

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011**

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**SENATE BILL 907\***

Short Title: Governor's Budget. (Public)

Sponsors: Senators Brunstetter, Hunt, and Stevens (Primary Sponsors).

Referred to: Appropriations/Base Budget.

May 30, 2012

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

The General Assembly of North Carolina enacts:

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

**INTRODUCTION**

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

**TITLE OF ACT**

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

**PART II. 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 adjusted for the fiscal year ending June 30, 2013, according to the schedule that follows. Amounts set out in brackets are reductions from General Fund appropriations for the 2012-2013 fiscal year.

**Current Operations –General Fund**

**FY 2012-2013**

**EDUCATION**

**Adjustments**

Community Colleges System Office

\$ 53,504,897

Department of Public Instruction

562,253,440

University of North Carolina – Board of Governors

Appalachian State University

260,876



1	East Carolina University	
2	Academic Affairs	4,447,287
3	Health Affairs	0
4	Elizabeth City State University	0
5	Fayetteville State University	473,656
6	North Carolina Central University	0
7	North Carolina School of the Arts	0
8	North Carolina State University	
9	Academic Affairs	3,346,252
10	Agricultural Extension	0
11	Agricultural Research	0
12	University of North Carolina at Asheville	0
13	University of North Carolina at Chapel Hill	
14	Academic Affairs	0
15	Health Affairs	0
16	Area Health Education Centers	0
17	University of North Carolina at Charlotte	0
18	University of North Carolina at Greensboro	103,534
19	University of North Carolina at Pembroke	0
20	University of North Carolina at Wilmington	434,038
21	NCA&T	0
22	Western Carolina University	0
23	Winston-Salem State University	0
24	General Administration	10,558,141
25	University Institutional Programs	85,960,578
26	UNC Related Educational Programs	35,000,000
27	UNC Financial Aid for Private Colleges	4,500,000
28	North Carolina School of Science and Mathematics	0
29	UNC Hospitals at Chapel Hill	0
30	<b>Total University of North Carolina – Board of Governors</b>	<b>\$ 145,084,362</b>
31		
32	<b>HEALTH AND HUMAN SERVICES</b>	
33		
34	Department of Health and Human Services	
35	Division of Central Management and Support	\$ 13,220,524
36	Division of Aging and Adult Services	4,875,649
37	Division of Services for the Blind and Deaf/Hard of Hearing	(168,336)
38	Division of Child Development	43,184,601
39	Division of Health Service Regulation	1,892,559
40	Division of Medical Assistance	107,557,158
41	Division of Mental Health, Developmental Disabilities,	
42	and Substance Abuse Services	6,823,019
43	NC Health Choice	(2,802,057)
44	Division of Public Health	10,826,775
45	Division of Social Services	(9,079,116)
46	Division of Vocation Rehabilitation	0
47	<b>Total Health and Human Services</b>	<b>\$ 176,330,776</b>
48		
49	<b>NATURAL AND ECONOMIC RESOURCES</b>	
50		
51	Department of Agriculture and Consumer Services	\$ 305,449

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

1	Office of Lieutenant Governor	0
2		
3	Department of Revenue	998,765
4		
5	Department of Secretary of State	(159,818)
6		
7	Department of State Treasurer	
8	State Treasurer	(66,218)
9	State Treasurer – Retirement/Benefits	0
10		
11	<b>RESERVES, ADJUSTMENTS, CAPITAL, AND DEBT SERVICE</b>	
12		
13	Capital Improvements	13,678,000
14	General Debt Service	(50,904,635)
15	Compensation Increase Reserve	40,692,786
16	Continuation Review Reserve	(35,576,758)
17	Job Development Incentive Grants Reserve	(6,500,000)
18	Retirement Rate Adjustment Reserve	(2,181,400)
19		
20	<b>TOTAL CURRENT OPERATIONS – GENERAL FUND</b>	<b>\$ 969,637,390</b>
21		
22	<b>PART III. CURRENT OPERATIONS/HIGHWAY FUND</b>	
23		
24	<b>CURRENT OPERATIONS/HIGHWAY FUND</b>	
25	<b>SECTION 3.1.</b> Revised appropriations from the Highway Fund of the State for the	
26	maintenance and operation of the Department of Transportation, and for other purposes as	
27	enumerated, are made for the fiscal year ending June 30, 2013, according to the following	
28	schedule:	
29		<b>2012-2013</b>
30	<b>Current Operations – Highway Fund</b>	<b><u>Adjustments</u></b>
31		
32	DOT – General Administration	\$ 14,033,301
33	Highway Division Administration	
34	State Match for Federal Aid-Planning and Research	
35		
36	Construction Program:	
37	State Secondary System	
38	Division Small Urban Construction	
39	Discretionary Funds	
40	Spot Safety Improvements	
41	Access and Public Services Roads	
42	<b>Total Construction Program</b>	<b>_____</b>
43		
44	Maintenance Program	
45	Primary System	(23,688,886)
46	Secondary System	(35,503,330)
47	System Preservation	(34,613,743)
48	Contract Resurfacing	(56,744,276)
49	General Maintenance Reserve	794,439
50	<b>Total Maintenance Program</b>	<b>\$ (149,735,796)</b>
51		

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

**HIGHWAY TRUST FUND APPROPRIATIONS**

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

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

**HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

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

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

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

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

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

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

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

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

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

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

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

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

## 30 **APPROPRIATION OF OTHER FUNDS AMENDED**

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

## 33 **OTHER RECEIPTS FROM PENDING GRANT AWARDS AMENDED**

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

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

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

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

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

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

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

**INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION**

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

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

**IT CLOUD STRATEGY**

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

- (1) Utilize the State's existing infrastructure resources to the greatest extent possible and modernize existing infrastructure as required to build the cloud.
- (2) Create a pool of infrastructure resources that can be scaled up or down in response to business needs. These infrastructure resources include, but are not limited to, computing resources such as processing power, memory, network resources, and storage.
- (3) Build redundancy into the infrastructure to support high availability and disaster recovery.



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

## 12 INTERNAL AUDITING

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

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

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

## 23 GEOGRAPHIC INFORMATION AND ANALYSIS

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

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

## 32 PART VI. GENERAL PROVISIONS

### 33 REPEAL REQUIREMENT FOR MAILING LIST CERTIFICATIONS

34 **SECTION 6.1.** G.S. 143-169.1 is repealed.  
35  
36

### 37 AMEND STATE BUDGET ACT

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

40 "(1a) Authorized budget. – The certified budget as defined in G.S. 143C-1-1.(d)  
41 added to allowable budget adjustments authorized by the State Budget Act  
42 and the Director of the Budget.

