June 30,
43 2012, shall be increased by a prorated amount of one and nine-tenths percent (1.9%) of the
44 allowance payable as determined by the Board of Trustees based upon the number of months
45 that a retirement allowance was paid between July 1, 2011, and June 30, 2012."

46 **SECTION 27.26.(b)** G.S. 135-65 is amended by adding a new subsection to read:

47 "(cc) From and after July 1, 2012, the retirement allowance to or on account of
48 beneficiaries whose retirement commenced on or before July 1, 2011, shall be increased by one
49 and nine-tenths percent (1.9%) of the allowance payable on June 1, 2012. Furthermore, from
50 and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose
51 retirement commenced after July 1, 2011, but before June 30, 2012, shall be increased by a

1 prorated amount of one and nine-tenths percent (1.9%) of the allowance payable as determined
 2 by the Board of Trustees based upon the number of months that a retirement allowance was
 3 paid between July 1, 2011, and June 30, 2012."

4 **SECTION 27.26.(c)** G.S. 120-4.22A is amended by adding a new subsection to
 5 read:

6 "(w) In accordance with subsection (a) of this section, from and after July 1, 2012, the
 7 retirement allowance to or on account of beneficiaries whose retirement commenced on or
 8 before January 1, 2012, shall be increased by one and nine-tenths percent (1.9%) of the
 9 allowance payable on June 1, 2012. Furthermore, from and after July 1, 2012, the retirement
 10 allowance to or on account of beneficiaries whose retirement commenced after January 1,
 11 2012, but before June 30, 2012, shall be increased by a prorated amount of one and nine-tenths
 12 percent (1.9%) of the allowance payable as determined by the Board of Trustees based upon the
 13 number of months that a retirement allowance was paid between January 1, 2012, and June 30,
 14 2012."

15
 16 **PART XXVIII. CAPITAL APPROPRIATIONS**

17
 18 **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

19 **SECTION 28.1.(a)** The Department of Environment and Natural Resources shall
 20 allocate the funds appropriated in this act for water resources development projects in
 21 accordance with the schedule that follows. These funds will provide a State match for thirty-six
 22 million one hundred ninety-four thousand dollars (\$36,194,000) in federal funds.

23 **2012-2013**

24 (1) B. Everett Jordan Lake Water Supply Storage	-
25 (2) Wilmington Harbor Maintenance	-
26 (3) Morehead City Harbor Maintenance	-
27 (4) Wilmington Harbor Deepening (75/25)	\$ 3,000,000
28 (5) 2012 Corps MOA for Shallow Draft Inlet Dredging	2,000,000
29 (6) Water Resources Planning in Support of Session Law 2010-143	-
30 (7) Carolina Beach Renourishment (65/35)	2,144,000
31 (8) Kure Beach Renourishment (65/35)	1,400,000
32 (9) Wilmington Harbor Improvements Feasibility (50/50)	250,000
33 (10) John H. Kerr Dam and Reservoir Sec. 216 – (50/50)	200,000
34 (11) Planning Assistance to Communities (50/50)	10,000
35 (12) Aquatic Plant Control, Statewide and Lake Gaston (50/50)	-
36 (13) Bogue Banks Coastal Storm Damage Reduction Study – (50/50)	62,000
37 (14) West Onslow Beach (Topsail Beach) PED (75/25)	8,000
38 (15) Surf City/NTB Coastal Storm Damage Reduction Study – PED (75/25)	-
39 (16) Neuse River Basin Restoration PED (50/50)	100,000
40 (17) Currituck Sound Environmental Restoration Study (50/50)	58,000
41 (18) Concord Streams, NC Sec. 206 (65/35)	-
42 (19) State-Local Projects	-
43 (20) Catawba Water Management Group Study	-
44 (21) Emerald Isle Beach/Pine Knolls Shores Renourishment	1,400,000
45 (22) North Topsail Beach Renourishment Project	2,520,000
46 (23) Southern Shores Canal Dredging	-
47 (24) Carteret Co. Bogue Banks Master Beach Renourishment Plan	-
48 (25) Topsail Beach Renourishment Project	526,000

49
 50 **TOTALS** **\$ 13,678,000**

1 **SECTION 28.1.(b)** Where the actual costs are different from the estimated costs
2 under subsection (a) of this section, the Department may adjust the allocations among projects
3 as needed. If any projects funded under subsection (a) of this section are delayed and the
4 budgeted State funds cannot be used during the 2012-2013 fiscal year, or if the projects funded
5 under subsection (a) of this section are accomplished at a lower cost, the Department may use
6 the resulting fund availability to fund any of the following:

- 7 (1) U.S. Army Corps of Engineers project feasibility studies.
- 8 (2) U.S. Army Corps of Engineers projects whose schedules have advanced and
9 require State-matching funds in fiscal year 2012-2013.
- 10 (3) State-local water resources development projects.

11 However, fund availability shall not be used to fund the North Carolina International Terminal.
12 Funds not expended or encumbered for these purposes shall revert to the General Fund at the
13 end of the 2012-2013 fiscal year.

14 **SECTION 28.1.(c)** The Department shall make semiannual reports on the use of
15 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal
16 Research Division, and the Office of State Budget and Management. Each report shall include
17 all of the following:

- 18 (1) All projects listed in this section.
- 19 (2) The estimated cost of each project.
- 20 (3) The date that work on each project began or is expected to begin.
- 21 (4) The date that work on each project was completed or is expected to be
22 completed.
- 23 (5) The actual cost of each project.

24 The semiannual reports shall also show those projects advanced in schedule, those projects
25 delayed in schedule, and an estimate of the amount of funds expected to revert to the General
26 Fund.

27 **SECTION 28.1.(d)** Notwithstanding any provision of law to the contrary, funds
28 appropriated for a water resources development project shall be used to provide no more than
29 fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applied
30 to funds appropriated in this act and to funds appropriated prior to the 2011-2013 fiscal
31 biennium that are unencumbered and proposed for reallocation to provide the nonfederal
32 portion of funds for water resources development projects. The limitation on fund usage
33 contained in this subsection applies only to projects in which local government or local
34 governments participate.

35 **SECTION 28.1.(e)** G.S. 143-215.73A is amended by adding a new subsection to
36 read:

37 "(c1) The Department shall provide information annually to appropriate county or
38 municipal officials about the availability, requirements, and process to secure federal and State
39 funding under the Water Resource Development Program."

40 **SECTION 28.1.(f)** The Department's "2012 Long Term Dredging Memorandum of
41 Agreement" (MOA) with the U.S. Army Corps of Engineers is the subject of this subsection.

- 42 (1) The prioritization of all projects completed using these funds will be in joint
43 consultation with the State, applicable local units of government, and the
44 U.S. Army Corps of Engineers.
- 45 (2) Funds appropriated for this MOA shall be fifty percent (50%) of the total
46 cost for each project that is directly requested by a unit of local government.
- 47 (3) The Department shall make annual reports on the use of funds provided to
48 the U.S. Army Corps of Engineers under the "2012 Long Term Dredging
49 Memorandum of Agreement" to the Joint Legislative Commission on
50 Governmental Operations, the Fiscal Research Division, and the Office of

1 State Budget and Management. Each report shall include all of the
 2 following:

- 3 a. All projects started.
- 4 b. Estimated cost of each project.t
- 5 c. The date that work on each project began or is expected to begin.
- 6 d. The date that work on each project was completed or is expected to
 7 be completed.
- 8 e. The actual cost of each project.

