**GENERAL ASSEMBLY OF NORTH CAROLINA**
**SESSION 2013**

# SESSION LAW 2013-363
# HOUSE BILL 112

AN ACT TO MAKE TECHNICAL, CLARIFYING, AND OTHER MODIFICATIONS TO THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2013 AND TO RELATED LEGISLATION.

The General Assembly of North Carolina enacts:

## PART I. GENERAL PROVISIONS

**SECTION 1.1.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 6.18(f) of that act is repealed.

**SECTION 1.1.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 6.18(e) of that act reads as rewritten:

"**SECTION 6.18.(e)** The Department of Health and Human Services shall submit to the Centers for Medicare and Medicaid Services by ~~August 1, 2013,~~September 30, 2013, a State Plan Amendment for the Medical Assistance Program and a State Plan Amendment for the Children's Health Insurance Program to allow for income, resource, and asset disregard for compensation payments under Part 30 of Article 9 of Chapter 143B of the General Statutes, the Eugenics Asexualization and Sterilization Compensation Program, as enacted by this act."

**SECTION 1.2.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 6.4(c) of that act reads as rewritten:

"**SECTION 6.4.(c)** The Attorney General shall take all necessary actions to implement this section and to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly regarding redirection of payments set forth in subsections (a) and (b) of this section."

**SECTION 1.4.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 6.1 of that act reads as rewritten:

"**SECTION 6.1.** For the 2013-2015 fiscal biennium and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission ~~order or~~ order, (ii) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management ~~Act.~~ Act, (iii) by the State Treasurer to pay death benefits as authorized under Article 12A of Chapter 143 of the General Statutes, (iv) by the Office of the Governor for crime rewards in accordance with G.S. 15-53 and G.S. 15-53.1, (v) by the Industrial Commission for supplemental awards of compensation, or (vi) by the Department of Justice for legal fees. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies."

**SECTION 1.5.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 143C-9-3, as amended by Section 6.4(e) of that act, reads as rewritten:

"**§ 143C-9-3. Settlement Reserve Fund.**

(a) The "Settlement Reserve Fund" is established in the General Fund to receive proceeds from tobacco litigation settlement agreements or final orders or judgments of a court in litigation between tobacco companies and the states. Funds credited to the Settlement Reserve Fund each fiscal year shall be included in General Fund availability as nontax ~~revenue for the next fiscal year.~~revenue.

(b), (c) Repealed by Session Laws 2011-145, s. 6.11(i), effective July 1, 2011.

(d) Unless prohibited by federal law, federal funds provided to the State by block grant or otherwise as part of federal legislation implementing a settlement between United States tobacco companies and the states shall be credited to the Settlement Reserve Fund. Unless otherwise encumbered or distributed under a settlement agreement or final order or judgment of the court, funds paid to the State or a State agency pursuant to a tobacco litigation settlement agreement, or a final order or judgment of a court in litigation between tobacco companies and the states, shall be credited to the Settlement Reserve Fund."

**PART II. INFORMATION TECHNOLOGY**

**SECTION 2.1.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 7.17(e) of that act reads as rewritten:

"**SECTION 7.17.(e)** Internal Costs. – For the 2013-2015 fiscal biennium the Department of Revenue may retain an additional sum of eight million eight hundred seventy-four thousand three hundred nineteen dollars ($8,874,319) from benefits generated for the General Fund since the beginning of the public-private partnership described under Section 6A.5(a) of S.L. 2011-145. ~~These funds shall be used~~ The Department may use up to eleven million eight hundred seventy-four thousand three hundred nineteen dollars ($11,874,319) as payment of internal costs for the fiscal biennium, and such funds are hereby appropriated for this purpose."

**SECTION 2.2.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 7.22 of that act reads as rewritten:

"**SECTION 7.22.** The State Chief Information Officer (SCIO) shall develop a plan to implement an electronic portal that makes obtaining information, conducting online transactions, and communicating with State agencies more convenient for members of the public. The SCIO shall report to the Joint Legislative Oversight Committee on Information Technology on the details of the plan prior to implementation. The plan shall contain all of the following:

…

(6) A provision requiring that any fees to support the operation of the portal must be authorized by ~~the General Assembly.~~the State Chief Information Officer and reported to the Joint Legislative Oversight Committee on Information Technology."

**SECTION 2.3.** If Senate Bill 402, 2013 Regular Session, becomes law, then the title of Section 7.8 of that act and Section 7.8 of that act reads as rewritten:

"**INFORMATION TECHNOLOGY ~~PERSONAL SERVICES CONTRACT REQUIREMENTS~~ PERSONAL SERVICE/CONVENIENCE CONTRACT**

"**SECTION 7.8.** Notwithstanding any provision of law to the contrary, no contract for information technology personal services, or that provides personnel to perform information technology functions, may be established or renewed without written approval from the Statewide Information Technology Procurement Office and the Office of State Budget and Management. To facilitate compliance with this requirement, the Statewide Information Technology Procurement Office shall develop and document the following:

(1) Standards for determining whether it is more appropriate for an agency to hire an employee or use the services of a vendor.

(2) A process to monitor all State agency personal services contracts, as well as any other State contracts providing personnel to perform information technology functions.

(3) A process for obtaining approval of contractor positions.

The Statewide Information Technology Procurement Office shall review current personal services contracts and determine if each contractor is performing a function that could more appropriately be performed by a State employee. Where the determination is made that a State employee should be performing the function, the Statewide Information Technology Procurement Office shall work with the impacted ~~agency~~ agency, the Office of State Budget and Management, and the Office of State Personnel to identify or create the position.

Beginning October 1, 2013, the Statewide Information Technology Procurement Office shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on its progress toward standardizing information technology personal

services contracts. In addition, the report shall include detailed information on the number of personal service contractors in each State agency, the cost for each, and the comparable cost (including benefits) of a State employee serving in that capacity rather than a contractor."

**SECTION 2.4.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, G.S. 143B-426.38A(f)(1), as enacted by Section 7.10(d) of that act, reads as rewritten:

"(f) Data Sharing. –

(1) General duties of all State agencies. – ~~The~~ Except as limited or prohibited by federal law, the head of each State agency, department, and institution shall do all of the following:

…."

**SECTION 2.4.(b)** This section is effective when it becomes law.

**PART III. EDUCATION**

**SECTION 3.2.** If House Bill 269, 2013 Regular Session, becomes law, then Section 5 of that act is rewritten to read:

"**SECTION 5.(a)** Of the funds appropriated to a Reserve for Pending Legislation by Senate Bill 402, 2013 Regular Session, there is allocated to the North Carolina State Education Assistance Authority (NCSEAA) the sum of three million six hundred seventy thousand five hundred dollars ($3,670,500) for the 2013-2014 fiscal year and the sum of four million three hundred forty-one thousand dollars ($4,341,000) for the 2014-2015 fiscal year in recurring funds to implement the requirements of this act. Of the funds allocated to NCSEAA under this section, NCSEAA shall use the sum of three million dollars ($3,000,000) for fiscal year 2013-2014 and the sum of three million dollars ($3,000,000) for fiscal year 2014-2015 to award scholarship grants to eligible students. Any unexpended funds for this purpose shall not revert at the end of each fiscal year but shall remain available to award scholarship grants to eligible students.

Of the remainder of the funds, up to six hundred seventy thousand five hundred dollars ($670,500) for fiscal year 2013-2014 and up to one million three hundred forty-one thousand dollars ($1,341,000) for fiscal year 2014-2015 shall be transferred to the North Carolina Department of Public Instruction to conduct reevaluations of eligible students as required by G.S. 115C-112.3(c), as enacted by this act.

"**SECTION 5.(b)** Of the funds allocated to NCSEAA to be used for the award of scholarship grants to eligible students under subsection (a) of this section, for fiscal year 2013-2014, NCSEAA may retain up to two hundred thousand dollars ($200,000) for administrative costs associated with the scholarship grant program. For fiscal year 2014-2015 and subsequent years, NCSEAA may retain up to two percent (2%) annually for administrative costs associated with the scholarship grant program."

**SECTION 3.3.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 115C-301 reads as rewritten:

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

(a) Request for Funds. – The State Board of Education, based upon the reports of local boards of education and such other information as the State Board may require from local boards, shall determine for each local school administrative unit the number of teachers and other instructional personnel to be included in the State budget request.

(b) Allocation of Positions. – The State Board of Education is authorized to adopt rules to allot instructional personnel and teachers, within funds appropriated.

(c) Maximum Class ~~Size.~~Size for Kindergarten Through Third Grade. – The average class size for ~~each grade span~~ kindergarten through third grade in a local school administrative unit shall at no time exceed the funded allotment ratio of teachers to ~~students.~~ students in kindergarten through third grade. At the end of the second school month and for the remainder of the school year, the size of an individual class in kindergarten through third grade shall not exceed the allotment ratio by more than three students. ~~At no time may the General Assembly appropriate funds for higher unit-wide class averages than those for which State funds were provided during the 1984-85 school year.~~In grades four through 12, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement.