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

44 "(d) Funds Included in Budget. – Consistent with requirements of the North Carolina  
45 Constitution, Article 5, Section 7(a), the Governor's Recommended State Budget, together with  
46 the Budget Support Document, shall include recommended expenditures of State funds from all  
47 Governmental and Proprietary Funds, as those funds are described in ~~G.S. 143C-1-3.~~  
48 G.S. 143C-1-3, and all funds established for The University of North Carolina and its  
49 constituent institutions that are subject to Chapter 143C. Except where provided otherwise by  
50 federal law, funds received from the federal government become State funds when deposited in

1 the State treasury and shall be classified and accounted for in the Governor's budget  
2 recommendations no differently than funds from other sources."

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

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

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

13 **"§ 143C-6-4. Budget Adjustments Authorized.**

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

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

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

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

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

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

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

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

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

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

16 "**§ 143C-8-7. When a State agency may begin a capital improvement project.**

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

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

## 31 32 **AMEND PRIOR CONSULTATION STATUTE**

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

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

## 44 45 **AMEND SAVINGS RESERVE ACCOUNT**

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

47 "**§ 143C-4-2. Savings Reserve Account and appropriation of General Fund unreserved**  
48 **fund balance.**

49 (a) Creation and Source of Funds. – The Savings Reserve Account is established as a  
50 reserve in the General Fund. The Controller shall reserve to the Savings Reserve Account

1 ~~one-fourth~~ one-half of any unreserved fund balance, as determined on a cash basis, remaining  
2 in the General Fund at the end of each fiscal year.

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

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

### 13 **ESTABLISH NORTH CAROLINA GLOBAL COMPETITIVENESS RESERVE** 14 **ACCOUNT**

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

#### 17 **"§ 143C-4-3.1. North Carolina Global Competitiveness Reserve Account.**

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

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

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

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

## 31 **PART VII. PUBLIC SCHOOLS**

### 32 **RESTORE LEA BUDGET FLEXIBILITY REDUCTION**

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

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

### 37 **LEA BUDGETARY FLEXIBILITY**

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

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

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

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

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

50 "**SECTION 7.21.(b)** For fiscal ~~years 2011-2012 and year~~ 2012-2013, local school  
51 administrative units shall make every effort to ~~reduce spending whenever and wherever such~~

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

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

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

## 17 18 TESTING AND ASSESSMENT PROGRAM

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

20 "§ 115C-174.11. **Components of the testing and assessment program.**

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

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

31 (c) Annual Testing Program. –

32 (1) The State Board of Education shall adopt the tests for grades three through  
33 12 that are required by federal law or as a condition of a federal grant. These  
34 tests shall be designed to measure progress toward reading, communication  
35 skills, and mathematics for grades three through eight, and toward  
36 competencies for grades nine through 12. Students who do not pass the tests  
37 adopted for eighth grade shall be provided remedial instruction in the ninth  
38 grade.

39 (2) If the State Board of Education finds that additional testing in grades three  
40 through 12 is desirable to allow comparisons with national indicators of  
41 student achievement, that testing shall be conducted with the smallest size  
42 sample of students necessary to assure valid comparisons with other states.

43 (3) The State Board of Education shall continue to participate in the  
44 development of the Common Core State Standards in conjunction with the  
45 consortium of other states, review all national assessments developed by  
46 both multistate consortia, and implement the assessments that the State  
47 Board deems most appropriate to assess student achievement on the  
48 Common Core State Standards.

49 (4) To the extent funds are made available, the State Board shall plan for and  
50 require the administration of the ACT test for all students in the eleventh

1 grade unless the student has already taken a comparable test and scored at or  
2 above a level set by the State Board.

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

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

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

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

10 **"§ 115C-174.22. Tools for student learning.**

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

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

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

## 20 21 **CAREER AND COLLEGE PROMISE SHALL INCLUDE APPRENTICESHIP** 22 **OPPORTUNITIES FOR HIGH SCHOOL STUDENTS**

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

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

## 30 31 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS**

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

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

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

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

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

44 (1) Project NCVPS student enrollment by semester and year-long course types  
45 for each local school administrative unit and charter school.

46 (2) Establish a per course teacher payment structure for the instructional costs of  
47 NCVPS. In establishing this payment structure, the Board shall consider the  
48 following:

49 a. The payment structure is based on a total compensation analysis to  
50 ensure NCVPS teacher pay has parity with similar programs. The

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 ...

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

## 31 **RESTORE NORTH CAROLINA TEACHING FELLOWS COMMISSION**

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

## 35 **TEACHING FELLOWS ADMINISTRATIVE EXPENDITURES**

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

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

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

## 49 **RESIDENTIAL SCHOOLS**



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

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

#### 10 **TEACHER SALARY PAYMENTS**

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

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

#### 14 **FUNDS FOR CHILDREN WITH DISABILITIES**

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

#### 24 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

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

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

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

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

#### 40 **SCHOOL CAPITAL SUPPORT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 30 LOCAL PLANS

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

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

## 38 COOPERATIVE INNOVATIVE HIGH SCHOOL REPORTING

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

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

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

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

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

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

#### 4 **REPEAL OBSOLETE REPORTS**

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

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

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

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

#### 11 **DIGITAL RESOURCES FOR K-12**

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

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

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

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

#### 51 **ADOPTION OF COMMON CORE STATE STANDARDS**

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

## 9 10 **INVESTING IN INNOVATION GRANT**

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

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

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

## 29 30 **PART VIII. COMMUNITY COLLEGES**

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

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

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

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

**REPEAL OBSOLETE REPORTS**

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

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

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

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

**FINANCIAL AID PROGRAM ADMINISTRATIVE COSTS**

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

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

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

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

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

**NORTH CAROLINA TEACHER INSTITUTE ON TEACHER TRAINING AND PROFESSIONAL DEVELOPMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**CENTER FOR DESIGN INNOVATION DIGITAL TECHNOLOGIES PILOT**

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

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

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

**THE UNIVERSITY OF NORTH CAROLINA PERFORMANCE ACCOUNTABILITY FUNDING**

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

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

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

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

**ESTABLISH UNC RESEARCH COMMERCIALIZATION FUND**

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

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

- 1 (3) Covering relevant operational costs, including patent fees or faculty release  
2 time.
- 3 (4) Enhancing work currently being done with the Blackstone Entrepreneurs  
4 Network.

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

- 11 (1) A detailed accounting of the expenditure of funds and specific services  
12 provided.
- 13 (2) Measures of impact to the State's economy in the creation of jobs,  
14 intellectual property, infrastructure investment, and start-up companies.
- 15 (3) The specific research and development projects funded at UNC.
- 16 (4) Other measures directly related to enhancing North Carolina's economy.

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

## 23

## 24 LOWER COST OF INDEBTEDNESS ON CAPITAL PROJECTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

49  
50 **REPEAL OBSOLETE REPORTS**

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

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

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

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

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

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

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

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

11          **"SECTION 10.6** The Division of Child Development and Early Education of the  
12 Department of Health and Human Services shall fund the allowance that county departments of  
13 social services may use for administrative costs at ~~four percent (4%)~~ three percent (3%) of the  
14 county's total child care subsidy funds allocated in the Child Care Development Fund Block  
15 Grant plan."  
16

17   **NC PREKINDERGARTEN PROGRAM**

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

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

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

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

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

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

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

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

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

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

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

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

### 38 39 **AIDS DRUG ASSISTANCE PROGRAM PILOT**

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

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

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

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

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

## 14 MEDICAID

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

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

23  
24 1. Medicare crossover claims. — The Division of Medical Assistance  
25 shall apply Medicaid medical policy to recipients who have primary  
26 insurance or Medicare and Medicare Advantage plans for dually  
27 eligible recipients.