9 (4) Notwithstanding subdivisions (1) and (2) of this subsection, a minimum of
 10 two million dollars (\$2,000,000) shall be reserved for the dredging of
 11 Oregon Inlet. No local match will be required for this project.
 12

13 **GREENSBORO READINESS CENTER-ADDITION/ALTERATION**

14 **SECTION 28.2.** Notwithstanding the provisions of G.S. 143C-4-3, the Department
 15 of Public Safety may use up to one million three hundred thousand dollars (\$1,300,000) in
 16 funds appropriated to the Repairs and Renovations Reserve Account in FY 2011-2012 as the
 17 State match for the renovation and expansion of the Greensboro Readiness Center.
 18

19 **NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

20 **SECTION 28.3.(a)** The General Assembly authorizes the following capital
 21 projects to be funded with receipts or from other non-General Fund sources available to the
 22 appropriate department:
 23

24 Name of Project	25 Amount of Non-General Fund Funding Authorized for FY 2012-2013
26 Department of Public Safety	
27 Training Site Improvements	\$ 620,000
28 Aviation Facilities Improvements	600,000
29 Logistics Facilities Improvements	310,000
30 Career Tech. Ed. Ctr. – Stonewall Jackson Y.D.C.	163,332
31 Track and Field Facility – Stonewall Jackson Y.D.C.	161,046
32 Storage Sheds – Statewide	51,765
33 Readiness Centers Improvements	40,000
34	
35 Information Technology Services	
36 Lighting Upgrade – 3700 Wake Forest Rd.	780,000
37	
38 Department of Agriculture	
39 Parking Improvement/Expansion-Raleigh Farmers Market	200,000
40 Wholesale Dock Enclosure – Raleigh Farmers Market	750,000
41 Phase II Greenhouse Exp. – Additional Funding – Tidewater RS	200,000
42 Phase II – Calf Barn Construction – Piedmont RS	150,000
43 Forest Road Construction	150,000
44 HVAC Campus Improvements – State Fairgrounds	2,500,000
45 Campus Infrastructure – State Fairgrounds	3,000,000
46 Renovations to Existing Buildings – State Fairgrounds	3,000,000
47 Hunt Horse Complex Site Rep & Improvements – St Fairgrounds	3,000,000
48	
49 Department of Cultural Resources	
50 NC Maritime Museum Gallants Channel Multiuse Facility	1,115,000
51 N C Museum of Art Trail Improvement Project	370,000

1	Duke Homestead Picnic Shelter	175,000
2		
3	Department of Environment and Natural Resources	
4	Sound Side Dock & Education Gazebo at Roanoke Is Aquarium	350,000
5	NC Zoo – Solar Pointe Restrooms	400,000
6		
7	Wildlife Resources Commission	
8	Agency Land Purchase	3,750,000
9	Table Rock Hatchery Building Replacement	75,000
10	Watha Hatchery Building Replacement	300,000
11	New Construction of Fishing Access Areas	240,000
12	New Construction of Boating Access Areas	800,000
13	Renovations of Existing Boating Access Areas	800,000
14	ADA Initiative of Existing Boating Access Areas	280,000
15	Infrastructure Repair and Renovation	1,500,000
16		
17	Department of Transportation	
18	Maintenance Yard Land Purchase	150,000
19	Currituck Operations Building and Welcome Center	2,375,000
20		
21	TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL	
22	PROJECTS AUTHORIZED	\$27,031,143
23		

24 **SECTION 28.3.(b)** From funds deposited with the State Treasurer in a capital
25 improvement account to the credit of the Department of Agriculture and Consumer Services
26 pursuant to G.S. 146-30, the sum of thirty thousand dollars (\$30,000) for the 2012-2013 fiscal
27 year shall be transferred to the Department of Agriculture and Consumer Services to be used,
28 notwithstanding G.S. 146-30, by the Department for its plant conservation program under
29 Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of
30 land, such as land appraisals, land surveys, title searches, and environmental studies, and for
31 the management of the plant conservation program preserves owned by the Department.

32 **AMEND REPAIRS AND RENOVATION RESERVE ACCOUNT**

33 **SECTION 28.4.** G.S. 143C-4-3 is amended by adding a new subsection to read:

34 **"§ 143C-4-3. Repairs and Renovations Reserve Account.**

35 (a) Creation and Source of Funds. – The Repairs and Renovations Reserve Account is
36 established as a reserve in the General Fund. The State Controller shall reserve to the Repairs
37 and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined
38 on a cash basis, remaining in the General Fund at the end of each fiscal year.

39 (b) Use of Funds. – The funds in the Repairs and Renovations Reserve Account shall be
40 used only for the repair and renovation of State facilities and related infrastructure that are
41 supported from the General Fund. Funds from the Repairs and Renovations Reserve Account
42 shall be used only for the following types of projects:

- 43 (1) Roof repairs and replacements;
- 44 (2) Structural repairs;
- 45 (3) Repairs and renovations to meet federal and State standards;
- 46 (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning
47 systems;
- 48 (5) Improvements to meet the requirements of the Americans with Disabilities
49 Act, 42 U.S.C. § 12101, et seq., as amended;
- 50 (6) Improvements to meet fire safety needs;
- 51

- 1 (7) Improvements to existing facilities for energy efficiency;
2 (8) Improvements to remove asbestos, lead paint, and other contaminants,
3 including the removal and replacement of underground storage tanks;
4 (9) Improvements and renovations to improve use of existing space;
5 (10) Historical restoration;
6 (11) Improvements to roads, walks, drives, utilities infrastructure; and
7 (12) Drainage and landscape improvements.

8 Funds from the Repairs and Renovations Reserve Account shall not be used for new
9 construction or the expansion of the building area (sq. ft.) of an existing facility unless required
10 in order to comply with federal or State codes or standards.

11 (c) Use of Funds. – Funds Available Only Upon Appropriation. – Funds reserved to the
12 Repairs and Renovations Reserve Account shall be available for expenditure only upon an act
13 of appropriation by the General Assembly.

14 (d) Board of Governors May Allocate Funds to Particular Projects. – Any funds in the
15 Reserve for Repairs and Renovations that are allocated to the Board of Governors of The
16 University of North Carolina may be allocated or reallocated by the Board for repairs and
17 renovations projects so long as (i) any project that receives an allocation or reallocation
18 satisfies the requirements of subsection (b) of this section unless the Board determines that
19 sufficient funds are not available from other sources and that conditions warrant General Fund
20 assistance and (ii) the allocation or reallocation is in accordance with guidelines developed in
21 The University of North Carolina Funding Allocation Model for Reserve for Repairs and
22 Renovations, as approved by the Board of Governors of The University of North Carolina. The
23 Board of Governors shall report to the Joint Legislative Commission on Governmental
24 Operations on the allocation or reallocation of funds pursuant to this section within 60 days of
25 any allocation or reallocation under this subsection.

26 (e) Office of State Budget and Management May Allocate Funds to Particular Projects.
27 – Any funds in the Reserve for Repairs and Renovations that are allocated to the Office of State
28 Budget and Management may be allocated or reallocated by the State Budget Office for repairs
29 and renovations projects so long as any project that receives an allocation or reallocation
30 satisfies the requirements of subsection (b) of this section. The State Budget Office shall report
31 to the Joint Legislative Commission on Governmental Operations on the allocation or
32 reallocation of funds pursuant to this section within 60 days of any allocation or reallocation
33 under this subsection."

34 35 **PART XXIX. TAX PROVISIONS**

36 37 **REINSTATE SALES TAX TO 5.5%**

38 **SECTION 29.1.(a)** G.S. 105-164.4(a) reads as rewritten:

39 "(a) A privilege tax is imposed on a retailer at the following percentage rates of the
40 retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~four and~~
41 ~~three quarters percent (4.75%)~~, five and one-half percent (5.5%)."

42 **SECTION 29.1.(b)** G.S. 105-164.4(a), as rewritten by subsection (a) of this
43 section, reads as rewritten:

44 "(a) A privilege tax is imposed on a retailer at the following percentage rates of the
45 retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~five and~~
46 ~~one half percent (5.5%)~~, four and seventy-five hundredths percent (4.75%)."