~~(d) Maximum Teaching Load. – Students shall be assigned to classes so that from the 15th day of the school year through the end of the school year the number of students for whom teachers in grades 7 through 12 are assigned teaching responsibilities during the course of the day is no more than 150 students, except as provided in subsection (g) of this section.~~

~~(e) Alternative Maximum Class Sizes. – The State Board of Education, in its discretion, may set higher maximum class sizes and daily teaching loads for classes in music, physical education, and other similar subjects, so long as the effectiveness of the instructional programs in those areas is not thereby impaired.~~

(f) Second Month Reports. – At the end of the second month of each school year, each local board of education, through the superintendent, shall file a report for each school within the school unit with the State Board of Education. The report shall be filed in a format prescribed by the State Board of Education and shall include the organization for each school, the duties of each teacher, the size of each class, ~~the teaching load of each teacher,~~ and such other information as the State Board may require. As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size ~~and daily teaching load~~ maximums in kindergarten through third grade that occur at that time.

(g) Waivers and Allotment Adjustments. – Local boards of education shall report exceptions to the class size requirements set out for kindergarten through third grade and significant increases in class size at other grade levels to the State Board ~~of Education as provided in G.S. 115C-47(10),~~ and shall request allotment adjustments ~~or~~at any grade level, waivers from the ~~standards set out above.~~requirements for kindergarten through third grade, or both. Within 45 days of receipt of reports, the State Board of Education, within funds available, may ~~allot additional positions or~~ grant waivers for the excess class size ~~or daily load.~~in kindergarten through third grade.

~~(1) If the exception resulted from (i) exceptional circumstances, emergencies, or acts of God, (ii) large changes in student population, (iii) organizational problems caused by remote geographic location, or (iv) classes organized for a solitary curricular area, and~~

~~(2) If the local board cannot organizationally correct the exception.~~

(h) State Board Rules. – The State Board of Education shall adopt rules necessary for the implementation of ~~class size and teaching load provisions.~~this section.

~~(i) Penalty for Noncompliance. – If the State Board of Education determines that a local superintendent has willfully failed to comply with the requirements of this section, no State funds shall be allocated to pay the superintendent's salary for the period of time the superintendent is in noncompliance.~~"

**SECTION 3.3.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 115C-47(10) reads as rewritten:

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

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

…

(10) To Assure Appropriate Class Size. – It shall be the responsibility of local boards of education to assure that the class size ~~and teaching load~~ requirements set forth in G.S. 115C-301 for kindergarten through third grade are met. Any teacher who believes that the requirements of G.S. 115C-301 have not been met shall make a report to the principal and superintendent, and the superintendent shall immediately determine whether the requirements have in fact not been met. If the superintendent determines the requirements have not been met, he or she shall make a report to the next local board of education meeting. The local board of education shall take action to meet the requirements of the statute. If the local board cannot organizationally correct the ~~exception and if any of the conditions set out in G.S. 115C-301(g)(1) exist,~~ exception, it shall immediately apply to the State Board of Education for additional personnel or a waiver of the class size requirements, as provided in G.S. 115C-301(g).

Upon notification from the State Board of Education that the reported exception does not qualify for an allotment adjustment or a waiver under provisions of G.S. 115C-301, the local board, within 30 days, shall take action necessary to correct the exception.

At the end of the second month of each school year, the local board of education, through the superintendent, shall file a report with the State Board of Education, in a format prescribed by the State Board of Education, describing the organization of each school, the duties of each teacher, and the size of each ~~class, and the teaching load of each teacher.~~class. As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size ~~and daily teaching load~~ maximums that exist at that time.

In addition to assuring that the requirements of G.S. 115C-301 are met, each local board of education shall also have the duty to provide an adequate number of classrooms to meet the requirements of that statute."

**SECTION 3.3.(c)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 115C-276(k) reads as rewritten:

"(k) To Submit Organization Reports and Other Information to the State Board. – Each year the superintendent of each local school administrative unit shall submit to the State Board of Education statistical reports, certified by the chairman of the board of education, showing the organization of the schools in his or her unit and any additional information the State Board may require. At the end of the second month of school each year, local boards of education, through the superintendent, shall report school organization, employees' duties, and class ~~sizes, and teaching loads~~ sizes to the State ~~Board of Education as provided in G.S. 115C-47(10).~~Board. As of February 1 each year, local boards of education, through the superintendent, shall report all exceptions to individual class size ~~and daily teaching load~~ maximums in kindergarten through third grade that occur at that time."

**SECTION 3.3.(d)** Notwithstanding G.S. 115C-301 or any other law, for the 2013-2015 fiscal biennium, the class size requirements in kindergarten through third grade shall remain unchanged.

**SECTION 3.4.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 2.1 of that act reads as rewritten:

"**CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

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

| **Current Operations – General Fund** | **2013-2014** | **2014-2015** |
|---|---|---|
| **EDUCATION** | | |
| Community Colleges System Office | 1,021,295,467 | 1,016,487,467 |
| Department of Public Instruction | 7,867,960,649 | 8,048,101,622 |
| University of North Carolina – Board of Governors | | |
| Appalachian State University | 127,908,903 | 127,908,903 |
| East Carolina University | | |
| Academic Affairs | 220,012,450 | 220,615,626 |
| Health Affairs | 64,841,247 | 64,841,247 |
| Elizabeth City State University | 35,363,212 | 35,385,057 |
| Fayetteville State University | 49,336,186 | 49,336,186 |
| North Carolina Agricultural and Technical State University | 96,882,428 | 96,882,428 |
| North Carolina Central University | 84,084,488 | 84,084,488 |
| North Carolina State University | | |
| Academic Affairs | 389,976,973 | 390,045,059 |
| Agricultural Extension | 39,859,682 | 39,859,682 |
| Agricultural Research | 54,911,053 | 54,911,053 |
| University of North Carolina at Asheville | 37,465,299 | 37,465,299 |
| University of North Carolina at Chapel Hill | | |
| Academic Affairs | 274,632,544 | 274,515,010 |

| | | |
|---|---|---|
| Health Affairs | 187,260,403 | 190,741,444 |
| Area Health Education Centers | 42,418,348 | 42,418,348 |
| University of North Carolina at Charlotte | 192,697,970 | 192,683,456 |
| University of North Carolina at Greensboro | 153,838,192 | 153,783,960 |
| University of North Carolina at Pembroke | 54,175,566 | 54,175,566 |
| University of North Carolina School of the Arts | 31,547,460 | 29,146,203 |
| University of North Carolina at Wilmington | 96,484,692 | 96,484,692 |
| Western Carolina University | 83,140,199 | 83,161,081 |
| Winston-Salem State University | 68,957,656 | 68,980,084 |
| General Administration | 34,752,475 | 34,752,475 |
| University Institutional Programs | (32,137,074) | (52,671,909) |
| Related Educational Programs | 82,160,148 | ~~117,918,501~~ 107,918,501 |
| North Carolina School of Science and Mathematics | 19,126,182 | 19,126,182 |
| Aid to Private ~~Colleges~~Institutions | 93,351,588 | ~~93,351,588~~ 103,351,588 |
| Total University of North Carolina – Board of Governors | 2,583,048,270 | 2,599,901,709 |

…."

**SECTION 3.5.** G.S. 115C-238.70(a) is amended by adding a new subdivision to read:

"**§ 115C-238.70. State and local funds.**

(a) The State Board of Education shall allocate to a regional school:

…

(4) If the regional school has a final total average daily membership of 100 or more students, an amount to fund 12 months of employment for the school principal position."

**SECTION 3.6.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 115C-83.11(b)(7), as enacted by Section 9.4(b) of that act, reads as rewritten:

"(b) Calculation of the School Achievement Score. – In calculating the overall school achievement score earned by schools, the State Board of Education shall total the sum of points earned by a school on all of the following indicators that are measured for that school:

…

(7) One point for each percent of students who complete ~~the Algebra II or Integrated Math III end-of-course test~~ Algebra II or Integrated Math III with a passing grade."

**SECTION 3.7.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 10.4A(a) of that act reads as rewritten:

"**SECTION 10.4A.(a)** It is the intent of the General Assembly that, beginning with the 2014-2015 fiscal year, the State Board of Community ~~Colleges~~Colleges, in consultation and cooperation with the Office of State Budget and Management, shall implement a fourth tier in the Tiered Funding Formula adopted by the State Board to allocate funds to community colleges based on the number of full-time equivalent (FTE) students enrolled in curriculum, continuing education, and Basic Skills courses in order to fund curriculum programs leading to immediate employment at the highest available funding level."

**SECTION 3.8.** If Senate Bill 402, 2013 Regular Session, becomes law, then notwithstanding any provision in that act to the contrary, the reduction to the cash balance of the Teaching Fellows Trust Fund for the 2013-2014 fiscal year shall be taken from Budget Code 63501.

**SECTION 3.9.** Notwithstanding Section 7A.1(i) of S.L. 2012-142 or any other provision of law to the contrary, the developmental screening and kindergarten entry assessment required by G.S. 115C-83.5 shall be administered beginning with the 2014-2015 school year in at least fifty percent (50%) of local school administrative units with statewide administration implemented no later than the 2015-2016 school year.