28 1. For payment of Medicare crossover claims, the Division of  
29 Medical Assistance shall pay the Medicaid DRG payment  
30 less the amount paid by Medicare but not to exceed the sum  
31 of the Medicare cost-share.

32 2. For payment of private insurance claims, the Division shall  
33 pay Medicaid payment less the amount paid by primary payer  
34 not to exceed the sum of the cost-share.

35 3. Cost-share is defined as coinsurance, deductible, and co-pay.

36 4. Medicaid's payment shall be the lesser of Medicaid net  
37 allowable or the sum of the cost-share as defined in  
38 subdivision (3) of this subsection..

39 5. Medicaid net allowable is calculated by reducing the  
40 Medicaid allowed minus primary insurance cash payment  
41 minus patient medical liability.

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

44 "n. Mental health services. — Coverage is limited to children eligible for  
45 EPSDT services provided by:

- 46 1. Licensed or certified psychologists, licensed clinical social  
47 workers, licensed clinical social workers associates, certified  
48 clinical nurse specialists in psychiatric mental health  
49 advanced practice, nurse practitioners certified as clinical  
50 nurse specialists in psychiatric mental health advanced  
51 practice, licensed psychological associates, licensed

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

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

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

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

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

### 31 32 **MEDICAID PROVIDER ASSESSMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

- 32          (1) In-Home Care provision. – In order to enhance in-home aide services to  
33          Medicaid recipients, the Department of Health and Human Services,  
34          Division of Medical Assistance, shall:

35          a. No longer provide services under PCS and PCS-Plus the later of  
36          January 1, 2012, or whenever CMS approves the elimination of the  
37          PCS and PCS-Plus programs and the implementation of the  
38          following two new services:

- 39                  1. In-Home Care for Children (IHCC). – Services to assist  
40                  families to meet the in-home care needs of children, including  
41                  those individuals under the age of 21 receiving  
42                  comprehensive and preventive child health services through  
43                  the Early and Periodic Screening, Diagnosis, and Treatment  
44                  (EPSDT) program.
- 45                  2. In-Home Care for Adults (IHCA). – Services to meet the  
46                  eating, dressing, bathing, toileting, and mobility needs of  
47                  individuals 21 years of age or older who, because of a  
48                  medical condition, disability, or cognitive impairment,  
49                  demonstrate unmet needs for, at a minimum, (i) three of the  
50                  five qualifying activities of daily living (ADLs) with limited  
51                  hands-on assistance; (ii) two ADLs, one of which requires



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

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

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

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

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

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

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

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

#### NC HEALTH CHOICE CO-PAYS

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

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

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

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

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

#### **"MEDICAID WAIVER FOR ASSISTED LIVING PERSONAL ASSISTANCE SERVICES"**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

46 a. Individuals with physical disabilities:

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

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







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

- 4 ...  
5 (11a) Portable X-ray suppliers.  
6 (13a) Religious nonmedical health care institutions.

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

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

12 ...."

## 13 **TANF BENEFIT IMPLEMENTATION**

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

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

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

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

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

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

## 49 **TELECOMMUNICATIONS RELAY SERVICE**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (i) Wireless Surcharge. – A CMRS provider, as part of its monthly billing process,  
36 must collect the same surcharge imposed on each exchange access facility under this section for  
37 each CMRS connection. A CMRS provider may deduct a one percent (1%) administrative fee  
38 from the total amount of surcharge collected. A CMRS provider shall remit the surcharge  
39 collected, less the administrative fee, to the 911 Board in the same manner and with the same  
40 frequency as the local service providers remit the surcharge to the State Treasurer. The 911  
41 Board shall remit the funds collected from the surcharge to the special account created under  
42 subsection (d) of this section."  
43

## 44 CONSOLIDATION OF ALL PUBLIC GUARDIANSHIP

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

46 "(4) "Disinterested public agent" means

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 **"§ 90B-3. Definitions.**

27 The following definitions apply in this Chapter:

28 ...

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

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

34 ...."

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

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

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

48 **"§ 90B-16. Title protection.**

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

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

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

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

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

8 **"§ 90-113.31A. Definitions.**

9 The following definitions shall apply in this Article:

10 ...

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

15 ...

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

23 ...."

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

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

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

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

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

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

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

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

## 31 32 **DISCLOSURE OF ESC DATA**

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

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

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

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

### 13 FALSE CLAIMS ACT

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

#### 15 "§ 1-606. Definitions.

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

18 ...

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

21 ...."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4 MENTAL HEALTH CHANGES

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

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

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



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

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

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

## 20 **ADULT PROTECTIVE SERVICES PILOT**

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

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

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

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

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

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

#### 14 **DHHS BLOCK GRANTS**

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

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

##### 20 Local Program Expenditures

##### 21 Division of Social Services

22	01.	Work First Family Assistance	\$61,671,297	
23	24	02.	Work First County Block Grants	83,386,330
25	26	03.	Work First Electing Counties	2,378,213
27	28	04.	Adoption Services – Special Children's Adoption Fund	2,026,877
29	30	05.	Child Protective Services – Child Welfare	
31	32	Workers for Local DSS	11,533,284	
33	34	06.	Child Welfare Collaborative	632,416

##### 35 Division of Child Development

36	37	07.	Subsidized Child Care Program	60,014,626
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##### 38 Division of Public Health

39	40	08.	Teen Pregnancy Prevention Initiatives	2,096,550
41	42	09.	Teen Pregnancy Initiatives	377,379

##### 43 DHHS Administration

44	45	10.	Division of Social Services	2,482,260
----	----	-----	-----------------------------	-----------

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

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

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

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

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

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

**GENERAL PROVISIONS**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

### 32 **SOCIAL SERVICES BLOCK GRANT**

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

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

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

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

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

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

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

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

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

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

### 38 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

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

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

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

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

"...

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

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

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

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

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

**CLEAN WATER STATE REVOLVING FUND**

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

**DRINKING WATER STATE REVOLVING FUND**

**SECTION 12.3.** Notwithstanding the provisions of Chapter 159G of the General Statutes, within the Water Infrastructure Fund established under G.S. 159G-22, the Department of Environment and Natural Resources may transfer State funds from the Drinking Water Reserve to the Drinking Water State Revolving Fund to be used to match maximum available federal grant moneys authorized by section 1453 of the federal Safe Drinking Water Act of 1996 for the 2012-2013 fiscal year.