47 **SECTION 29.1.(c)** Subsection (a) of this section becomes effective July 1, 2012,
48 and applies to sales made on or after that date. Subsection (b) of this section becomes effective
49 July 1, 2014, and applies to sales made on or after that date. The remainder of this section is
50 effective when it becomes law.

1 **SECTION 29.1.(d)** The sales tax is increased to provide funding for North
 2 Carolina public education, community colleges, university system, and prekindergarten.

3
 4 **ENHANCE R&D TAX CREDIT FOR SMALL BUSINESSES**

5 **SECTION 29.2.(a)** G.S. 105-129.50(10) reads as rewritten:

6 **"§ 105-129.50. Definitions.**

7 The definitions in section 41 of the Code apply in this Article. In addition, the following
 8 definitions apply in this Article:

9 ...
 10 (10) Small business. – A business whose annual receipts, combined with the
 11 annual receipts of all related persons, for the applicable period of
 12 measurement did not exceed ~~one million dollars (\$1,000,000);~~ two million
 13 five hundred thousand dollars (\$2,500,000)."

14 **SECTION 29.2.(b)** G.S. 105-129.55(a) reads as rewritten:

15 "(a) Qualified North Carolina Research Expenses. – A taxpayer that has qualified North
 16 Carolina research expenses for the taxable year is allowed a credit equal to a percentage of the
 17 expenses, determined as provided in this section. Only one credit is allowed under this section
 18 with respect to the same expenses. If more than one subdivision of this section applies to the
 19 same expenses, then the credit is equal to the higher percentage, not both percentages
 20 combined. If part of the taxpayer's qualified North Carolina research expenses qualifies under
 21 more than one subdivision of this section, the applicable percentages apply separately to each
 22 part of the expenses.

- 23 (1) Small business. – If the taxpayer was a small business as of the last day of
 24 the taxable year, the applicable percentage is ~~three and one-quarter percent~~
 25 ~~(3.25%);~~ five percent (5%).
- 26 (2) Low-tier research. – For expenses with respect to research performed in a
 27 development tier one area, the applicable percentage is three and one-quarter
 28 percent (3.25%).
- 29 (2a) University research. – For North Carolina university research expenses, the
 30 applicable percentage is ~~twenty percent (20%);~~ twenty-five percent (25%).
- 31 (2b) Eco-Industrial Park. – For expenses with respect to research performed in an
 32 Eco-Industrial Park certified under G.S. 143B-437.08, the applicable
 33 percentage is thirty-five percent (35%).
- 34 (3) Other research. – For expenses not covered under another subdivision of this
 35 section, the percentages provided in the table below apply to the taxpayer's
 36 qualified North Carolina research expenses during the taxable year at the
 37 following levels:

Expenses Over	Up To	Rate
-0-	\$50 million	1.25%
\$50 million	\$200 million	2.25%
\$200 million	–	3.25%".

42
 43 **SMALL BUSINESS START-UP TAX RELIEF**

44 **SECTION 29.3.(a)** G.S. 105-134.6(b) is amended by adding a new subdivision to
 45 read:

46 "(b) Deductions. – The following deductions from taxable income shall be made in
 47 calculating North Carolina taxable income, to the extent each item is included in taxable
 48 income:

49 ...
 50 (22) The amount of the exclusion of gain for qualified businesses allowed under
 51 Part 5 of this Article, plus an amount equal to the amount of the credits

1 recaptured pursuant to G.S. 105-163.021; provided, however, that a taxpayer
2 is not required to claim this exclusion."

3 **SECTION 29.3.(b)** G.S. 105-163.013 and G.S. 105-163.015 are recodified as
4 G.S. 105-163.010A and G.S. 105-163.010B, respectively.

5 **SECTION 29.3.(c)** Part 5 of Article 4 of Chapter 105 of the General Statutes reads
6 as rewritten:

7 "Part 5. Tax ~~Credits~~ Incentives for Qualified Business Investments.

8 "Subpart 1. General Provisions.

9 **"§ 105-163.010. (Repealed effective for investments made on or after January 1, 2013)**

10 **Definitions.**

11 The following definitions apply in this Part:

12 ...

13 (4) Equity security. – Common stock, preferred stock, or an interest in a
14 ~~partnership, partnership or limited liability company,~~ or subordinated debt
15 that is convertible into, or entitles the holder to receive upon its exercise,
16 common stock, preferred stock, or an interest in a ~~partnership.~~ partnership or
17 limited liability company.

18 ...

19 (8) Qualified business venture. – A business that (i) engages primarily in
20 manufacturing, processing, warehousing, wholesaling, research and
21 development, or a service-related industry, and (ii) is registered with the
22 Secretary of State under ~~G.S. 105-163.013.~~ G.S. 105-163.010A.

23 (9) Qualified grantee business. – A business that (i) is registered with the
24 Secretary of State under ~~G.S. 105-163.013,~~ G.S. 105-163.010A , and (ii) has
25 received during the current year or any of the preceding three years a grant,
26 an investment, or other funding from a federal agency under the Small
27 Business Innovation Research Program administered by the United States
28 Small Business Administration or from a granting entity as defined in this
29 section.

30 (9a) Qualified licensee business. – A business that meets all of the following
31 conditions:

- 32 a. It is registered with the Secretary of State under G.S. 105-163.013.
- 33 b. During its most recent fiscal year before filing an application for
34 registration under G.S. 105-163.013, it had gross revenues, as
35 determined in accordance with generally accepted accounting
36 principles, of one million dollars (\$1,000,000) or less on a
37 consolidated basis.
- 38 c. It has been certified by a constituent institution of The University of
39 North Carolina or a research university as currently performing under
40 a licensing agreement with the institution or university for the
41 purpose of commercializing technology developed at the institution
42 or university. For the purpose of this section, a research university is
43 an institution of higher education classified as a Doctoral/Research
44 University, Extensive or Intensive, in the most recent edition of "A
45 Classification of Institutions of Higher Education", the official report
46 of The Carnegie Foundation for the Advancement of Teaching.

47 ...

48 (13) Service-related industry. – A business is engaged in a service-related
49 industry, whether or not it also sells a product, if it provides services to
50 customers or clients and does not as a substantial part of its business engage
51 in a business described in ~~G.S. 105-163.013(b)(4).~~ G.S. 105-163.010A(b)(4).

1 A business is engaged as a substantial part of its business in an activity
2 described in ~~G.S. 105-163.013(b)(4)~~ G.S. 105-163.010A(b)(4) if (i) its gross
3 revenues derived from all activities described in that subdivision exceed
4 twenty-five percent (25%) of its gross revenues in any fiscal year or (ii) it is
5 established as one of its primary purposes to engage in any activities
6 described in that subdivision, whether or not its purposes were stated in its
7 articles of incorporation or similar organization documents.

- 8 (14) Subordinated debt. – Indebtedness that is not secured and is subordinated to
9 all other indebtedness of the issuer issued or to be issued to a financial
10 institution other than a financial institution described in subdivisions (5)(ii)
11 through (5)(v) of this section. ~~Except~~ For the purposes of Subpart 2 of this
12 Part only, except as provided in G.S. 105-163.014(d1), any portion of
13 indebtedness that matures earlier than five years after its issuance is not
14 subordinated debt.

15 **"§ 105-163.010A. Registration.**

16 (a) Repealed by Session Laws 1993, c. 443, s. 4.