**SECTION 3.10.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 115C-64.10(a), as enacted by Section 8.34(a) of that act, reads as rewritten:

"(a) There is created the North Carolina Education and Workforce Innovation Commission (Commission). The Commission shall be located administratively in the ~~Department of Public Instruction~~ Office of the Governor but shall exercise all its prescribed powers independently of the ~~Department of Public Instruction.~~ Office of the Governor. Of the funds appropriated for the Education and Workforce Innovation Program established under G.S. 115C-64.11, up to two hundred thousand dollars ($200,000) each fiscal year may be used by the ~~Department of Public Instruction~~ Office of the Governor to provide technical assistance and administrative assistance, including staff, to the Commission and reimbursements and expenses for the Commission."

**SECTION 3.10.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 2.1 of that act reads as rewritten:

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

| **Current Operations – General Fund** | **2013-2014** | **2014-2015** |
|---|---|---|
| **EDUCATION** | | |
| Community Colleges System Office | 1,021,295,467 | 1,016,487,467 |
| Department of Public Instruction | ~~7,867,960,649~~7,865,960,649 | ~~8,048,101,622~~8,046,101,622 |
| … | | |
| Office of the Governor | | |
| Office of the Governor | ~~5,170,050~~7,170,050 | ~~5,172,132~~7,172,132 |

…."

**SECTION 3.10.(c)** If Senate Bill 402, 2013 Regular Session, becomes law, then notwithstanding any provision of that act, the Department of Public Instruction shall not use any of the funds appropriated to it in that act, as amended by this act, for the 2013-2015 fiscal biennium to support the program for competitive grants established in Section 8.34 of that act.

**SECTION 3.10.(d)** If Senate Bill 402, 2013 Regular Session, becomes law, then of the funds appropriated to the Office of the Governor in that act, as amended by this act, the Office of the Governor shall use the sum of two million dollars ($2,000,000) in recurring funds for each fiscal year of the 2013-2015 fiscal biennium to support the program for competitive grants established in accordance with Section 8.34 of that act, as amended by this act.

**SECTION 3.11.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 8.4 of that act reads as rewritten:

"**SECTION 8.4.(a)** Funds for Small School Systems for the 2013-2014 Fiscal Year. – Except as provided in subsection (g) of this section, the State Board of Education shall allocate funds appropriated for small school system supplemental funding for the 2013-2014 fiscal year (i) to each county school administrative unit with an average daily membership of fewer than 3,175 students and (ii) to each county school administrative unit with an average daily membership from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county-adjusted property tax base per student that is below the State-adjusted property tax base per student and if the total average daily membership of all local school administrative units located within the county is from ~~3,239~~3,175 to ~~4,080~~4,000 students. The allocation formula shall do all of the following:

…

"**SECTION 8.4.(g)** Nonsupplant Requirement for the 2013-2015 Fiscal Biennium. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2013-2015 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a

county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

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

…."

**SECTION 3.12.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 11.10(b) of that act reads as rewritten:

"**SECTION 11.10.(b)** ~~Subsection (d) of Section 9.10 of S.L. 2012-142 is repealed.~~This section expires June 30, 2015."

**SECTION 3.14.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 10.15(c) of that act reads as rewritten:

"**SECTION 10.15.(c)** A study of the program audit function under G.S. 115D-5(m) shall be conducted by a committee, located administratively in the Community Colleges System Office, composed of the following 12 members:

(1) The Community Colleges System Office Chief Financial ~~Officer.~~Officer shall serve as a nonvoting member.

(2) Three State Board of Community College members appointed by the chair of the State Board of Community Colleges.

(3) Three college presidents appointed by the North Carolina Association of Community College Presidents.

(4) Three college board of trustee members appointed by the chair of the North Carolina Association of Community College Trustees.

(5) The State Chief Information Officer or ~~designee.~~designee shall serve as a nonvoting member.

(6) The State Auditor or designee shall serve as a nonvoting member.

~~The Community Colleges System Office Chief Financial Officer shall chair the committee.~~ The committee shall elect a chair from its members. The committee shall meet upon the call of the chair. A quorum of the committee shall be a majority of the members.

The committee shall determine how program audit procedures may be streamlined to minimize the administrative burden on the institutions being audited and how funding mechanisms may be changed to reduce reliance on contact hours. The committee shall seek input from community college staff members who are responsible for assistance with the program audits to study the problems associated with the program audit function and potential resolutions for those issues. The committee shall report the results of its study and recommendations to the Joint Legislative Education Oversight Committee by January 1, 2015."

**SECTION 3.15.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 10.16(a) of that act reads as rewritten:

"**SECTION 10.16.(a)** Of the funds appropriated in this act to the Community Colleges System Office for the 2013-2014 fiscal year, the sum of four million eight hundred eight thousand dollars ($4,808,000) shall be used for the North Carolina Back-to-Work Program, a retraining program focused on unemployed and underemployed North Carolinians, military veterans, and North Carolina National Guard members. The program shall provide students with occupational skills, employability skills, including a Career Readiness Certificate, and opportunities to earn third-party, industry recognized credentials. Funds may only be allocated to community colleges whose training plans include support for one or more of the following: (i) employers who have committed to assist colleges with the design and implementation of their training plans and to interview program completers for available jobs; (ii) companies with registered apprenticeship programs with the North Carolina Department of Labor; (iii) coordinated projects among two or more colleges that focus on serving the needs of an industry

cluster; or (iv) programs developed in collaboration with the North Carolina National Guard Veteran's Connect or veterans' organizations. Funds may only be used for the following activities: student instruction, student support and coaching, and targeted financial assistance for students, including assistance with tuition, registration fees, books, and certification costs."

**SECTION 3.16.** If Senate Bill 402, 2013 Regular Session becomes law, then Section 11.17 of that act reads as rewritten:

"**SECTION 11.17.(a)** The Joint Legislative Education Oversight Committee, in conjunction with the Board of Governors of The University of North Carolina and the State Board of Community ~~Colleges~~ Colleges, shall ~~jointly~~ study the feasibility of establishing an alternative undergraduate admission program to be known as the North Carolina Guaranteed Admission Program (NC GAP). The goals of NC GAP shall be to encourage and assist more students to obtain a baccalaureate degree within a shorter time period; to provide students with a college education at significantly lower costs for both the student and the State; to help decrease the amount of debt resulting from loans that a student may owe upon graduation; to provide a student with an interim degree that may increase a student's job opportunities if the student chooses not to continue postsecondary education; and to provide easier access to academic counseling that will assist a student in selecting coursework that reflects the student's educational and career goals and helps the student succeed academically.

NC GAP shall be designed as an alternative admission program for students who apply for admission to a constituent institution and satisfy the admission criteria but whose academic credentials are not as competitive as other students admitted to the institution. A student admitted to a constituent institution through NC GAP must agree to defer enrollment at the institution until the student earns an associate degree from one of the State's community colleges. Counseling and assistance shall be provided by the community college to any student in NC GAP to help the student in selecting coursework that reflects the student's educational and career goals and that provides a smooth transition from the community college to the constituent institution.

Once awarded the associate degree from the community college, the student is entitled to admission as a junior at the constituent institution.

Each constituent institution of higher education would be directed to establish NC GAP as part of its undergraduate admission program.

"**SECTION 11.17.(b)** ~~The Board of Governors of The University of North Carolina and the State Board of Community Colleges~~ The Joint Legislative Education Oversight Committee shall report ~~their~~ its findings and recommendations regarding ~~NC GAP to the Joint Legislative Education Oversight Committee by March 1, 2014.~~ NC GAP, together with any recommended legislation, to the 2014 Regular Session of the 2013 General Assembly, upon its convening. The report shall include a comprehensive description of the proposed program, including the criteria that would be used to determine which students would be required to participate in the program as a condition of enrollment and the academic counseling that would need to be available to help students in NC GAP succeed academically."

**SECTION 3.17.** If House Bill 269, 2013 Regular Session, becomes law, then Section 7 of that act reads as rewritten:

"**SECTION 7.** Notwithstanding the definition for "eligible student" set forth in G.S. 115C-112.2, as enacted by this act, a child who is otherwise eligible to receive a scholarship grant for the spring semester of the 2013-2014 school year is deemed to have met the requirements of G.S. 115C-112.2(2)f., as enacted by this act, if the child is a dependent child for whom a taxpayer is allowed a credit for the fall semester of the 2013-2014 school year under G.S. 105-151.33 and the taxpayer affirms, under oath, that the taxpayer will claim the credit for that semester. Notwithstanding G.S. 105-259(b), the Department of Revenue shall furnish, upon request, to the Authority a list of claimants that received a credit pursuant to G.S. 105-151.33 for the taxable year beginning on or after January 1, 2013. Notwithstanding the definition for "eligible student" set forth in G.S. 115C-112.2, as enacted by this act, a child who meets the requirements of G.S. 115C-112.2(a) through (e) and who is eligible for enrollment in kindergarten or the first grade in a North Carolina public school during the 2013-2014 school year shall be eligible to receive a scholarship grant for the spring semester of the 2013-2014 school year."