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

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

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

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

**NER BLOCK GRANTS**

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

## COMMUNITY DEVELOPMENT BLOCK GRANT

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

## TOTAL COMMUNITY DEVELOPMENT

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

**SECTION 13.2.(b)** Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

**SECTION 13.2.(c)** Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

**SECTION 13.2.(d)** Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: (i) up to one million two hundred seventy-five thousand dollars (\$1,275,000) may be used for State Administration; (ii) up to thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered Site Housing; (iii) up to seven million five hundred ninety-six thousand dollars (\$7,596,000) may be used for Economic Development; (iv) up to one million eight hundred seventy-five thousand dollars (\$1,875,000) may be used for Small Business/Entrepreneurship; (v) up to ten million dollars (\$10,000,000) may be used for NC Catalyst; (vi) up to seven million five hundred fifty-four thousand dollars (\$7,554,000) may be used for Infrastructure; and (vii) up to one million dollars (\$1,000,000) may be used for Capacity Building. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

**SECTION 13.2.(e)** Increase Capacity for Nonprofit Organizations. – Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

**SECTION 13.2.(f)** The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

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

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

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

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

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

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

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

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

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

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

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

## 32           **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS ALLOCATIONS**

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

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

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



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

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

#### 24 **USE OF TVA SETTLEMENT FUNDS**

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

#### 44 **ENERGY EFFICIENT VALUATION**

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

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

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

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

#### 6 7 **INCREASE JDIG FEES**

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

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

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

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

#### 33 34 **ONE NORTH CAROLINA FUND**

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

#### 41 42 **NORTH CAROLINA BIOTECHNOLOGY CENTER**

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

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

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

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

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

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

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

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

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

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

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

## 36 **RURAL CENTER/RURAL JOBS FUND**

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

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

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

## 51 **INDUSTRIAL COMMISSION STATUTORY CHANGES**

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

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

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

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

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

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

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

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

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

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

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

#### 49 50 **PART XV. JUDICIAL DEPARTMENT**

**COLLECTION OF WORTHLESS CHECK FUNDS**

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

"**SECTION 15.4.** Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, ~~2011, 2012,~~ for the purchase or repair of office or information technology equipment during the ~~2011-2012-2012-2013~~ fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental ~~Operations and Operations,~~ the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public ~~Safety Safety,~~ and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases".

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

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

**STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

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

"**SECTION 17.1.** Funds appropriated in this act to the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of Public Safety, Division of Juvenile Justice, for the ~~2011-2012-2012-2013~~ fiscal year may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of Public Safety, Division of Juvenile Justice, regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of Public Safety, Division of Juvenile Justice, shall report to the Appropriations Committees of the Senate and House of Representatives and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the ~~2011-2012-2012-2013~~ fiscal year, the amount of funds anticipated for the ~~2012-2013-2013-2014~~ fiscal year, and the allocation of funds by program and purpose."

**JUVENILE CRIME PREVENTION COUNCIL FUNDS**

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

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

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

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

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

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

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

## 30 **PART XIX. DEPARTMENT OF CORRECTION**

## 31 **PART XX. DEPARTMENT OF ADMINISTRATION**

### 32 **STERILIZATION VICTIMS COMPENSATION**

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

### 43 **AMEND ADVISORY COMMISSION ON MILITARY AFFAIRS**

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

#### 45 **"§ 127C-2. Membership.**

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

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

**PART XXI. DEPARTMENT OF INSURANCE**

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

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

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

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

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

## 28 **PART XXII. DEPARTMENT OF REVENUE**

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

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

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

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

45           **SECTION 22.1.(b)** Contracts. – Work under the additional public-private  
46 arrangement authorized by this section may be contracted by requests for proposals,  
47 modifications to the existing contracts, purchases using existing contracts, or other related  
48 contract vehicles.  
49  
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51



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

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

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

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

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

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

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

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

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

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

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

25           The members of the Committee shall include the following:

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

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

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

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

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

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

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

### 14 **"MILITARY MORALE AND WELFARE FUND**

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

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

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

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

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

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

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

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

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

## 40 **PART XXVI. DEPARTMENT OF TRANSPORTATION**

### 41 **REPEAL FERRY TOLLS**

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

43 **"§ 136-82. (Effective April 1, 2012) Department of Transportation to establish and**  
44 **maintain ferries.**  
45  
46  
47  
48  
49  
50

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

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

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

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

## 18 **CAP GAS TAX**

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

20 "**§ 105-449.80. Tax rate.**

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

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

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

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

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

## 46 **LEAKING PETROLEUM UNDERGROUND STORAGE TANK CLEANUP FUNDS**

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

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

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

## 11 RESTORE MOBILITY FUND

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

## 13 PART XXVII. SALARIES AND BENEFITS

### 14 GOVERNOR AND COUNCIL OF STATE

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

16  
 17 "(a) The salary of the Governor shall be ~~one hundred thirty nine thousand five hundred~~  
 18 ~~ninety dollars (\$139,590)~~ one hundred forty-two thousand one hundred three dollars (\$142,103)  
 19 annually, payable monthly."  
 20

21 **SECTION 27.1.(b)** Effective July 1, 2012, the annual salaries for the members of  
 22 the Council of State, payable monthly, for the 2012-2013 fiscal year are:  
 23

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

### 34 NONELECTED DEPARTMENT HEAD

35  
 36 **SECTION 27.2.(a)** Effective July 1, 2012, the salaries set by G.S. 143B-9, the  
 37 maximum annual salaries, payable monthly, for the nonelected heads of the principal State  
 38 departments for the 2012-2013 fiscal year are:  
 39

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

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

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

#### **CERTAIN EXECUTIVE BRANCH OFFICIALS**

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

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

#### **JUDICIAL BRANCH**

45 **SECTION 27.4.(a)** Effective for the 2012-2013 fiscal year, the annual salaries,  
 46 payable monthly, for specified judicial branch officials are:  
 47

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

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

11

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

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

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

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

34

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

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

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

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

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

49

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

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

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

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

**MAGISTRATES' SALARY INCREASES**

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

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

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

Table of Salaries of Full-Time Magistrates

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

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



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

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

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

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

11           Upon completion of five years of service, those magistrates shall receive  
12 the salary set as the Entry Rate in the table in subsection (a)."  
13

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

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

16           "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled  
17 to other benefits available to permanent legislative employees and shall be paid an annual  
18 salary of ~~one hundred four thousand eighty four dollars (\$104,084)~~ one hundred five thousand  
19 nine hundred fifty-eight dollars (\$105,958) payable monthly. Each principal clerk shall also  
20 receive such additional compensation as approved by the Speaker of the House of  
21 Representatives or the President Pro Tempore of the Senate, respectively, for additional  
22 employment duties beyond those provided by the rules of their House. The Legislative Services  
23 Commission shall review the salary of the principal clerks prior to submission of the proposed  
24 operating budget of the General Assembly to the Governor and shall make appropriate  
25 recommendations for changes in those salaries. Any changes enacted by the General Assembly  
26 shall be by amendment to this paragraph."  
27