17 (b) Qualified Business Ventures. – In order to qualify as a qualified business venture
18 under this Part, a business must be registered with the Securities Division of the Department of
19 the Secretary of State. To register, the business must file with the Secretary of State an
20 application and any supporting documents the Secretary of State may require from time to time
21 to determine that the business meets the requirements for registration as a qualified business
22 venture. A business meets the requirements for registration as a qualified business venture if all
23 of the following are true as of the date the business files the required application:

24 (1) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 7.

25 (1a) Reserved for future codification purposes.

26 (1b) Either (i) it was organized after January 1 of the calendar year in which its
27 application is filed or (ii) during its most recent fiscal year before filing the
28 application, it had gross revenues, as determined in accordance with
29 generally accepted accounting principles, of five million dollars
30 (\$5,000,000) or less on a consolidated basis.

31 (2) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 7.

32 (3) It is organized to engage primarily in manufacturing, processing,
33 warehousing, wholesaling, research and development, or a service-related
34 industry.

35 (4) It does not engage as a substantial part of its business in any of the
36 following:

37 a. Providing a professional service as defined in Chapter 55B of the
38 General Statutes.

39 b. Construction or contracting.

40 c. Selling or leasing at retail.

41 d. ~~The purchase, sale, or development, or purchasing,~~ Purchasing,
42 developing, selling, or holding for investment of commercial paper,
43 notes, other indebtedness, financial instruments, securities, or real
44 property, or otherwise ~~makemaking~~ investments.

45 e. Providing personal grooming or cosmetics services.

46 f. Offering any form of entertainment, amusement, recreation, or
47 athletic or fitness activity for which an admission or a membership is
48 charged.

49 (5) It was not formed for the primary purpose of acquiring all or part of the
50 ~~stock~~ stock, other ownership interest, or assets of one or more existing
51 businesses.

1 (6) It is not a real estate-related business.

2 The effective date of registration for a qualified business venture whose application is
3 accepted for registration is 60 days before the date its application is filed. No credit or
4 exclusion of gain is allowed under this Part for an investment made before the effective date of
5 the registration or after the registration is revoked. For the purpose of this Article, if a
6 taxpayer's investment is placed initially in escrow conditioned upon other investors'
7 commitment of additional funds, the date of the investment is the date escrowed funds are
8 transferred to the qualified business venture free of the condition.

9 To remain qualified as a qualified business venture, the business must renew its registration
10 annually as prescribed by rule by filing a financial statement for the most recent fiscal year
11 showing gross revenues, as determined in accordance with generally accepted accounting
12 principles, of five million dollars (\$5,000,000) or less on a consolidated basis and an
13 application for renewal in which the business certifies the facts required in the original
14 application.

15 Failure of a qualified business venture to renew its registration by the applicable deadline
16 ~~shall result~~ results in revocation of its registration effective as of the next day after the renewal
17 deadline, but ~~shall~~ does not result in forfeiture of tax credits previously allowed to taxpayers
18 who invested in the business except as provided in G.S. 105-163.014. The Secretary of State
19 shall send the qualified business venture notice of revocation within 60 days after the renewal
20 deadline. A qualified business venture may apply to have its registration reinstated by the
21 Secretary of State by filing an application for reinstatement, accompanied by the reinstatement
22 application fee and a late filing penalty of one thousand dollars (\$1,000), within 30 days after
23 receipt of the revocation notice from the Secretary of State. A business that seeks approval of a
24 new application for registration after its registration has been revoked must also pay a penalty
25 of one thousand dollars (\$1,000). A registration that has been reinstated is treated as if it had
26 not been revoked.

27 If the gross revenues of a qualified business venture exceed five million dollars
28 (\$5,000,000) in a fiscal year, the business must notify the Secretary of State in writing of this
29 fact by filing a financial statement showing the revenues of the business for that year.

30 (b1) Qualified Licensee Businesses. – In order to qualify as a qualified licensee business
31 under this Part, a business must be registered with the Securities Division of the Department of
32 the Secretary of State. To register, the business must file with the Secretary of State an
33 application and any supporting documents the Secretary of State may require from time to time
34 to determine that the business meets the requirements for registration as a qualified licensee
35 business. The requirements for registration as a qualified licensee business are set out in
36 G.S. 105-163.010.

37 The effective date of registration for a qualified licensee business whose application is
38 accepted for registration is the filing date of its application. No credit or exclusion of gain is
39 allowed under this Part for an investment made before the effective date of the registration or
40 after the registration is revoked.

41 To remain qualified as a qualified licensee business, the business must renew its registration
42 annually as prescribed by rule by filing a financial statement for the most recent fiscal year
43 showing gross revenues, as determined in accordance with generally accepted accounting
44 principles, of one million dollars (\$1,000,000) or less on a consolidated basis and an
45 application for renewal in which the business certifies the facts required in the original
46 application.

47 Failure of a qualified licensee ~~venture-business~~ to renew its registration by the applicable
48 deadline results in revocation of its registration effective as of the next day after the renewal
49 deadline, but does not result in forfeiture of tax credits previously allowed to taxpayers who
50 invested in the business except as provided in G.S. 105-163.014. The Secretary of State shall
51 send the qualified licensee business notice of revocation within 60 days after the renewal

1 deadline. A qualified licensee business may apply to have its registration reinstated by the
2 Secretary of State by filing an application for reinstatement, accompanied by the reinstatement
3 application fee and a late filing penalty of one thousand dollars (\$1,000), within 30 days after
4 receipt of the revocation notice from the Secretary of State. A business that seeks approval of a
5 new application for registration after its registration has been revoked must also pay a penalty
6 of one thousand dollars (\$1,000). A registration that has been reinstated is treated as if it had
7 not been revoked.

8 If the gross revenues of a qualified licensee business exceed one million dollars
9 (\$1,000,000) in a fiscal year, the business must notify the Secretary of State in writing of this
10 fact by filing a financial statement showing the revenues of the business for that year.

11 (c) Qualified Grantee Businesses. – In order to qualify as a qualified grantee business
12 under this Part, a business must be registered with the Securities Division of the Department of
13 the Secretary of State. To register, the business must file with the Secretary of State an
14 application and any supporting documents the Secretary of State may require from time to time
15 to determine that the business meets the requirements for registration as a qualified grantee
16 business. The requirements for registration as a qualified grantee business are set out in
17 G.S. 105-163.010.

18 The effective date of registration for a qualified grantee business whose application is
19 accepted for registration is the filing date of its application. No credit or exclusion of gain is
20 allowed under this Part for an investment made before the effective date of the registration or
21 after the registration is revoked.

22 To remain qualified as a qualified grantee business, the business must renew its registration
23 annually as prescribed by rule by filing an application for renewal in which the business
24 certifies the facts demonstrating that it continues to meet the applicable requirements for
25 qualification.

26 (d) Application Forms; Rules; Fees. – Applications for registration, renewal of
27 registration, and reinstatement of registration under this section shall be in the form required by
28 the Secretary of State. The Secretary of State may, by rule, require applicants to furnish
29 supporting information in addition to the information required by subsections (b), (b1), and (c)
30 of this section. The Secretary of State may adopt rules in accordance with Chapter 150B of the
31 General Statutes that are needed to carry out the Secretary's responsibilities under this Part. The
32 Secretary of State shall prepare blank forms for the applications and shall distribute them
33 throughout the State and furnish them on request. Each application shall be signed by the
34 ~~owners of the business or, in the case of a corporation, by its president, vice president,~~
35 ~~treasurer, or secretary.~~ owners, a manager, or an executive officer of the business. There shall
36 be annexed to the application the affirmation of the person making the application in the
37 following form: 'Under penalties prescribed by law, I certify and affirm that to the best of my
38 knowledge and belief this application is true and complete.' A person who submits a false
39 application is guilty of a Class 1 misdemeanor.

40 The fee for filing an application for registration under this section is one hundred dollars
41 (\$100.00). The fee for filing an application for renewal of registration under this section is fifty
42 dollars (\$50.00). The fee for filing an application for reinstatement of registration under this
43 section is fifty dollars (\$50.00).