**SECTION 3.18.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 115C-174.18, as amended by Section 8.27(c) of that act, reads as rewritten:

"**§ 115C-174.18. Opportunity to take Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT).**

Every student in the eighth through tenth grades who has completed Algebra I or who is in the last month of Algebra I shall be given an opportunity to take a version of either the Preliminary SAT/National Merit Scholarship Qualifying Test (PSAT/NMSQT) or the PLAN precursor test to the ACT, at the discretion of the local school administrative unit, one time at no cost to the student. The maximum amount of State funds used for this purpose shall be the cost of the PSAT/NMSQT."

**SECTION 3.19.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 8.3(g) of that act reads as rewritten:

"**SECTION 8.3.(g)** Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2013-2015 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

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

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

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

**SECTION 3.20.** If Senate Bill 402, 2013 Regular Session, becomes law, the Department of Public Instruction shall study the nonsupplant requirement for low-wealth counties supplemental funding as described in Section 8.3(g) of that act, as amended by this act, and the nonsupplant requirement for small county supplemental funding allotments, as described in Section 8.4(g) of that act, as amended by this act. The study shall include consideration of potential modifications to the nonsupplant requirements that would account for increases to the local fund balance from the previous fiscal year. The Department of Public Instruction shall report the results of the study and any recommendations for modifications to the nonsupplant requirements for low-wealth and small county supplemental funding to the Fiscal Research Division by March 15, 2014.

## PART IV. HEALTH AND HUMAN SERVICES

**SECTION 4.1.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then that act is amended by adding a new section to read:

"**SPECIFY BOARD SELECTION FOR THE NORTH CAROLINA INSTITUTE OF MEDICINE**

"**SECTION 12I.1.(a)** G.S. 90-470 reads as rewritten:

"**§ 90-470. Institute of Medicine.**

(a) The persons appointed under the provisions of this section are declared to be a body politic and corporate under the name and style of the North Carolina Institute of Medicine, and by that name may sue and be sued, make and use a corporate seal and alter the same at pleasure, contract and be contracted with, and shall have and enjoy all the rights and privileges necessary for the purposes of this section. The corporation shall have perpetual succession.

(b) The purposes for which the corporation is organized are to:

(1) Be concerned with the health of the people of North Carolina;

(2) Monitor and study health matters;

(3) Respond authoritatively when found advisable;

(4) Respond to requests from outside sources for analysis and advice when this will aid in forming a basis for health policy decisions.

~~The 18 initial members of the North Carolina Institute of Medicine shall be appointed by the Governor.~~

(c) The North Carolina Institute of Medicine shall be governed by a Board of Directors. The ~~initial members are authorized, prior to expanding the membership,~~ Board of Directors is authorized to establish and amend bylaws, to procure facilities, employ a director and staff, to solicit, receive and administer funds in the name of the North Carolina Institute of Medicine, and carry out other activities necessary to fulfill the purposes of this section.

(d) The ~~members~~ Board of Directors shall select ~~with the approval of the Governor~~ additional ~~members,~~ members of the North Carolina Institute of Medicine, so that the total membership will not exceed a number determined by the Board of Directors in its bylaws. The membership should be distinguished and influential leaders from the major health professions, the hospital industry, the health insurance industry, State and county government and other political units, education, business and industry, the universities, and the university medical centers.

(e) The North Carolina Institute of Medicine may receive and administer funds from private sources, foundations, State and county governments, federal agencies, and professional organizations.

(f) The director and staff of the North Carolina Institute of Medicine should be chosen from those well established in the field of health promotion and medical care.

~~For the purposes of Chapter 55A of the General Statutes, the members appointed under this section shall be considered the initial board of directors.~~

(g) The North Carolina Institute of Medicine is declared to be under the patronage and control of the State.

(h) The General Assembly reserves the right to alter, amend, or repeal this ~~section.~~ Article."

"**SECTION 12I.1.(b)** Article 31 of Chapter 90 is amended by adding a new section to read as follows:

"**§ 90-471. Board of Directors of the Institute of Medicine.**

(a) The Board of Directors of the North Carolina Institute of Medicine shall be appointed as follows:

(1) Seven individuals appointed by the General Assembly on the recommendation of the Speaker of the House of Representatives.

(2) Seven individuals appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate.

(3) Seven individuals appointed by the Governor.

(b) The members of the Board of Directors should be distinguished and influential leaders from the major health professions, the hospital industry, the health insurance industry, State and county government and other political units, education, business and industry, the universities, and the university medical centers.

(c) Terms on the Board of Directors shall be for four years, and no individual may serve more than two consecutive terms."

"**SECTION 12I.1.(c)** For the appointments under G.S. 90-471, as enacted by this section, with terms to begin on January 1, 2014, the appointing authorities shall designate certain appointees to serve initial two-year terms as follows:

(1) Of those appointments on the recommendation of the Speaker of the House of Representatives, three shall be designated for two-year terms.

(2) Of those appointments on the recommendation of the President Pro Tempore of the Senate, three shall be designated for two-year terms.

(3) Of those appointments by the Governor, four shall be designated for two-year terms.

A two-year term under this subsection shall count as a term for purposes of the two consecutive term limit provided in G.S. 90-471(c), as enacted by this section.

"**SECTION 12I.1.(d)** The members of the Board of Directors serving as of the effective date of this act may continue to serve until January 1, 2014.

"**SECTION 12I.1.(e)** Subsections (a) and (b) of this section become effective January 1, 2014."

**SECTION 4.2.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 143B-168.4(b), as amended by Section 12B.1(h) of that act reads as rewritten:

'(b) Members shall be appointed as follows:

(1) Of the Governor's initial appointees, four shall be appointed for terms expiring June 30, 2015, and three shall be appointed for terms expiring June 30, 2016;

(2) Of the General Assembly's initial appointees appointed upon recommendation of the President Pro Tempore of the Senate, ~~two~~ three shall be appointed for terms expiring June 30, 2015, and two shall be appointed for terms expiring June 30, 2016;

(3) Of the General Assembly's initial appointees appointed upon recommendation of the Speaker of the House of Representatives, two shall be appointed for terms expiring June 30, 2015, and ~~two~~ three shall be appointed for terms expiring June 30, 2016.

Appointments by the General Assembly shall be made in accordance with G.S. 120-121. After the initial appointees' terms have expired, all members shall be appointed to serve two-year terms. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be for the balance of the unexpired term.'"

**SECTION 4.3.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12B.1 is amended by adding the following new subsection to read:

"**SECTION 12B.1.(j)** The Department of Health and Human Services, Division of Child Development and Early Education, may exempt from licensure requirements public classrooms currently participating in the NC Pre-K program that are not yet licensed by the Division. In making its decision to exempt a public classroom from the licensure requirements, the Division shall review the available capacity of other licensed facilities in the geographic area. All public classrooms participating in the NC Pre-K program shall be licensed by the Division no later than July 1, 2014."

**SECTION 4.4.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12H.13(g) of that act reads as rewritten:

"**SECTION 12H.13.(g)** In order to achieve cost-savings and improve health outcomes, the Department of Health and Human Services, Division of Medical Assistance, may impose prior authorization requirements and other restrictions on medications prescribed to Medicaid and Health Choice recipients for the treatment of mental illness, including, but not limited to, prior authorization requirements and restrictions on ~~(i) medications on the Preferred Drug List (PDL) that are prescribed for the treatment of mental illness and (ii)~~ medications for attention deficit hyperactivity disorder (ADHD) or attention deficit disorder (ADD) that are prescribed to ~~juveniles for off-label uses.~~ juveniles. Notwithstanding the foregoing, the Department shall not require prior authorization for medications on the Preferred Drug List (PDL) that are prescribed for the treatment of mental illness."

**SECTION 4.6.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 131E-184(f)(2), as amended by Section 12G.3(b) of that act, reads as rewritten:

"(2) The Department has previously issued a certificate of need for the equipment being ~~replaced.~~replaced. This subdivision does not apply if a certificate of need was not required at the time the equipment being replaced was initially purchased by the licensed health service facility."

**SECTION 4.7.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12B.7 of that act reads as rewritten:

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

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

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

"**SECTION 12B.7.(c)** The ~~Department of Health and Human Services,~~ Division of Child Development and Early ~~Education,~~Education shall submit a progress report on the amount allocated and the use of child care subsidy funds under subsection (b) of this section to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than May 1, ~~2014, and~~ 2014. The Division shall submit a follow-up report on the amount allocated and the use of those funds no later than January 1, 2015.

"**SECTION 12B.7.(d)** The Division of Child Development and Early Education may adjust the allocations in the Child Care and Development Fund Block Grant under Section 12J.1(a) of this act according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30, 2013."

**SECTION 4.8.** If House Bill 831, 2013 Regular Session, becomes law, then Section 9(a) of that act reads as rewritten:

"**SECTION 9.(a)** Notwithstanding any other law, within 30 days of passage of Senate Bill 402, 2013 Regular Session, Appropriations Act of 2013, the State Board of Education shall ~~identify recurring budget reductions~~ identify, within the funds appropriated to the Department of Public Instruction or to State Aid for Public ~~Schools~~ Schools, the sum ~~in the amount~~ of one million six hundred thousand dollars ($1,600,000) for the 2013-2014 fiscal year and three million two hundred thousand dollars ($3,200,000) for the 2014-2015 fiscal year to ensure the provision of educational services as provided in this act."