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

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

30           "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of  
31 ~~three hundred eighty dollars (\$380.00)~~ three hundred eighty-seven dollars (\$387.00) per week  
32 plus subsistence at the same daily rate provided for members of the General Assembly, plus  
33 mileage at the rate provided for members of the General Assembly for one round trip only from  
34 their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the  
35 General Assembly and at such time prior to the convening of, and subsequent to adjournment  
36 or recess of, sessions as may be authorized by the Legislative Services Commission. The  
37 reading clerks shall serve during sessions only."  
38

#### 39 **LEGISLATIVE EMPLOYEES/SALARY INCREASES**

40           **SECTION 27.10.** Effective July 1, 2012, the Legislative Services Officer shall  
41 increase the salaries of nonelected employees of the General Assembly in effect for fiscal year  
42 2011-2012 by one and eight-tenths percent (1.8%). Nothing in this act limits any of the  
43 provisions of G.S. 120-32.  
44

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

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

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

- 5           (1) One and eight-tenths percent (1.8%), including funds for the employer's  
 6 retirement and social security contributions, commencing July 1, 2012, for  
 7 all community college faculty and professional staff supported by State  
 8 funds.  
 9           (2) One and eight-tenths percent (1.8%), including funds for the employer's  
 10 retirement and social security contributions, commencing July 1, 2012, for  
 11 all other community college employees supported by State funds.  
 12

### 13 **COMMUNITY COLLEGE FACULTY SALARIES**

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

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

18 <u>Education Level</u>	19 <u>Minimum Salary</u>
20 <u>Vocational Diploma/Certificate or Less</u>	21 <u>\$34,932</u>
22 <u>Associate Degree or Equivalent</u>	23 <u>\$35,446</u>
24 <u>Bachelor's Degree</u>	25 <u>\$37,675</u>
26 <u>Master's Degree or Education Specialist</u>	27 <u>\$39,653</u>
28 <u>Doctoral Degree</u>	29 <u>\$42,505.</u>

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

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

### 34 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

2012-2013 Monthly Salary Schedule

"M" Teachers

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

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

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

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

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

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

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

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

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

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

12  
 13 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

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

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

21  
 22 2012-2013 Principal and Assistant Principal Salary Schedules  
 23 Classification

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



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

2012-2013 Principal and Assistant Principal Salary Schedules  
Classification

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

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

48	Classification	Number of Teachers Supervised
49		
50		
51	Assistant Principal	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 20 **CENTRAL OFFICE SALARIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 39 **SALARY-RELATED CONTRIBUTIONS**

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

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

5 Notwithstanding any other provision of law, an employing unit, as defined in  
6 G.S. 135-45.1 or in G.S. 135-48.1 as enacted by this act, that hires or has hired as an employee  
7 a retiree that is in receipt of monthly retirement benefits from any retirement system supported  
8 in whole or in part by contributions of the State shall enroll the retiree in the active group and  
9 pay the cost for the hospital-medical benefits if that retiree is employed in a position that would  
10 require the employer to pay hospital-medical benefits if the individual had not been retired.

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

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

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

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

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

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

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

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

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

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

15  
 16 **PART XXVIII. CAPITAL APPROPRIATIONS**

17  
 18 **WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

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

23 **2012-2013**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

23

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

32

33 **AMEND REPAIRS AND RENOVATION RESERVE ACCOUNT**

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

35 **"§ 143C-4-3. Repairs and Renovations Reserve Account.**

36           (a) Creation and Source of Funds. – The Repairs and Renovations Reserve Account is  
 37 established as a reserve in the General Fund. The State Controller shall reserve to the Repairs  
 38 and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined  
 39 on a cash basis, remaining in the General Fund at the end of each fiscal year.

40           (b) Use of Funds. – The funds in the Repairs and Renovations Reserve Account shall be  
 41 used only for the repair and renovation of State facilities and related infrastructure that are  
 42 supported from the General Fund. Funds from the Repairs and Renovations Reserve Account  
 43 shall be used only for the following types of projects:

- 44           (1) Roof repairs and replacements;
- 45           (2) Structural repairs;
- 46           (3) Repairs and renovations to meet federal and State standards;
- 47           (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning  
 48 systems;
- 49           (5) Improvements to meet the requirements of the Americans with Disabilities  
 50 Act, 42 U.S.C. § 12101, et seq., as amended;
- 51           (6) Improvements to meet fire safety needs;

- 1 (7) Improvements to existing facilities for energy efficiency;  
2 (8) Improvements to remove asbestos, lead paint, and other contaminants,  
3 including the removal and replacement of underground storage tanks;  
4 (9) Improvements and renovations to improve use of existing space;  
5 (10) Historical restoration;  
6 (11) Improvements to roads, walks, drives, utilities infrastructure; and  
7 (12) Drainage and landscape improvements.

8 Funds from the Repairs and Renovations Reserve Account shall not be used for new  
9 construction or the expansion of the building area (sq. ft.) of an existing facility unless required  
10 in order to comply with federal or State codes or standards.

11 (c) Use of Funds. – Funds Available Only Upon Appropriation. – Funds reserved to the  
12 Repairs and Renovations Reserve Account shall be available for expenditure only upon an act  
13 of appropriation by the General Assembly.

14 (d) Board of Governors May Allocate Funds to Particular Projects. – Any funds in the  
15 Reserve for Repairs and Renovations that are allocated to the Board of Governors of The  
16 University of North Carolina may be allocated or reallocated by the Board for repairs and  
17 renovations projects so long as (i) any project that receives an allocation or reallocation  
18 satisfies the requirements of subsection (b) of this section unless the Board determines that  
19 sufficient funds are not available from other sources and that conditions warrant General Fund  
20 assistance and (ii) the allocation or reallocation is in accordance with guidelines developed in  
21 The University of North Carolina Funding Allocation Model for Reserve for Repairs and  
22 Renovations, as approved by the Board of Governors of The University of North Carolina. The  
23 Board of Governors shall report to the Joint Legislative Commission on Governmental  
24 Operations on the allocation or reallocation of funds pursuant to this section within 60 days of  
25 any allocation or reallocation under this subsection.

26 (e) Office of State Budget and Management May Allocate Funds to Particular Projects.  
27 – Any funds in the Reserve for Repairs and Renovations that are allocated to the Office of State  
28 Budget and Management may be allocated or reallocated by the State Budget Office for repairs  
29 and renovations projects so long as any project that receives an allocation or reallocation  
30 satisfies the requirements of subsection (b) of this section. The State Budget Office shall report  
31 to the Joint Legislative Commission on Governmental Operations on the allocation or  
32 reallocation of funds pursuant to this section within 60 days of any allocation or reallocation  
33 under this subsection."