44 An application for renewal of registration under this section must indicate whether the
45 applicant is a minority business, as defined in G.S. 143-128, and include a report of the number
46 of jobs the business created during the preceding year that are attributable to investments that
47 qualify under this section for a tax credit and the average wages paid by each job. An
48 application that does not contain this information is incomplete and the applicant's registration
49 may not be renewed until the information is provided.

50 ...

51 "§ 105-163.010B. Sunset.

1 This Part is repealed effective for investments made on or after January 1, 2013.2016.

2 "Subpart 2. Tax Credits for Qualified Business Investments.

3 **"§ 105-163.011. Tax credits allowed.**

4 ...

5 **"§ 105-163.012. (Repealed effective for investments made on or after January 1, 2013)**

6 **Limit; carry-over; ceiling; reduction in basis.**

7 ...

8 (b) The total amount of all tax credits allowed to taxpayers under G.S. 105-163.011 for
9 investments made in a calendar year may not exceed ~~seven million five hundred thousand~~
10 ~~dollars (\$7,500,000).~~ ten million dollars (\$10,000,000). The Secretary of Revenue shall
11 calculate the total amount of tax credits claimed from the applications filed pursuant to
12 G.S. 105-163.011(c). If the total amount of tax credits claimed for investments made in a
13 calendar year exceeds this maximum amount, the Secretary shall allow a portion of the credits
14 claimed by allocating the maximum amount in tax credits in proportion to the size of the credit
15 claimed by each taxpayer.

16 ...

17 **"§ 105-163.014. (Repealed for investments made on or after January 1, 2013) Forfeiture**
18 **of credit.**

19 ...

20 "Subpart 3. Exclusion of Gain on Qualified Business Investments.

21 **"§ 105-163.020. Exclusion of gain allowed.**

22 (a) Individuals. – An individual may elect to exclude from the individual's income
23 taxable under this Article any gain or other taxable income recognized for federal income tax
24 purposes from the sale or exchange of qualified securities.

25 (b) Gain Recognized on Sales by Pass-Through Entities. – This subsection does not
26 apply to a pass-through entity that has committed capital under management in excess of five
27 million dollars (\$5,000,000) or to a pass-through entity that is a qualified business or a North
28 Carolina Enterprise Corporation. Each individual that is an owner of a pass-through entity may
29 elect to exclude from the individual's income taxable under this Article an amount equal to the
30 individual's allocated share of the exclusion for which the pass-through entity would be eligible
31 under subsection (a) of this section if the pass-through entity were an individual.

32 (c) Gain Recognized on Sale of Pass-Through Entities. – This subsection does not
33 apply to a pass-through entity that has committed capital under management in excess of five
34 million dollars (\$5,000,000) or to a pass-through entity that is a qualified business or a North
35 Carolina Enterprise Corporation. An individual may exclude from the individual's income
36 taxable under this Article a portion of the gain or other taxable income recognized as a result of
37 the individual's sale or exchange of an ownership interest in the pass-through entity that
38 invested in qualified securities. The portion of the gain or other taxable income that may be
39 excluded from income taxable under this Article is the gain or other taxable income recognized
40 as a result of the sale or exchange of an ownership interest in the pass-through entity multiplied
41 by a fraction, the numerator of which is the total amount invested by the pass-through entity in
42 qualified securities and the denominator of which is the total amount invested by the
43 pass-through entity. For purposes of this subsection, the amounts invested by a pass-through
44 entity shall be the amounts invested at the time of the pass-through entity's sale or exchange.

45 (d) Election Irrevocable. – A taxpayer's election as to whether to exclude gain from
46 taxable income becomes irrevocable upon filing the taxpayer's income tax return for the taxable
47 year.

48 **"§ 105-163.021. Recapture of credit.**

49 If a taxpayer claims an exclusion of gain from income pursuant to G.S. 105-163.020, the
50 income tax liability of the taxpayer for the tax year for which the exclusion is claimed shall be
51 increased by the amount of all credits previously claimed by the taxpayer pursuant to

1 G.S. 105-163.011 with respect to qualified securities that (i) have been sold or exchanged and
2 (ii) the gain from which has been excluded pursuant to G.S. 105-163.020.

3 **"§ 105-163.022. Qualified securities.**

4 (a) Qualified Security. – Except as otherwise provided in this section, any equity
5 security or subordinated debt instrument issued by a qualified business is a qualified security if
6 it satisfies all of the following conditions:

7 (1) It is originally issued by the business on or after January 1, 2012.

8 (2) As of the date of issuance, the issuing business is a qualified business.

9 (3) The security or instrument is acquired by the taxpayer at its original issue in
10 exchange for any tangible or intangible property or benefit to the business,
11 including cash, promissory notes, services performed, contracts for services
12 to be performed, or other equity securities of the business.

13 (4) It is held by the taxpayer for a continuous period of more than one year.

14 (5) No broker's fee or commission or other similar remuneration is paid or given
15 directly or indirectly for soliciting the purchase.

16 (6) If the security or instrument was purchased by a pass-through entity, the
17 entity met the requirements of G.S. 105-163.011(b1) at the time of purchase.

18 (b) Registration. – Securities of a qualified business acquired before the effective date
19 of its registration are not qualified securities. Revocation of the registration of a qualified
20 business pursuant to G.S. 105-163.010A does not affect the exclusion of gain from qualified
21 securities acquired while the registration was in effect if all conditions for registration are
22 satisfied.

23 (c) Effect of Redemptions and Other Distributions. – An equity security or subordinated
24 debt instrument is not a qualified security to the extent the taxpayer purchased it with the
25 proceeds of a redemption, dividend, or distribution made by the business that issued the
26 security or instrument. For the purpose of this subsection, when a business makes a redemption,
27 dividend, or distribution during the four-year period beginning two years before the issuance of
28 securities or instruments to a taxpayer, the taxpayer is considered to have used the proceeds of
29 the redemption, dividend, or distribution toward the purchase of the securities or instruments. A
30 redemption, dividend, or distribution occurs when the business issuing the security or
31 instrument does either of the following:

32 (1) Purchases, directly or indirectly, any of its outstanding equity securities or
33 subordinated debt, other than qualified securities, from the taxpayer or a
34 related person.

35 (2) Declares a dividend or makes a distribution with respect to any of its
36 outstanding equity securities or subordinated debt, other than qualified
37 securities, to the taxpayer or a related person. This subdivision does not
38 apply, however, to a distribution in connection with one of the following:

39 a. The reimbursement to the taxpayer of the reasonable costs of
40 forming, syndicating, managing, and operating the business.

41 b. An increase in the taxpayer's taxes, penalties, or interest to the extent
42 the increase is caused by the allocation to the taxpayer of income of
43 the business.

44 The repayment of principal on subordinated debt is a purchase of the debt except to the
45 extent the repayment is repayment of principal due on the subordinated debt at its maturity
46 pursuant to the terms of the subordinated debt instrument. If a transaction is treated under
47 section 304(a) of the Code as a distribution in redemption of the equity securities of a business,
48 that business has, for the purpose of this subsection, purchased an amount of its equity
49 securities equal to the amount treated as such a distribution under section 304(a) of the Code.

50 (d) Exception for Certain Transactions. – The following transactions are not treated as a
51 redemption or distribution for the purposes of subsection (c) of this section:

1 (1) Any deemed liquidation of a business pursuant to section 708(b)(1)(A) of
2 the Code by reason of the business becoming a disregarded entity for federal
3 tax purposes, to the extent there is not actual distribution of money or other
4 property to the taxpayer or a related person.