**SECTION 4.9.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12H.3 of that act is rewritten to read:

"**GENERAL MEDICAID POLICIES**

"**SECTION 12H.3.(a)** G.S. 108A-54 reads as rewritten:

"**§ 108A-54. Authorization of Medical Assistance Program.**

(a) The Department is authorized to establish a Medicaid Program in accordance with Title XIX of the federal Social Security Act. The Department may adopt rules to implement the Program. The State is responsible for the nonfederal share of the costs of medical services provided under the Program. In addition, the State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004, P.L. 108-173, as amended. A county is responsible for the county's cost of administering the Program in that county.

…

(c) The Medicaid Program shall be administered and operated in accordance with this Part and the North Carolina Medicaid State Plan and Waivers, as periodically amended by the Department of Health and Human Services in accordance with G.S. 108A-54.1A and approved by the federal government."

"**SECTION 12H.3.(b)** The Department shall not take any actions that the Department determines would jeopardize the State's qualification to receive federal funds through the Medicaid Program."

**SECTION 4.9.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12H.8 of that act is rewritten to read:

"**ELECTRONIC TRANSACTION REQUIREMENTS FOR PROVIDERS**

"**SECTION 12H.8.(a)** Providers shall follow the Department's established procedures for securing electronic payments, and the Department shall not provide routine provider payments by check. Medicaid providers shall file claims electronically, except that nonelectronic claims submission may be required when it is in the best interest of the Department.

"**SECTION 12H.8.(b)** Providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor with interface capability to submit data into the Web-based PASARR.

"**SECTION 12H.8.(c)** Providers shall submit requests for prior authorizations electronically via Web site. Providers shall access their authorizations via online portals rather than receiving hard copies by mail. Providers shall receive copies of adverse decisions electronically, although recipients shall receive adverse decisions via certified mail.

"**SECTION 12H.8.(d)** Providers shall submit their provider enrollment applications online. The Department shall accept electronic signatures rather than require receipt of signed hard copies."

**SECTION 4.11.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12A.4(k) of that act reads as rewritten:

"**SECTION 12A.4.(k)** Subsection (j) of this section becomes effective ~~July 1, 2014.~~January 1, 2015."

**SECTION 4.12.(a)** If House Bill 399, 2013 Regular Session, becomes law, then Section 12 of that act reads as rewritten:

"**SECTION 12.** Section 10 of this act is effective when this act becomes law. Section 11 of this act becomes effective ~~January 1, 2014.~~April 1, 2014. The remainder of this act becomes effective October 1, 2013."

**SECTION 4.12.(b)** If House Bill 399, 2013 Regular Session, does not become law, then G.S. 122C-115(a), as amended by Section 4(a) of S.L. 2013-85, reads as rewritten:

"(a) A county shall provide mental health, developmental disabilities, and substance abuse services in accordance with rules, policies, and guidelines adopted pursuant to statewide restructuring of the management responsibilities for the delivery of services for individuals with mental illness, intellectual or other developmental disabilities, and substance abuse disorders under a 1915(b)/(c) Medicaid Waiver through an area authority. Beginning July 1, 2012, the catchment area of an area authority shall contain a minimum population of at least 300,000. Beginning July 1, 2013, the catchment area of an area authority shall contain a minimum population of at least 500,000. To the extent this section conflicts with ~~G.S. 153A-77(a)~~G.S. 153A-77 or G.S. 122C-115.1, the provisions of this section control."

**SECTION 4.12.(c)** If House Bill 399, 2013 Regular Session, does not become law, then Section 12 of S.L. 2013-85 reads as rewritten:

"**SECTION 12.** Section 4(a) of this act becomes effective ~~January 1, 2014.~~April 1, 2014. The remainder of this act is effective when it becomes law."

**SECTION 4.13.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12H.13(f) of that act reads as rewritten:

"**SECTION 12H.13.(f)** Effective January 1, 2014, the following changes are made to drug reimbursements:

(1) ~~Prices~~Specialty drug prices based on the Wholesale Acquisition Cost (WAC) shall be paid at one hundred one percent (101%) of WAC.

(2) Non-specialty drug prices based on WAC shall be paid at one hundred two and seven-tenths percent (102.7%) of WAC.

~~(2)~~(3) Prices based on the State Medicaid Average Costs (SMAC) shall be paid at one hundred fifty percent (150%) of SMAC.

~~(3)~~(4) The rate for dispensing brand drugs is ~~reduced by one dollar ($1.00).~~two dollars ($2.00).

(5) The rates for dispensing generic drugs are as follows, based on the percentages of generic drugs dispensed by the pharmacy in the previous quarter:

| **Percentage Tier** | **Rate** |
|---|---|
| Greater than or equal to 80% | $7.75 |
| Greater than or equal to 75% and less than 80% | 5.50 |
| Greater than or equal to 70% and less than 75% | 2.00 |
| Less than 70% | 1.00" |

**SECTION 4.14.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12H.2(c) of that act reads as rewritten:

"**SECTION 12H.2.(c)** The Department of Health and Human Services shall take any and all action necessary to amend the Medicaid State Plan, Attachment 4.19-B, Section 5, Page 2,

which pertains to supplemental payments that increase reimbursement to the average commercial rate for certain eligible medical professional providers, in order to limit the definition of eligible medical professional providers to only ~~physicians employed by the East Carolina University School of Medicine or the University of North Carolina at Chapel Hill School of Medicine as academic faculty. The supplemental payments shall be made only for services provided at these schools of medicine.~~eligible medical professional providers who were receiving such supplemental payments as of May 22, 2013."

**SECTION 4.16.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12F.7 of that act is amended by adding a new subsection to read:

"**SECTION 12F.7.(c)** Notwithstanding any provision of this act, the total amount of funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for alcohol and drug abuse treatment centers is reduced by twelve percent (12%). The Department is not required to achieve this reduction by reducing the budget for each of the three existing alcohol and drug abuse treatment centers by twelve percent (12%) as long as the Department implements the reduction in a manner that (i) reduces the per bed cost variability across the three centers and (ii) does not result in the closure of any of the three centers."

**SECTION 4.17.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 12H.13(a) of that act reads as rewritten:

"**SECTION 12H.13.(a)** Except as otherwise specifically provided in this ~~act,~~act or another act passed during the 2013 Regular Session, the ~~allowable~~authorized State plan services, co-pays, reimbursement rates, and fees shall remain the same as those ~~effective~~authorized as of June 30, 2013. Except as otherwise provided in this act and to the extent allowable under federal law, the adjustments made in this section apply to both the Medicaid Program and the NC Health Choice program."

**SECTION 4.18.(a)** If House Bill 834, 2013 Regular Session, becomes law, G.S. 90-413.3A, as enacted by Section 14.1 of that act, reads as rewritten:

"**§ 90-413.3A. Required participation in NC HIE for some providers.**

(a) The General Assembly makes the following findings:

(1) That controlling escalating health care costs of the Medicaid program is of significant importance to the State, its taxpayers, and its Medicaid recipients.

(2) That the State needs timely access to claims and clinical information in order to assess performance, pinpoint medical expense trends, identify beneficiary health risks, and evaluate how the State is spending Medicaid dollars.

(3) That making this clinical information available through the North Carolina Health Information Exchange will improve care coordination within and across health systems, increase care quality, enable more effective population health management, reduce duplication of medical services, augment syndromic surveillance, allow more accurate measurement of care services and outcomes, increase strategic knowledge about the health of the population, and facilitate health cost-containment.

(b) ~~Notwithstanding any other provision of law, based upon the findings set forth in subsection (a) of this section, any~~Any hospital, as defined in G.S. 131E-76(c), that has an electronic health record system shall connect to the NC HIE and submit individual patient demographic and clinical data on services paid for with Medicaid ~~funds.~~funds, based upon the findings set forth in subsection (a) of this section and notwithstanding the voluntary nature of the NC HIE under G.S. 90-413.2. The NC HIE shall give the Department of Health and Human Services real-time access to data and information contained in the NC HIE."

**SECTION 4.18.(b)** If House Bill 834, 2013 Regular Session, becomes law, then Section 14.2 of that act reads as rewritten:

"**SECTION 14.2.** ~~This Part becomes effective January 1, 2014.~~ G.S. 90-413.3A, as enacted by Section 4.18(a) of this act, becomes effective upon satisfaction of both of the following conditions precedent:

(1) The Department of Health and Human Services and the NC HIE shall execute an agreement regarding the utilization and sharing of data and information contained in the HIE Network, which shall be in a manner that

complies with the Health Information Portability and Accountability Act of 1996, P.L. 104-191, as amended (HIPAA), the rules adopted under HIPAA, and any other applicable federal laws.

(2) The Department of Health and Human Services and the NC HIE shall jointly submit a report to the Joint Legislative Oversight Committees on Information Technology and Health and Human Services on the agreement described in subdivision (1) of this subsection."