## 34 35 **PART XXIX. TAX PROVISIONS**

### 36 37 **REINSTATE SALES TAX TO 5.5%**

38 **SECTION 29.1.(a)** G.S. 105-164.4(a) reads as rewritten:

39 "(a) A privilege tax is imposed on a retailer at the following percentage rates of the  
40 retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~four and~~  
41 ~~three quarters percent (4.75%)~~, five and one-half percent (5.5%)."

42 **SECTION 29.1.(b)** G.S. 105-164.4(a), as rewritten by subsection (a) of this  
43 section, reads as rewritten:

44 "(a) A privilege tax is imposed on a retailer at the following percentage rates of the  
45 retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is ~~five and~~  
46 ~~one-half percent (5.5%)~~, four and seventy-five hundredths percent (4.75%)."

47 **SECTION 29.1.(c)** Subsection (a) of this section becomes effective July 1, 2012,  
48 and applies to sales made on or after that date. Subsection (b) of this section becomes effective  
49 July 1, 2014, and applies to sales made on or after that date. The remainder of this section is  
50 effective when it becomes law.

1           **SECTION 29.1.(d)** The sales tax is increased to provide funding for North  
 2 Carolina public education, community colleges, university system, and prekindergarten.

3  
 4 **ENHANCE R&D TAX CREDIT FOR SMALL BUSINESSES**

5           **SECTION 29.2.(a)** G.S. 105-129.50(10) reads as rewritten:

6 **"§ 105-129.50. Definitions.**

7           The definitions in section 41 of the Code apply in this Article. In addition, the following  
 8 definitions apply in this Article:

9           ...  
 10           (10) Small business. – A business whose annual receipts, combined with the  
 11 annual receipts of all related persons, for the applicable period of  
 12 measurement did not exceed ~~one million dollars (\$1,000,000); two million~~  
 13 five hundred thousand dollars (\$2,500,000)."

14           **SECTION 29.2.(b)** G.S. 105-129.55(a) reads as rewritten:

15           "(a) Qualified North Carolina Research Expenses. – A taxpayer that has qualified North  
 16 Carolina research expenses for the taxable year is allowed a credit equal to a percentage of the  
 17 expenses, determined as provided in this section. Only one credit is allowed under this section  
 18 with respect to the same expenses. If more than one subdivision of this section applies to the  
 19 same expenses, then the credit is equal to the higher percentage, not both percentages  
 20 combined. If part of the taxpayer's qualified North Carolina research expenses qualifies under  
 21 more than one subdivision of this section, the applicable percentages apply separately to each  
 22 part of the expenses.

23           (1) Small business. – If the taxpayer was a small business as of the last day of  
 24 the taxable year, the applicable percentage is ~~three and one-quarter percent~~  
 25 (3.25%); five percent (5%).

26           (2) Low-tier research. – For expenses with respect to research performed in a  
 27 development tier one area, the applicable percentage is three and one-quarter  
 28 percent (3.25%).

29           (2a) University research. – For North Carolina university research expenses, the  
 30 applicable percentage is ~~twenty percent (20%); twenty-five percent (25%).~~

31           (2b) Eco-Industrial Park. – For expenses with respect to research performed in an  
 32 Eco-Industrial Park certified under G.S. 143B-437.08, the applicable  
 33 percentage is thirty-five percent (35%).

34           (3) Other research. – For expenses not covered under another subdivision of this  
 35 section, the percentages provided in the table below apply to the taxpayer's  
 36 qualified North Carolina research expenses during the taxable year at the  
 37 following levels:

Expenses Over	Up To	Rate
-0-	\$50 million	1.25%
\$50 million	\$200 million	2.25%
\$200 million	–	3.25%".

42  
 43 **SMALL BUSINESS START-UP TAX RELIEF**

44           **SECTION 29.3.(a)** G.S. 105-134.6(b) is amended by adding a new subdivision to  
 45 read:

46           "(b) Deductions. – The following deductions from taxable income shall be made in  
 47 calculating North Carolina taxable income, to the extent each item is included in taxable  
 48 income:

49           ...  
 50           (22) The amount of the exclusion of gain for qualified businesses allowed under  
 51 Part 5 of this Article, plus an amount equal to the amount of the credits

1                    recaptured pursuant to G.S. 105-163.021; provided, however, that a taxpayer  
2                    is not required to claim this exclusion."

3                    **SECTION 29.3.(b)** G.S. 105-163.013 and G.S. 105-163.015 are recodified as  
4 G.S. 105-163.010A and G.S. 105-163.010B, respectively.

5                    **SECTION 29.3.(c)** Part 5 of Article 4 of Chapter 105 of the General Statutes reads  
6 as rewritten:

7                    "Part 5. Tax ~~Credits~~ Incentives for Qualified Business Investments.

8                    "Subpart 1. General Provisions.

9                    **"§ 105-163.010. (Repealed effective for investments made on or after January 1, 2013)**

10                    **Definitions.**

11                    The following definitions apply in this Part:

12                    ...

13                    (4)    Equity security. – Common stock, preferred stock, or an interest in a  
14                    ~~partnership, partnership or limited liability company,~~ or subordinated debt  
15                    that is convertible into, or entitles the holder to receive upon its exercise,  
16                    common stock, preferred stock, or an interest in a ~~partnership.~~ partnership or  
17                    limited liability company.

18                    ...

19                    (8)    Qualified business venture. – A business that (i) engages primarily in  
20                    manufacturing, processing, warehousing, wholesaling, research and  
21                    development, or a service-related industry, and (ii) is registered with the  
22                    Secretary of State under ~~G.S. 105-163.013.~~ G.S. 105-163.010A.

23                    (9)    Qualified grantee business. – A business that (i) is registered with the  
24                    Secretary of State under ~~G.S. 105-163.013,~~ G.S. 105-163.010A , and (ii) has  
25                    received during the current year or any of the preceding three years a grant,  
26                    an investment, or other funding from a federal agency under the Small  
27                    Business Innovation Research Program administered by the United States  
28                    Small Business Administration or from a granting entity as defined in this  
29                    section.

30                    (9a)   Qualified licensee business. – A business that meets all of the following  
31                    conditions:

- 32                    a.    It is registered with the Secretary of State under G.S. 105-163.013.  
33                    b.    During its most recent fiscal year before filing an application for  
34                    registration under G.S. 105-163.013, it had gross revenues, as  
35                    determined in accordance with generally accepted accounting  
36                    principles, of one million dollars (\$1,000,000) or less on a  
37                    consolidated basis.  
38                    c.    It has been certified by a constituent institution of The University of  
39                    North Carolina or a research university as currently performing under  
40                    a licensing agreement with the institution or university for the  
41                    purpose of commercializing technology developed at the institution  
42                    or university. For the purpose of this section, a research university is  
43                    an institution of higher education classified as a Doctoral/Research  
44                    University, Extensive or Intensive, in the most recent edition of "A  
45                    Classification of Institutions of Higher Education", the official report  
46                    of The Carnegie Foundation for the Advancement of Teaching.

47                    ...