5 (2) Any deemed distribution or redemption by reason of a technical termination
6 of a business pursuant to section 708(b)(1)(B) of the Code to the extent there
7 is no actual distribution of money or other property to the taxpayer or a
8 related person.

9 (e) Conversion of Other Securities. – Any equity security or subordinated debt
10 instrument issued by a business and acquired by the taxpayer solely through the conversion of
11 another equity security or subordinated debt instrument that was issued by the business and was
12 a qualified security in the hands of the taxpayer is considered, for the purpose of this section, a
13 qualified security in the hands of the taxpayer and acquired by the taxpayer on the date the
14 taxpayer acquired the converted qualified security.

15 (f) Transfers. – In the case of a transfer by gift, by death, or from a pass-through entity
16 to one of its owners, the transferee is considered, for the purpose of this section, to have
17 acquired the qualified security in the same manner as the transferor and to have held it during
18 any continuous period immediately preceding the transfer during which it was held or treated as
19 held by the transferor.

20 In the case of a transaction described in section 351 or 721 of the Code or a reorganization
21 described in section 368 of the Code, if qualified securities are exchanged for other securities,
22 the other securities are considered, for the purpose of this section, qualified securities acquired
23 on the date the exchanged qualified securities were acquired. In the case of a transaction
24 described in section 351 or 721 of the Code, the newly acquired securities are considered
25 qualified securities, however, only if, immediately after the transaction, the business issuing the
26 securities owns, directly or indirectly, securities representing control, within the meaning of
27 section 368(c) of the Code, of the business whose securities were exchanged.

28 **"§ 105-163.023. Limitations.**

29 (a) Contributions and Exchanges of Property. – In the case of a transaction described in
30 section 351 or 721 of the Code or a reorganization described in section 368 of the Code, if a
31 taxpayer contributes property to or exchanges property with a qualified business, the following
32 rules apply:

33 (1) Qualified securities exchanged for property. – Except as otherwise provided
34 in subdivision (3) of this subsection, a taxpayer who transfers property to a
35 business in exchange for qualified securities in the business must, for
36 purposes of determining North Carolina taxable income, recognize gain
37 equal to the amount by which the fair market value of the property exceeded
38 the taxpayer's basis in the property on the date the property was exchanged
39 for the qualified securities. This gain must be recognized for the years for
40 which the taxpayer claims an exclusion of gain under this Part with respect
41 to the disposition of qualified securities received in exchange for the
42 property.

43 (2) Contributions to capital. – Except as otherwise provided in subdivision (3) of
44 this subsection, if the adjusted basis of a qualified security is adjusted due to
45 a contribution to capital after the date the qualified security was issued
46 originally, for purposes of determining North Carolina taxable income, the
47 taxpayer must recognize gain equal to the amount by which the fair market
48 value of the contributed property exceeded the taxpayer's basis in the
49 property on the date the property was contributed. This gain must be
50 recognized for the years for which the taxpayer claims an exclusion of gain
51 under this Part with respect to the disposition of the qualified securities.

1 (3) Disposition of contributed property. – If a qualified business disposes of
2 property contributed to it, the disposition occurs before the taxpayer who
3 contributed the property claims an exclusion of gain pursuant to this Part
4 with respect to qualified securities affected by the contribution, and the
5 taxpayer recognizes gain from the disposition, then for purposes of
6 subdivisions (1) and (2) of this subsection, the taxpayer's basis in the
7 contributed property is increased by any gain the taxpayer recognized from
8 the disposition.

9 (b) Transactions That Substantially Reduce the Risk of Loss. – If a taxpayer has entered
10 into any transaction that substantially reduces the risk of loss from holding the qualified
11 securities, there is no exclusion of gain under this Part from the sale or exchange of the
12 qualified securities unless the taxpayer entered into the transaction on or after January 1, 2012,
13 and elects to recognize gain as if the qualified securities were sold at fair market value on the
14 date the taxpayer first entered into that transaction. The following are examples of a transaction
15 that substantially reduces the risk of loss from holding the qualified securities:

16 (1) The taxpayer or a related person has made a short sale of substantially
17 identical property.

18 (2) The taxpayer or a related person has acquired an option to sell substantially
19 identical property at a fixed price."

20 **SECTION 29.3.(d)** This section is effective for taxable years beginning on or after
21 January 1, 2012.

22 23 **SMALL BUSINESS JOBS CREDIT**

24 **SECTION 29.4.(a)** Article 3B of Chapter 105 of the General Statutes is amended
25 by adding a new section to read:

26 **"§ 105-129.16K. Temporary small business job creation tax credit.**

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

28 (1) Eligible business. – A business that has no more than 500 full-time
29 employees in this State at the beginning of the taxable year and employed
30 five or more full-time employees on December 31, 2011.

31 (2) Eligible new job. – A new job that pays wages, upon which taxes are
32 withheld under Article 4A of this Chapter, of at least twenty thousand
33 dollars (\$20,000) over the first 12-month period.

34 (3) Establishment. – Defined in G.S. 105-129.81.

35 (4) Full-time employee. – Defined in G.S. 105-129.81.

36 (5) Full-time job. – Defined in G.S. 105-129.81.

37 (6) New job. – A job that represents a net increase in the number of the
38 taxpayer's full-time jobs statewide. The net increase in full-time jobs is the
39 difference between: (i) the total number of full-time employees employed by
40 the employer on May 1, 2012; and (ii) the number of full-time employees
41 employed by the employer on December 31, 2012. The net increase in
42 full-time jobs cannot exceed the number of qualified full-time employees
43 hired after May 1, 2012, but before January 1, 2013. The term does not
44 include a job previously located in this State that is transferred to the
45 business from a related member of the business as defined in
46 G.S. 105-130.7A.

47 (7) Qualified employee. – An individual that satisfies at least one of the
48 following two conditions, subject to the exclusion in (c) below.

49 a. Is unemployed, or employed for less than 40 hours, for the 180-day
50 period ending the date that employment with the taxpayer began.

1 b. Was in active military service in an area designated by the President
2 of the United States by executive order as a "combat zone" anytime
3 after September 11, 2001, and who was discharged or released from
4 active duty at any time during the five-year period ending the date
5 that employment with the taxpayer began.

6 c. "Qualified employee" excludes: (i) any employee who bears any of
7 the relationships described in subparagraphs (A) to (G) of section
8 152(d)(2) of the Internal Revenue Code to the employer; (ii) if the
9 employer is a corporation, any employee who owns, directly or
10 indirectly, more than fifty percent (50%) in value of the outstanding
11 stock of the corporation, or if the employer is an entity other than a
12 corporation, an employee who owns, directly or indirectly, more than
13 fifty percent (50%) of the capital and profits in the entity, as
14 determined with the application of section 267(c) of the Internal
15 Revenue Code; or (iii) if the employer is an estate or trust, any
16 employee who is a fiduciary of the estate or trust, or is an individual
17 who bears any of the relationships described in subparagraphs (A) to
18 (G) of section 152(d)(2) of the Internal Revenue Code to a grantor,
19 beneficiary, or fiduciary of the estate or trust.

20 (b) Credit. – An eligible business is allowed a credit for each eligible new job the
21 business creates that is filled by a qualified employee. The taxpayer may not claim the credit in
22 the taxable year in which the job is created, but may claim the credit in the following taxable
23 year only if the job is maintained for a period of at least 12 months. The amount of the credit is
24 equal to six and two-tenths percent (6.2%) of the wages, upon which taxes are withheld under
25 Article 4A of this Chapter, paid to the person that holds the eligible new job for the 12-month
26 period beginning when the job was first created, regardless of whether that entire period was
27 within the taxable year. The amount of the credit allowed per eligible new job may not exceed
28 five thousand dollars (\$5,000), and the taxpayer may not claim more than two hundred
29 thousand dollars (\$200,000) in total credits under this section.