**PART V. NATURAL AND ECONOMIC RESOURCES**

**SECTION 5.1.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.14(f) of that act reads as rewritten:

"**SECTION 15.14.(f)** By September 1, 2013, and September 1, 2014, ~~the Division of Community Assistance, Department of Commerce,~~the Department of Commerce shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project."

**SECTION 5.2.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 14.1(f) of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142 and Section 15.15 of Senate Bill 402, 2013 Regular Session of the General Assembly, reads as rewritten:

"**SECTION 14.1.(f)** By September 1, 2013, ~~the Division of Community Assistance, Department of Commerce,~~the Department of Commerce shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project."

**SECTION 5.3.** If Senate Bill 402, 2013 Regular Session, becomes law, then that act is amended by adding a new section to read:

"**CDBG FUNDS FOR INFRASTRUCTURE CATEGORY TRANSFERRED FROM DEPARTMENT OF COMMERCE TO DENR**

"**SECTION 15.15A.** The federal block grant funds allocated to the infrastructure category in Section 15.14(a) and Section 14.1(a) of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142 and Section 15.15(a) of this act, shall be transferred from the Department of Commerce to the Department of Environment and Natural Resources. The Division of Water Infrastructure within the Department of Environment and Natural Resources shall be responsible for administering the program whereby local government units are awarded funds by the State Water Infrastructure Authority created in Section 14.21(b) of this act for infrastructure projects from community development block grant funds. For purposes of this section, the term "infrastructure" shall have the same meaning as in Section 15.14(g) and Section 14.1(g) of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142 and Section 15.15(a) of this act."

**SECTION 5.5.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.5 of that act is repealed.

**SECTION 5.7.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.28(a) of that act reads as rewritten:

"**SECTION 15.28.(a)** ~~Articles 2~~ G.S. 158-8.1 through 158-8.8, G.S. 158-12.1, and Article 4 of Chapter 158 of the General Statutes are repealed."

**SECTION 5.7.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.28(d) and Section 15.28(e) are repealed.

**SECTION 5.8.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 113-44.15(b) reads as rewritten:

"(b) Use. – Funds in the Trust Fund are annually appropriated to the North Carolina Parks and Recreation Authority and, unless otherwise specified by the General Assembly or the terms or conditions of a gift or grant, shall be allocated and used as follows:

(1) Sixty-five percent (65%) for the State Parks System for capital projects, repairs and renovations of park facilities, and land ~~acquisition, and to retire debt incurred for these purposes under Article 9 of Chapter 142 of the General Statutes.~~acquisition.

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

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

**SECTION 5.9.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.10A(c) of that act reads as rewritten:

"**SECTION 15.10A.(c)** ~~This section becomes effective upon the modification of the Consent Decree~~ The Attorney General shall take all necessary actions to implement the provisions of this section, including notifying the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North ~~Carolina.~~ Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of the intent of the ~~The Attorney General shall file a motion in the cause of State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, seeking a modification of the Consent Decree to permit the~~ General Assembly to direct one or more of the Governor's appointments to the board of directors of the Golden LEAF Foundation, a nonprofit corporation created pursuant to subparagraph VI.A.1 of the Consent Decree and the Final Judgment entered in the action of 98 CVS 14377 on December 21, 1998."

**SECTION 5.9.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.10A of that act is amended by adding a new subsection to read:

"**SECTION 15.10A.(d)** This section becomes effective upon the Attorney General taking all necessary actions to implement the provisions of this section as provided in subsection (c) of this section."

**SECTION 5.10.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.12 of that act reads as rewritten:

"**SECTION 15.12.** The Department of Commerce, Labor and Economic Analysis Division (LEAD), shall develop a standardized performance metric to evaluate whether ~~a nonprofit~~ economic development nonprofits allocated State funds by the Department in the 2013-2015 biennium ~~has~~ have achieved ~~its~~ their own goals or performance standards. The metric shall include standards for determining whether jobs were actually created, grants were awarded, or

loans were made. The information obtained as a result of the metric shall be used by the General Assembly in determining whether to fund the economic development nonprofits in future fiscal years. In order to be eligible to receive State funds, each economic development nonprofit surveyed shall provide to LEAD any information requested to help develop the metric provided for in this section."

**SECTION 5.12.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 159G-70(b), as enacted by Section 14.21(b) of that act, reads as rewritten:

"(b) Membership. – The Authority consists of nine members as follows:

(1) The Director of the Division of Water Infrastructure of the Department or the Director's designee who is familiar with the water infrastructure financing, regulatory, and technical assistance programs of the Department.

(2) The Secretary of Commerce or the Secretary's designee who is familiar with the State programs that fund water or other infrastructure improvements for the purpose of promoting economic development.

(3) The Director of the Local Government Commission or the Director's designee who is familiar with the functions of the Commission.

(4) One member who is a professional engineer in the private sector and is familiar with the development of infrastructure necessary for wastewater systems, to be appointed by the Governor to a term that expires on July 1 of even-numbered years.

(5) One member who is knowledgeable about, and has experience related to, direct federal funding programs for wastewater and public water systems, to be appointed by the Governor to a term that expires on July 1 of odd-numbered years.

(6) One member who is ~~a representative of an~~knowledgeable about, and has experience related to, urban local government wastewater ~~system~~ systems or public water ~~system,~~ systems, to be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of even-numbered years.

(7) One member who is ~~a representative of a~~knowledgeable about, and has experience related to, rural local government wastewater ~~system~~ systems or public water ~~system,~~systems, to be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of odd-numbered years.

(8) One member who either (i) is a county commissioner of a rural county or (ii) resides in a rural county and is knowledgeable about, and has experience related to, public health services, to be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of even-numbered years.

(9) One member who is familiar with wastewater, drinking water, and stormwater issues and related State funding sources, to be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of odd-numbered years.

…."

**SECTION 5.13.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 143B-472.127(a), as enacted by Section 15.10 of that act, reads as rewritten:

"(a) The Rural Economic Development Division shall be responsible for administering the program whereby economic development grants or loans are awarded by the Rural Infrastructure Authority as provided in G.S. 143B-472.128 to local government ~~units~~ units. The Rural Infrastructure Authority shall, in awarding economic development grants or loans under the provisions of this subsection, give priority to local government units of the counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment of that section. The funds available for grants or loans under this program may be used as follows:

…."

**SECTION 5.13.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 143B-472.128(j)(2), as enacted by Section 15.10 of that act, reads as rewritten:

"(2) To award grants or loans as provided in G.S. 143B-472.127. In awarding grants or loans under G.S. 143B-472.127(a), priority shall be given to local government units of the counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment of that section."

**SECTION 5.14.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 14.21(m) of that act reads as rewritten:

"**SECTION 14.21.(m)** Of the funds appropriated to the Department of Environment and Natural Resources in this act, at least three million ~~two~~ five hundred thousand dollars ($3,500,000) for the 2013-2014 fiscal year and at least five million dollars ($5,000,000) for the 2014-2015 fiscal year shall be used for grants to local government units for public water system-related projects and wastewater-related projects. The State Water Infrastructure Authority established by G.S. 159G-70, as enacted by subsection (b) of this section, shall determine the distribution of funds between public water system-related projects and wastewater-related projects, depending upon the number of applications for grants received and the priorities established by the State Water Infrastructure Authority. Grants awarded to local government units for public water system-related projects shall be credited to the Drinking Water Reserve established in G.S. 159G-22 to be used for grants to local government units in accordance with the provisions of Chapter 159G of the General Statutes, as amended by this section. Grants awarded to local government units for wastewater-related projects shall be credited to the Wastewater Reserve established in G.S. 159G-22 to be used for grants to local government units in accordance with the provisions of Chapter 159G of the General Statutes, as amended by this section. Funds allocated by this subsection are limited to projects in development tier one or two areas, as defined by G.S. 143B-437.08. The State Water Infrastructure Authority shall report no later than May 1, 2014, to the Environmental Review Commission, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division on the distribution of grant funds awarded under Chapter 159G of the General Statutes, as amended by the section, and whether changes are needed to the existing grant program under Chapter 159G of the General Statutes or other available grant programs to better facilitate the dissemination of funds and meet the project needs of rural, economically distressed local governments."

**SECTION 5.15.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.3 of that act reads as rewritten:

"**UNEMPLOYMENT INSURANCE ~~RESERVE~~FUND**

"**SECTION 15.3.(a)** The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer and allocate to the Unemployment Insurance ~~Reserve within the Office of State Budget and Management~~ Fund any unencumbered cash balance as of June 30, 2013, of each of the following special funds within the Department of Commerce and then close each of these special funds:

(1) Worker Training Trust Fund (Special Fund Code 64654-6400).

(2) Training and Employment Account (Special Fund Code ~~64655-6601).~~64655-6601 and 64655-6602).