48                    (13)   Service-related industry. – A business is engaged in a service-related  
49                    industry, whether or not it also sells a product, if it provides services to  
50                    customers or clients and does not as a substantial part of its business engage  
51                    in a business described in ~~G.S. 105-163.013(b)(4).~~ G.S. 105-163.010A(b)(4).

1 A business is engaged as a substantial part of its business in an activity  
2 described in ~~G.S. 105-163.013(b)(4)~~ G.S. 105-163.010A(b)(4) if (i) its gross  
3 revenues derived from all activities described in that subdivision exceed  
4 twenty-five percent (25%) of its gross revenues in any fiscal year or (ii) it is  
5 established as one of its primary purposes to engage in any activities  
6 described in that subdivision, whether or not its purposes were stated in its  
7 articles of incorporation or similar organization documents.

- 8 (14) Subordinated debt. – Indebtedness that is not secured and is subordinated to  
9 all other indebtedness of the issuer issued or to be issued to a financial  
10 institution other than a financial institution described in subdivisions (5)(ii)  
11 through (5)(v) of this section. ~~Except~~ For the purposes of Subpart 2 of this  
12 Part only, except as provided in G.S. 105-163.014(d1), any portion of  
13 indebtedness that matures earlier than five years after its issuance is not  
14 subordinated debt.

15 **"§ 105-163.010A. Registration.**

16 (a) Repealed by Session Laws 1993, c. 443, s. 4.

17 (b) Qualified Business Ventures. – In order to qualify as a qualified business venture  
18 under this Part, a business must be registered with the Securities Division of the Department of  
19 the Secretary of State. To register, the business must file with the Secretary of State an  
20 application and any supporting documents the Secretary of State may require from time to time  
21 to determine that the business meets the requirements for registration as a qualified business  
22 venture. A business meets the requirements for registration as a qualified business venture if all  
23 of the following are true as of the date the business files the required application:

24 (1) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 7.

25 (1a) Reserved for future codification purposes.

26 (1b) Either (i) it was organized after January 1 of the calendar year in which its  
27 application is filed or (ii) during its most recent fiscal year before filing the  
28 application, it had gross revenues, as determined in accordance with  
29 generally accepted accounting principles, of five million dollars  
30 (\$5,000,000) or less on a consolidated basis.

31 (2) Repealed by Session Laws 1996, Second Extra Session, c. 14, s. 7.

32 (3) It is organized to engage primarily in manufacturing, processing,  
33 warehousing, wholesaling, research and development, or a service-related  
34 industry.

35 (4) It does not engage as a substantial part of its business in any of the  
36 following:

37 a. Providing a professional service as defined in Chapter 55B of the  
38 General Statutes.

39 b. Construction or contracting.

40 c. Selling or leasing at retail.

41 d. ~~The purchase, sale, or development, or purchasing,~~ Purchasing,  
42 developing, selling, or holding for investment of commercial paper,  
43 notes, other indebtedness, financial instruments, securities, or real  
44 property, or otherwise ~~makemaking~~ investments.

45 e. Providing personal grooming or cosmetics services.

46 f. Offering any form of entertainment, amusement, recreation, or  
47 athletic or fitness activity for which an admission or a membership is  
48 charged.

49 (5) It was not formed for the primary purpose of acquiring all or part of the  
50 ~~stock~~ stock, other ownership interest, or assets of one or more existing  
51 businesses.

1 (6) It is not a real estate-related business.

2 The effective date of registration for a qualified business venture whose application is  
3 accepted for registration is 60 days before the date its application is filed. No credit or  
4 exclusion of gain is allowed under this Part for an investment made before the effective date of  
5 the registration or after the registration is revoked. For the purpose of this Article, if a  
6 taxpayer's investment is placed initially in escrow conditioned upon other investors'  
7 commitment of additional funds, the date of the investment is the date escrowed funds are  
8 transferred to the qualified business venture free of the condition.

9 To remain qualified as a qualified business venture, the business must renew its registration  
10 annually as prescribed by rule by filing a financial statement for the most recent fiscal year  
11 showing gross revenues, as determined in accordance with generally accepted accounting  
12 principles, of five million dollars (\$5,000,000) or less on a consolidated basis and an  
13 application for renewal in which the business certifies the facts required in the original  
14 application.

15 Failure of a qualified business venture to renew its registration by the applicable deadline  
16 ~~shall result~~ results in revocation of its registration effective as of the next day after the renewal  
17 deadline, but ~~shall~~ does not result in forfeiture of tax credits previously allowed to taxpayers  
18 who invested in the business except as provided in G.S. 105-163.014. The Secretary of State  
19 shall send the qualified business venture notice of revocation within 60 days after the renewal  
20 deadline. A qualified business venture may apply to have its registration reinstated by the  
21 Secretary of State by filing an application for reinstatement, accompanied by the reinstatement  
22 application fee and a late filing penalty of one thousand dollars (\$1,000), within 30 days after  
23 receipt of the revocation notice from the Secretary of State. A business that seeks approval of a  
24 new application for registration after its registration has been revoked must also pay a penalty  
25 of one thousand dollars (\$1,000). A registration that has been reinstated is treated as if it had  
26 not been revoked.

27 If the gross revenues of a qualified business venture exceed five million dollars  
28 (\$5,000,000) in a fiscal year, the business must notify the Secretary of State in writing of this  
29 fact by filing a financial statement showing the revenues of the business for that year.

30 (b1) Qualified Licensee Businesses. – In order to qualify as a qualified licensee business  
31 under this Part, a business must be registered with the Securities Division of the Department of  
32 the Secretary of State. To register, the business must file with the Secretary of State an  
33 application and any supporting documents the Secretary of State may require from time to time  
34 to determine that the business meets the requirements for registration as a qualified licensee  
35 business. The requirements for registration as a qualified licensee business are set out in  
36 G.S. 105-163.010.

37 The effective date of registration for a qualified licensee business whose application is  
38 accepted for registration is the filing date of its application. No credit or exclusion of gain is  
39 allowed under this Part for an investment made before the effective date of the registration or  
40 after the registration is revoked.

41 To remain qualified as a qualified licensee business, the business must renew its registration  
42 annually as prescribed by rule by filing a financial statement for the most recent fiscal year  
43 showing gross revenues, as determined in accordance with generally accepted accounting  
44 principles, of one million dollars (\$1,000,000) or less on a consolidated basis and an  
45 application for renewal in which the business certifies the facts required in the original  
46 application.

47 Failure of a qualified licensee ~~venture-business~~ to renew its registration by the applicable  
48 deadline results in revocation of its registration effective as of the next day after the renewal  
49 deadline, but does not result in forfeiture of tax credits previously allowed to taxpayers who  
50 invested in the business except as provided in G.S. 105-163.014. The Secretary of State shall  
51 send the qualified licensee business notice of revocation within 60 days after the renewal

1 deadline. A qualified licensee business may apply to have its registration reinstated by the  
2 Secretary of State by filing an application for reinstatement, accompanied by the reinstatement  
3 application fee and a late filing penalty of one thousand dollars (\$1,000), within 30 days after  
4 receipt of the revocation notice from the Secretary of State. A business that seeks approval of a  
5 new application for registration after its registration has been revoked must also pay a penalty  
6 of one thousand dollars (\$1,000). A registration that has been reinstated is treated as if it had  
7 not been revoked.