30 (c) Change in Ownership of Business. – As used in this subsection, the term "business"
31 means a taxpayer or an establishment. The sale, merger, consolidation, conversion, acquisition,
32 or bankruptcy of a business, or any transaction by which an existing business reformulates
33 itself as another business, does not create new eligibility in a succeeding business with respect
34 to credits for which the predecessor was not eligible under this Article. A successor business
35 may, however, take any credit or carried-over portion of a credit that its predecessor could have
36 taken if it had a tax liability. The acquisition of a business is a new investment that creates new
37 eligibility in the acquiring taxpayer under this Article if any of the following conditions are
38 met:

39 (1) The business closed before it was acquired.

40 (2) The business was required to file a notice of plant closing or mass layoff
41 under the federal Worker Adjustment and Retraining Notification Act, 29
42 U.S.C. § 2101, before it was acquired.

43 (3) The business was acquired by its employees, directly or indirectly, through
44 an acquisition company under an employee stock option transaction or
45 another similar mechanism. For the purpose of this subdivision, "acquired"
46 means that as part of the initial purchase of a business by the employees, the
47 purchase included an agreement for the employees through the employee
48 stock option transaction or another similar mechanism to obtain one of the
49 following:

50 a. Ownership of more than fifty percent (50%) of the business.

1 b. Ownership of not less than forty percent (40%) of the business within
2 seven years if the business has tangible assets with a net book value
3 in excess of one hundred million dollars (\$100,000,000) and has the
4 majority of its operations located in a development tier one area.

5 (d) No Double Benefit. – A taxpayer that claims a credit under this section is not
6 eligible for any other job creation credit allowed under this Chapter with respect to the same
7 job."

8 **SECTION 29.4.(b)** G.S. 105-129.17(a) reads as rewritten:

9 "(a) Tax Election. – The ~~credit~~credits allowed in G.S. 105-129.16A ~~is~~and
10 G.S. 105-129.16K are allowed against the franchise tax levied in Article 3 of this Chapter, the
11 income taxes levied in Article 4 of this Chapter, or the gross premiums tax levied in Article 8B
12 of this Chapter. All other credits allowed in this Article are allowed against the franchise tax
13 levied in Article 3 of this Chapter or the income taxes levied in Article 4 of this Chapter. The
14 taxpayer must elect the tax against which a credit will be claimed when filing the return on
15 which the first installment of the credit is claimed. This election is binding. Any carryforwards
16 of a credit must be claimed against the same tax."

17 **SECTION 29.4.(c)** This act is effective for taxable years beginning on or after
18 January 1, 2013.

20 **EXTEND SUNSETS ON CERTAIN TAX EXPENDITURES**

21 **SECTION 29.5.(a)** G.S. 105-129.82 reads as rewritten:

22 **§ 105-129.82. (See notes) Sunset; studies.**

23 (a) Sunset. – This Article is repealed effective for business activities that occur on or
24 after ~~January 1, 2013.~~January 1, 2015."

25 **SECTION 29.5.(b)** G.S. 105-151.31 reads as rewritten:

26 **"§ 105-151.31. (Repealed for taxable years beginning on or after January 1, 2013) Earned**
27 **income tax credit.**

28 (a) Credit. – An individual who claims for the taxable year an earned income tax credit
29 under section 32 of the Code is allowed a credit against the tax imposed by this Part equal to
30 five percent (5%) of the amount of credit the individual qualified for under section 32 of the
31 Code. A nonresident or part-year resident who claims the credit allowed by this section must
32 reduce the amount of the credit by multiplying it by the fraction calculated under
33 G.S. 105-134.5(b) or (c), as appropriate.

34 (b) Credit Refundable. – If the credit allowed by this section exceeds the amount of tax
35 imposed by this Part for the taxable year reduced by the sum of all credits allowable, the
36 Secretary must refund the excess to the taxpayer. The refundable excess is governed by the
37 provisions governing a refund of an overpayment by the taxpayer of the tax imposed in this
38 Part. Section 3507 of the Code, Advance Payment of Earned Income Credit, does not apply to
39 the credit allowed by this section. In computing the amount of tax against which multiple
40 credits are allowed, nonrefundable credits are subtracted before refundable credits.

41 (c) Sunset. – This section is repealed effective for taxable years beginning on or after
42 ~~January 1, 2013.~~January 1, 2015."

43 **SECTION 29.5.(c)** G.S. 105-129.16D reads as rewritten:

44 **"§ 105-129.16D. (Repealed effective for facilities placed in service on or after January 1,**
45 **2013) Credit for constructing renewable fuel facilities.**

46 (a) Dispensing Credit. – A taxpayer that constructs and installs and places in service in
47 this State a qualified commercial facility for dispensing renewable fuel is allowed a credit equal
48 to fifteen percent (15%) of the cost to the taxpayer of constructing and installing the part of the
49 dispensing facility, including pumps, storage tanks, and related equipment, that is directly and
50 exclusively used for dispensing or storing renewable fuel. A facility is qualified if the

1 equipment used to store or dispense renewable fuel is labeled for this purpose and clearly
2 identified as associated with renewable fuel.

3 ...
4 (d) Sunset. – This section is repealed effective for facilities placed in service on or after
5 ~~January 1, 2013.~~ January 1, 2015."

6 **SECTION 29.5.(d)** G.S. 105-129.16F reads as rewritten:

7 "**§ 105-129.16F. (Repealed for taxable years beginning on or after January 1, 2013)**

8 **Credit for biodiesel producers.**

9 (a) Credit. – A biodiesel provider that produces at least 100,000 gallons of biodiesel
10 during the taxable year is allowed a credit equal to the per gallon excise tax the producer paid
11 under Article 36C of this Chapter on the biodiesel. For the purposes of this section, "biodiesel"
12 is liquid fuel derived in whole from agricultural products, animal fats, or wastes from
13 agricultural products or animal fats. The credit does not apply to tax paid on diesel fuel
14 included in a biodiesel blend. The credit may not exceed five hundred thousand dollars
15 (\$500,000) and is subject to the limitations of G.S. 105-129.17.

16 (b) Sunset. – This section is repealed for taxable years beginning on or after ~~January 1,~~
17 ~~2013.~~ January 1, 2015."

18 **SECTION 29.5.(e)** G.S. 105-130.48 reads as rewritten:

19 "**§ 105-130.48. (Repealed for taxable years beginning on or after January 1, 2013) Credit**
20 **for recycling oyster shells.**

21 (a) Credit. – A taxpayer who donates oyster shells to the Division of Marine Fisheries
22 of the Department of Environment and Natural Resources is eligible for a credit against the tax
23 imposed by this Part. The amount of the credit is equal to one dollar (\$1.00) per bushel of
24 oyster shells donated.

25 ...
26 (f) Sunset. – This section is repealed effective for taxable years beginning on or after
27 ~~January 1, 2013.~~ January 1, 2015."

28 **SECTION 29.5.(f)** G.S. 105-129.75 reads as rewritten:

29 "**§ 105-129.75. Sunset.**

30 This Article expires ~~January 1, 2014,~~ January 1, 2016, for rehabilitation projects for which
31 an application for an eligibility certification is submitted on or after that date."

32 **SECTION 29.5.(g)** G.S. 105-130.47(k) reads as rewritten:

33 "(k) Sunset. – This section is repealed for qualifying expenses occurring on or after
34 ~~January 1, 2014.~~ January 1, 2016."

35 **SECTION 29.5.(h)** G.S. 105-130.41(d) reads as rewritten:

36 "(d) Sunset. – This section is repealed effective for taxable years beginning on or after
37 ~~January 1, 2014.~~ January 1, 2016."