"**SECTION 15.3.(b)** ~~The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the sum of ten million dollars ($10,000,000) for the 2013-2014 fiscal year from the Special Employment Security Administration Fund (Fund Code 64650-6100) to the Unemployment Insurance Reserve within the Office of State Budget and Management.~~There is appropriated from the Special Employment Security Administration Fund to the Unemployment Insurance Fund the sum of ten million dollars ($10,000,000) for the 2013-2014 fiscal year to be used to make principal payments on advances made by the federal government under Title XII of the Social Security Act to the Unemployment Insurance Fund to pay unemployment compensation benefits."

**SECTION 5.15.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then that act is amended by adding a new section to read as follows:

"**UNEMPLOYMENT INSURANCE RESERVE**

"**SECTION 24.2.(a)** Funds appropriated to the Unemployment Insurance Reserve within the Office of State Budget and Management shall be used to fund the Unemployment Insurance

Reserve for employees of all State agencies, departments, and institutions, The University of North Carolina, as well as State-funded local public school and community college employees. The Office of State Budget and Management shall manage the Unemployment Insurance Reserve to ensure that adequate funds are available to comply with the provisions of S.L. 2013-2.

"**SECTION 24.2.(b)** Notwithstanding any other provision of law, the Director of the Budget shall use funds appropriated for the 2013-2014 fiscal year to ensure that all State agencies comply with the provisions of S.L. 2013-2."

**SECTION 5.16.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.14(a) of that act reads as rewritten:

"**SECTION 15.14.(a)** Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2014, and June 30, 2015, according to the following schedule:

**COMMUNITY DEVELOPMENT BLOCK GRANT**

| | | |
|---|---|---|
| 01. | State Administration | $ 1,375,000 |
| 02. | Economic Development | ~~10,737,500~~15,737,500 |
| 03. | Infrastructure | ~~30,837,500~~25,837,500 |
| **TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2014 Program Year** | | **$ 42,950,000** |
| **2015 Program Year** | | $ **42,950,000**" |

**SECTION 5.16.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.14(d) of that act reads as rewritten:

"**SECTION 15.14.(d)** Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million three hundred seventy-five thousand dollars ($1,375,000) may be used for State Administration; up to ~~ten million seven hundred thirty-seven thousand five hundred dollars ($10,737,500)~~fifteen million seven hundred thirty-seven thousand five hundred dollars ($15,737,500) may be used for Economic Development; and up to ~~thirty million eight hundred thirty-seven thousand five hundred dollars ($30,837,500)~~ twenty-five million eight hundred thirty-seven thousand five hundred dollars ($25,837,500) may be used for Infrastructure. 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 5.16.(c)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 15.14(g) of that act reads as rewritten:

"**SECTION 15.14.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section ~~shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure."~~are limited to critical public water and wastewater projects. Notwithstanding any State law or rule, eligible activities as defined in this subsection are limited only by applicable HUD regulations and federal law. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

**SECTION 5.16.(d)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 14.1(a) of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142 and Section 15.15(a) of Senate Bill 402, 2013 Regular Session, reads as rewritten:

"**SECTION 14.1.(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 | $1,375,000 |

04. Economic Development ~~10,625,000~~15,625,000

07. Infrastructure ~~30,500,000~~25,500,000

TOTAL COMMUNITY DEVELOPMENT
BLOCK GRANT – 2013 Program Year $42,500,000"

**SECTION 5.16.(e)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 14.1(d) of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142 and Section 15.15(a) of Senate Bill 402, 2013 Regular Session, reads as rewritten:

"**SECTION 14.1.(d)** Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million three hundred seventy-five thousand dollars ($1,375,000) may be used for State Administration; up to ~~ten million six hundred twenty-five thousand dollars ($10,625,000)~~fifteen million six hundred twenty-five thousand dollars ($15,625,000) may be used for Economic Development; and up to ~~thirty million five hundred thousand dollars ($30,500,000)~~twenty-five million five hundred thousand dollars ($25,500,000) may be used for Infrastructure. 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 5.16.(f)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 14.1(g) of S.L. 2011-145, as amended by Section 13.1 of S.L. 2012-142 and Section 15.15(a) of Senate Bill 402, 2013 Regular Session, reads as rewritten:

"**SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section ~~shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure."~~are limited to critical public water and wastewater projects. Notwithstanding any State law or rule, eligible activities as defined in this subsection are limited only by applicable HUD regulations and federal law. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

**SECTION 5.17.** The Department of Agriculture and Consumer Services shall take all necessary actions to make the Southeastern Agriculture Center fully receipt-supported.

## PART VI. JUSTICE AND PUBLC SAFETY

**SECTION 6.1.** If Senate Bill 402, 2013 Regular Session, becomes law, then the title of Section 18B.22 of that act reads as rewritten:

"**CONSOLIDATE DISTRICT COURT AND PROSECUTORIAL DISTRICTS 6A AND 6B/RESTRUCTURE SEVERAL SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL ~~DISTRICTS 16A, 19B, AND 20A/~~DISTRICTS/AUTHORIZE ADDITIONAL DISTRICT COURT JUDGE FOR DISTRICT COURT DISTRICT 21**"

**SECTION 6.2.** If Senate Bill 402, 2013 Regular Session, becomes law, then the title of Section 17.8 of that act and Section 17.8 of that act are rewritten to read:

"**TRANSFER OF CERTAIN DEPARTMENT OF JUSTICE POSITIONS TO THE DEPARTMENTS THEY SERVE**

"**SECTION 17.8.(a)** The following positions are transferred from the Department of Justice to the agencies set forth below:

| **Position Number:** | **Recipient Agency:** |
|---|---|
| 60010433 | North Carolina Banking Commission |
| 60010434 | North Carolina Banking Commission |
| 60093538 | North Carolina Banking Commission |
| 65005760 | North Carolina Banking Commission |
| 60010379 | Department of State Treasurer |
| 60010178 | Department of Environment and Natural Resources (DENR) |

60010436 DENR
60010282 DENR
60010363 DENR
60010378 DENR
60010482 Office of State Personnel (OSP)
65004804 Department of Health and Human Services (DHHS)
60010352 DHHS
60010346 DHHS
60010471 DHHS
60015008 Department of Transportation (DOT)
60015002 DOT
60010483 DOT
60010317 DOT

"**SECTION 17.8.(b)** Any person employed in a position transferred pursuant to the authority of this section shall report to the appropriate head of the State agency to which the position is transferred and shall perform such legal duties and other duties as may be assigned by the appropriate head of the State agency.

"**SECTION 17.8.(c)** The Office of State Personnel may reclassify the positions transferred by this section into a comparable salary classification.

"**SECTION 17.8.(d)** Prior to October 1, 2013, no vacant position set forth in subsection (a) of this section may be filled, and no person may be transferred into any position set forth in subsection (a) of this section.

"**SECTION 17.8.(e)** Subsection (d) of this act is effective when it becomes law. The remainder of this section becomes effective October 1, 2013."

**SECTION 6.3.** If Senate Bill 402, 2013 Regular Session becomes law, then Section 18B.21A of that act reads as rewritten:

"**SECTION 18B.21A.(a)** The Administrative Office of the Courts shall set the limits on compensation and allowances of court reporters provided for in G.S. 7A-95(e) and G.S. 7A-198(f) during the 2013-2015 fiscal biennium so that (i) the Administrative Office of the Courts pays no more than fifty percent (50%) of the per-transcript-page rate paid by the Administrative Office of the Courts during the 2011-2013 fiscal biennium and (ii) the Office of Indigent Defense Services pays no more than fifty percent (50%) of the per-transcript-page rate paid by the Office of Indigent Defense Services during the 2011-2013 fiscal biennium.

"**SECTION 18B.21A.(b)** This section becomes effective September 1, 2013, and applies to payments for transcripts that are requested on or after that date."

**SECTION 6.5.** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 143B-707.2(b), as enacted by Section 16C.11(d) of that act, reads as rewritten:

"(b) The Department of Public Safety and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of inmates proposed for release, considered for release, and granted release under ~~Chapter 84B~~Article 84B of Chapter 15A of the General Statutes, providing for the medical release of inmates who are either permanently and totally disabled, terminally ill, or geriatric."

**SECTION 6.6.** If Senate Bill 402, 2013 Regular Session, becomes law, then notwithstanding any other provision of that act, the conversion of Johnston Correctional Institution from a medium custody prison to a minimum custody prison results in a net savings of 62 positions.

**SECTION 6.7.(a)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 15A-1343(c2), as amended by Section 16C.16 of that act, reads as rewritten:

"(c2) Electronic Monitoring Device Fees. – Any person placed on house arrest with electronic monitoring under ~~subsection~~ subsection (a1) or (b1) of this section shall pay a fee of ninety dollars ($90.00) for the electronic monitoring device and a daily fee in an amount that reflects the actual cost of providing the electronic monitoring. The court may exempt a person

from paying the fees only for good cause and upon motion of the person placed on house arrest with electronic monitoring. The court may require that the fees be paid in advance or in a lump sum or sums, and a probation officer may require payment by those methods if the officer is authorized by subsection (g) of this section to determine the payment schedule. The fees must be paid to the clerk of court for the county in which the judgment was entered or the deferred prosecution agreement was filed. Fees collected under this subsection for the electronic monitoring device shall be transmitted to the State for deposit into the State's General Fund. The daily fees collected under this subsection shall be remitted to the Department of Public Safety to cover the costs of providing the electronic monitoring."

**SECTION 6.7.(b)** If Senate Bill 402, 2013 Regular Session, becomes law, then G.S. 15A-1368.4(e)(13) reads as rewritten:

"(13) Remain in one or more specified places for a specified period or periods each day, and wear a device that permits the defendant's compliance with the condition to be monitored ~~electronically.~~electronically and pay a fee of ninety dollars ($90.00) for the electronic monitoring device and a daily fee in an amount that reflects the actual cost of providing the electronic monitoring. The Commission may exempt a person from paying the fees only for a good cause. Fees collected under this subsection for the electronic monitoring device shall be transmitted to the State for deposit in the State's General Fund. The daily fees collected under this subsection shall be remitted to the Department of Public Safety to cover the costs of providing the electronic monitoring."

**SECTION 6.7.(c)** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 16C.16(c) of that act reads as rewritten:

"**SECTION 16C.16.(b)** This section becomes effective ~~August 1, 2013,~~September 1, 2013, and applies to persons placed on house arrest with electronic monitoring on or after that date."

## PART VII. GENERAL GOVERNMENT

**SECTION 7.1.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 30.2(e) of that act reads as rewritten:

"**SECTION 30.2.(e)** Subsection (a) of this section becomes effective 30 days after this act becomes law and ~~Subsection~~ subsection (a1) of this section becomes effective July 1, 2014."

## PART VIII. TRANSPORTATION

**SECTION 8.1.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 34.29(b) of that act reads as rewritten:

"**SECTION 34.29.(b)** This section becomes effective ~~January 1, 2014.~~July 1, 2014."

## PART IX. CAPITAL APPROPRIATIONS

**SECTION 9.1.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 36.3(b) of that act reads as rewritten:

"**SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the ~~thirteen million five hundred twenty-two thousand~~eleven million five hundred twenty-two thousand dollars ($11,522,000) appropriated for water resources development projects in Section 36.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

| **Name of Project** | | **Amount Carried Forward** |
|---|---|---|
| (1) | Wilmington Harbor Maintenance (Disposal Areas 8 & 10) | $ 1,200,000 |
| (2) | Wilmington Harbor Improvements Feasibility (50/50) | 57,000 |
| (3) | Manteo Old House Channel Cap Sec. 204 (65/35) | 1,250,000 |
| (4) | Surf City/NTB Coastal Storm Damage Reduction Study-PED (75/25) | 37,000 |
| **TOTALS** | | **$ 2,544,000**" |

**SECTION 9.2.** If Senate Bill 402, 2013 Regular Session, becomes law, then Section 36.4(a) of that act reads as rewritten:

"**SECTION 36.4.(a)** The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

| **Name of Project** | **Amount of Non-General Fund Funding Authorized for FY 2013-2014** |
|---|---|
| Department of Agriculture and Consumer Services | |
| Western North Carolina Agricultural Center – Midway Pavilion | $ 125,000 |
| Western North Carolina Agricultural Center – Fill Retention Ponds | 250,000 |
| Piedmont Research Station – Calf Barn Construction | 150,000 |
| Research Stations – Forest Road Construction | 150,000 |
| Raleigh Farmers Market – Parking Improvement/Expansion | 200,000 |
| Southeastern North Carolina Agricultural Center – Horse Stall Barn | 700,000 |

…."

**PART XI. FINANCE**

**SECTION 11.1.** Effective when this act becomes law, G.S. 62-140(a) reads as rewritten:

"(a) No public utility shall, as to rates or services, make or grant any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates or services either as between localities or as between classes of service. The Commission may determine any questions of fact arising under this section; provided that it shall not be an unreasonable preference or advantage or constitute discrimination against any person, firm or corporation or general rate payer for telephone utilities to contract with motels, hotels and hospitals to pay reasonable commissions in connection with the handling of intrastate toll calls charged to a guest or patient and collected by the motel, hotel or hospital; provided further, that payment of such commissions shall be in accordance with uniform tariffs which shall be subject to the approval of the Commission. Provided further, that it shall not be considered an unreasonable preference or advantage for the Commission to order, if it finds the public interest so requires, a reduction in local telephone rates for low-income residential consumers meeting a means test established by the Commission in order to match any reduction in the interstate subscriber line charge authorized by the Federal Communications Commission. If the State repeals any State funding mechanism for a reduction in the local telephone rates for low-income residential consumers, the Commission shall take appropriate action to eliminate any requirement for the reduced rate funded by the repealed State funding mechanism. For the purposes of this section, a State funding mechanism for a reduction in the local telephone rates includes a tax credit allowed for the public utility to recover the reduction in rates.

Nothing in this section prohibits the Commission from establishing different rates for natural gas service to counties that are substantially unserved, to the extent that those rates reflect the cost of providing service to the unserved counties and upon a finding by the Commission that natural gas service would not otherwise become available to the counties."

**SECTION 11.2.** Effective July 1, 2014, G.S. 105-164.44K(b), as enacted by Section 4.3(a) of S.L. 2013-316, reads as rewritten:

"(b) Franchise Tax Share. – The quarterly franchise tax share of a city is the total amount of electricity gross receipts franchise tax distributed to the city under repealed G.S. 105-116.1 or repealed provisions of G.S. 159B-27 for the same related quarter that was the last quarter in which taxes were imposed on electric power companies under repealed ~~G.S. 105-116.~~G.S. 105-116 or repealed provisions of G.S. 159B-27. The quarterly franchise tax share of a city includes adjustments made for the hold-harmless amounts under repealed G.S. 105-116. If the franchise tax share of a city, including the hold-harmless adjustments, is less than zero, then the amount is zero. The determination made by the Department with respect to a city's franchise tax share is final and is not subject to administrative or judicial review.

The franchise tax share of a city that has dissolved, merged with another city, or divided into two or more cities since it received a distribution under repealed G.S. 105-116.1 or repealed provisions of G.S. 159B-27 is adjusted as follows:

(1) If a city dissolves and is no longer incorporated, the franchise tax share of the city is added to the amount distributed under subsection (c) of this section.
(2) If two or more cities merge or otherwise consolidate, their franchise tax shares are combined.
(3) If a city divides into two or more cities, the franchise tax share of the city that divides is allocated among the new cities in proportion to the total amount of ad valorem taxes levied by each on property having a tax situs in the city."

**SECTION 11.3.(a)** G.S. 105-129.16D(b) reads as rewritten:

"**§ 105-129.16D. Credit for constructing renewable fuel facilities.**

(b) Production Credit. – A taxpayer that constructs and places in service in this State a commercial facility for processing renewable fuel is allowed a credit equal to twenty-five percent (25%) of the cost to the taxpayer of constructing and equipping the facility. The entire credit may not be taken for the taxable year in which the facility is placed in service but must be taken in seven equal annual installments beginning with the taxable year in which the facility is placed in service. If, in one of the years in which the installment of a credit accrues, the facility with respect to which the credit was claimed is disposed of or taken out of service, the credit expires and the taxpayer may not take any remaining installment of the credit. The taxpayer may, however, take the portion of an installment that accrued in a previous year and was carried forward to the extent permitted under G.S. 105-129.17.

Notwithstanding subsection (d) of this section, this section is repealed effective for facilities placed in service on or after January 1, 2017, in the case of a taxpayer that meets both of the following conditions:

(1) Signs a letter of commitment with the Department of Commerce on or before September 1, 2013, stating the taxpayer's intent to construct and place into service in this State a commercial facility for processing renewable fuel.
(2) Begins construction of the facility on or before December 31, 2013."

**SECTION 11.3.(b)** This section is effective when it becomes law.

**SECTION 11.4.** G.S. 105-164.13E(8)b., as enacted by S.L. 2013-316, reads as rewritten:

"**§ 105-164.13E. Exemption for farmers.**

The following tangible personal property, digital property, and services are exempt from sales and use tax if purchased by a qualifying farmer and for use by the farmer in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals. A qualifying farmer is a farmer who has an annual gross income of ten thousand dollars ($10,000) or more from farming operations for the preceding calendar year and includes a dairy operator, a poultry farmer, an egg producer, a livestock farmer, a farmer of crops, and a farmer of an aquatic species, as defined in G.S. 106-758.

…

(8) Any of the following items concerning the housing, raising, or feeding of animals:

…

b. Building materials, supplies, fixtures, and equipment that become a part of and are used in the construction, repair, or improvement of an enclosure or a structure specifically designed, constructed, and used for housing, raising, or feeding animals or for housing equipment necessary for one of these commercial activities. The ~~refund~~ exemption also applies to commercially manufactured equipment, and parts and accessories for the equipment, used in the enclosure or a structure.

…."

**PART XII. EFFECTIVE DATE**

**SECTION 12.** Except as otherwise provided, this act becomes effective July 1, 2013.

In the General Assembly read three times and ratified this the 26th day of July, 2013.

s/ Philip E. Berger
President Pro Tempore of the Senate

s/ Thom Tillis
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:24 p.m. this 29th day of July, 2013