38 **SECTION 29.5.(i)** G.S. 105-129.39 reads as rewritten:

39 "This Article expires for qualified rehabilitation expenditures and rehabilitation expenses
40 incurred on or after ~~January 1, 2014.~~ January 1, 2016."

41 **SECTION 29.5.(j)** G.S. 105-151.28(d) reads as rewritten:

42 "(d) Sunset. – This section is repealed for taxable years beginning on or after ~~January 1,~~
43 ~~2013.~~ January 1, 2015."

44 **SECTION 29.5.(k)** G.S. 105-151.32(c) reads as rewritten:

45 "(c) Sunset. – This section is repealed effective for taxable years beginning on or after
46 ~~January 1, 2013.~~ January 1, 2015."

47 **SECTION 29.5.(l)** G.S. 105-129.16I(c) reads as rewritten:

48 "(c) Sunset. – This section is repealed effective for a renewable energy property facility
49 placed in service on or after ~~January 1, 2014.~~ January 1, 2016."

50 **SECTION 29.5.(m)** G.S. 105-164.14B(f) reads as rewritten:

1 "(f) Sunset. – This section is repealed for sales made on or after ~~January 1, 2013~~ January
2 1, 2015."

3 **SECTION 29.5.(n)** G.S. 105-164.14A reads as rewritten:

4 "**§ 105-164.14A. Economic incentive refunds.**

5 (a) Refund. – The following taxpayers are allowed an annual refund of sales and use
6 taxes paid under this Article:

7 (1) **(Repealed for purchases made on or after ~~January 1, 2013~~ January 1,**
8 **2015)** Passenger air carrier. – An interstate passenger air carrier is allowed a
9 refund of the sales and use tax paid by it on fuel in excess of two million five
10 hundred thousand dollars (\$2,500,000). The amount of sales and use tax paid
11 does not include a refund allowed to the interstate passenger air carrier under
12 G.S. 105-164.14(a). This subdivision is repealed for purchases made on or
13 after ~~January 1, 2013~~ January 1, 2015.

14 ...
15 (4) **(Repealed for purchases made on or after ~~January 1, 2013~~ January 1,**
16 **2015)** Motorsports team or sanctioning body. – A professional motorsports
17 racing team, a motorsports sanctioning body, or a related member of such a
18 team or body is allowed a refund of the sales and use tax paid by it in this
19 State on aviation fuel that is used to travel to or from a motorsports event in
20 this State, to travel to a motorsports event in another state from a location in
21 this State, or to travel to this State from a motorsports event in another state.
22 For purposes of this subdivision, a "motorsports event" includes a
23 motorsports race, a motorsports sponsor event, and motorsports testing. This
24 subdivision is repealed for purchases made on or after ~~January 1,~~
25 ~~2013~~ January 1, 2015.

26 (5) **(Repealed for purchases made on or after ~~January 1, 2014~~ January 1,**
27 **2016)** Professional motorsports team. – A professional motorsports racing
28 team or a related member of a team is allowed a refund of fifty percent
29 (50%) of the sales and use tax paid by it in this State on tangible personal
30 property, other than tires or accessories, that comprises any part of a
31 professional motorsports vehicle. For purposes of this subdivision,
32 "motorsports accessories" includes instrumentation, telemetry, consumables,
33 and paint. This subdivision is repealed for purchases made on or after
34 January 1, 2014.

35 (6) **(Repealed for purchases made on or after ~~January 1, 2013~~ January 1,**
36 **2015)** Analytical services business. – A taxpayer engaged in analytical
37 services in this State is allowed a refund of sales and use tax paid by it. This
38 subdivision is repealed for purchases made on or after ~~January 1, 2013~~ January 1,
39 2015. The amount of the refund is the greater of the following:

40 a. Fifty percent (50%) of the eligible amount of sales and use tax paid
41 by it on tangible personal property that is consumed or transformed
42 in analytical service activities. The eligible amount of sales and use
43 tax paid by the taxpayer in this State is the amount by which sales
44 and use tax paid by the taxpayer in this State in the fiscal year exceed
45 the amount paid by the taxpayer in this State in the 2006-2007 State
46 fiscal year.

47 b. Fifty percent (50%) of the amount of sales and use tax paid by it in
48 the fiscal year on medical reagents.

49"

50 **SECTION 29.5.(o)** G.S. 105-277.1F(2a) reads as rewritten:

1 "(2a) G.S. 105-277.1D, the inventory property tax deferral. This subdivision is
2 effective for taxes imposed for taxable years beginning on or after July 1,
3 2010. This subdivision is repealed effective for taxes imposed for taxable
4 years beginning on or after July 1, 2015. Residences receiving the property
5 tax benefit provided by this act are not affected by the repeal of this act until
6 the occurrence of a disqualifying event."

7 **SECTION 29.5.(p)** G.S. 105-129.51(b) reads as rewritten:

8 "(b) This Article is repealed for taxable years beginning on or after ~~January 1,~~
9 ~~2014.~~January 1, 2016."

10 **SECTION 29.6.** Section 31.4 of S.L. 2011-145 reads as rewritten:

11 **"NER/COMMERCE/SET REGULATORY FEE FOR UTILITIES COMMISSION**

12 **"SECTION 31.4.(a)** The percentage rate to be used in calculating the public utility
13 regulatory fee under G.S. 62-302(b)(2) ~~is twelve hundredths of one percent (0.12%) thirteen~~
14 ~~and one-half hundredths of one percent (0.135%)~~ for each public utility's North Carolina
15 jurisdictional revenues earned during each quarter that begins on or after July 1, 2011.

16 **"SECTION 31.4.(b)** The electric membership corporation regulatory fee imposed under
17 G.S. 62-302(b1) for the 2011-2012 fiscal year is two hundred thousand dollars (\$200,000).

18 **"SECTION 31.4.(c)** This section becomes effective ~~July 1, 2011.~~July 1, 2012."

19 20 **PART XXX. MISCELLANEOUS PROVISIONS**

21 22 **STATE BUDGET ACT APPLIES**

23 **SECTION 30.1.** The provisions of the State Budget Act, Chapter 143C of the
24 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
25 this act by reference.

26 27 **MOST TEXT APPLIES ONLY TO THE 2012-2013 FISCAL YEAR**

28 **SECTION 30.2.** Except for statutory changes or other provisions that clearly
29 indicate an intention to have effects beyond the 2012-2013 fiscal year, the textual provisions of
30 this act apply only to funds appropriated for, and activities occurring during, the 2012-2013
31 fiscal year.

32 33 **EFFECT OF HEADINGS**

34 **SECTION 30.3.** The headings to the parts and sections of this act are a
35 convenience to the reader and are for reference only. The headings do not expand, limit, or
36 define the text of this act, except for effective dates referring to a Part.

37 38 **APPROPRIATIONS, LIMITATIONS, AND DIRECTIONS APPLY**

39 **SECTION 30.4.(a)** Except where expressly repealed or amended by this act, the
40 provisions of S.L. 2011-145 and S.L. 2011-391 remain in effect.

41 **SECTION 30.4.(b)** Notwithstanding any modifications by this act in the amounts
42 appropriated, except where expressly repealed or amended, the limitations and directions for
43 the 2012-2013 fiscal year in S.L. 2011-145 and S.L. 2011-391 that applied to appropriations to
44 particular agencies or for particular purposes apply to the newly enacted appropriations and
45 budget reductions of this act for those same particular purposes.

46 47 **SEVERABILITY CLAUSE**

48 **SECTION 30.5.** If any section or provision of this act is declared unconstitutional
49 or invalid by the courts, it does not affect the validity of this act as a whole or any part other
50 than the part so declared to be unconstitutional or invalid.

1 **EFFECTIVE DATE**

2 **SECTION 30.6.** Except as otherwise provided, this act becomes effective July 1,
3 2012.