8 If the gross revenues of a qualified licensee business exceed one million dollars  
9 (\$1,000,000) in a fiscal year, the business must notify the Secretary of State in writing of this  
10 fact by filing a financial statement showing the revenues of the business for that year.

11 (c) Qualified Grantee Businesses. – In order to qualify as a qualified grantee business  
12 under this Part, a business must be registered with the Securities Division of the Department of  
13 the Secretary of State. To register, the business must file with the Secretary of State an  
14 application and any supporting documents the Secretary of State may require from time to time  
15 to determine that the business meets the requirements for registration as a qualified grantee  
16 business. The requirements for registration as a qualified grantee business are set out in  
17 G.S. 105-163.010.

18 The effective date of registration for a qualified grantee business whose application is  
19 accepted for registration is the filing date of its application. No credit or exclusion of gain is  
20 allowed under this Part for an investment made before the effective date of the registration or  
21 after the registration is revoked.

22 To remain qualified as a qualified grantee business, the business must renew its registration  
23 annually as prescribed by rule by filing an application for renewal in which the business  
24 certifies the facts demonstrating that it continues to meet the applicable requirements for  
25 qualification.

26 (d) Application Forms; Rules; Fees. – Applications for registration, renewal of  
27 registration, and reinstatement of registration under this section shall be in the form required by  
28 the Secretary of State. The Secretary of State may, by rule, require applicants to furnish  
29 supporting information in addition to the information required by subsections (b), (b1), and (c)  
30 of this section. The Secretary of State may adopt rules in accordance with Chapter 150B of the  
31 General Statutes that are needed to carry out the Secretary's responsibilities under this Part. The  
32 Secretary of State shall prepare blank forms for the applications and shall distribute them  
33 throughout the State and furnish them on request. Each application shall be signed by the  
34 ~~owners of the business or, in the case of a corporation, by its president, vice president,~~  
35 ~~treasurer, or secretary.~~ owners, a manager, or an executive officer of the business. There shall  
36 be annexed to the application the affirmation of the person making the application in the  
37 following form: 'Under penalties prescribed by law, I certify and affirm that to the best of my  
38 knowledge and belief this application is true and complete.' A person who submits a false  
39 application is guilty of a Class 1 misdemeanor.

40 The fee for filing an application for registration under this section is one hundred dollars  
41 (\$100.00). The fee for filing an application for renewal of registration under this section is fifty  
42 dollars (\$50.00). The fee for filing an application for reinstatement of registration under this  
43 section is fifty dollars (\$50.00).

44 An application for renewal of registration under this section must indicate whether the  
45 applicant is a minority business, as defined in G.S. 143-128, and include a report of the number  
46 of jobs the business created during the preceding year that are attributable to investments that  
47 qualify under this section for a tax credit and the average wages paid by each job. An  
48 application that does not contain this information is incomplete and the applicant's registration  
49 may not be renewed until the information is provided.

50 ...

51 "§ 105-163.010B. Sunset.

1 This Part is repealed effective for investments made on or after January 1, ~~2013.~~2016.

2 "Subpart 2. Tax Credits for Qualified Business Investments.

3 **"§ 105-163.011. Tax credits allowed.**

4 ...

5 **"§ 105-163.012. (Repealed effective for investments made on or after January 1, 2013)**

6 **Limit; carry-over; ceiling; reduction in basis.**

7 ...

8 (b) The total amount of all tax credits allowed to taxpayers under G.S. 105-163.011 for  
9 investments made in a calendar year may not exceed ~~seven million five hundred thousand~~  
10 ~~dollars (\$7,500,000).~~ ten million dollars (\$10,000,000). The Secretary of Revenue shall  
11 calculate the total amount of tax credits claimed from the applications filed pursuant to  
12 G.S. 105-163.011(c). If the total amount of tax credits claimed for investments made in a  
13 calendar year exceeds this maximum amount, the Secretary shall allow a portion of the credits  
14 claimed by allocating the maximum amount in tax credits in proportion to the size of the credit  
15 claimed by each taxpayer.

16 ...

17 **"§ 105-163.014. (Repealed for investments made on or after January 1, 2013) Forfeiture**  
18 **of credit.**

19 ...

20 "Subpart 3. Exclusion of Gain on Qualified Business Investments.

21 **"§ 105-163.020. Exclusion of gain allowed.**

22 (a) Individuals. – An individual may elect to exclude from the individual's income  
23 taxable under this Article any gain or other taxable income recognized for federal income tax  
24 purposes from the sale or exchange of qualified securities.

25 (b) Gain Recognized on Sales by Pass-Through Entities. – This subsection does not  
26 apply to a pass-through entity that has committed capital under management in excess of five  
27 million dollars (\$5,000,000) or to a pass-through entity that is a qualified business or a North  
28 Carolina Enterprise Corporation. Each individual that is an owner of a pass-through entity may  
29 elect to exclude from the individual's income taxable under this Article an amount equal to the  
30 individual's allocated share of the exclusion for which the pass-through entity would be eligible  
31 under subsection (a) of this section if the pass-through entity were an individual.

32 (c) Gain Recognized on Sale of Pass-Through Entities. – This subsection does not  
33 apply to a pass-through entity that has committed capital under management in excess of five  
34 million dollars (\$5,000,000) or to a pass-through entity that is a qualified business or a North  
35 Carolina Enterprise Corporation. An individual may exclude from the individual's income  
36 taxable under this Article a portion of the gain or other taxable income recognized as a result of  
37 the individual's sale or exchange of an ownership interest in the pass-through entity that  
38 invested in qualified securities. The portion of the gain or other taxable income that may be  
39 excluded from income taxable under this Article is the gain or other taxable income recognized  
40 as a result of the sale or exchange of an ownership interest in the pass-through entity multiplied  
41 by a fraction, the numerator of which is the total amount invested by the pass-through entity in  
42 qualified securities and the denominator of which is the total amount invested by the  
43 pass-through entity. For purposes of this subsection, the amounts invested by a pass-through  
44 entity shall be the amounts invested at the time of the pass-through entity's sale or exchange.

45 (d) Election Irrevocable. – A taxpayer's election as to whether to exclude gain from  
46 taxable income becomes irrevocable upon filing the taxpayer's income tax return for the taxable  
47 year.

48 **"§ 105-163.021. Recapture of credit.**

49 If a taxpayer claims an exclusion of gain from income pursuant to G.S. 105-163.020, the  
50 income tax liability of the taxpayer for the tax year for which the exclusion is claimed shall be  
51 increased by the amount of all credits previously claimed by the taxpayer pursuant to



1 G.S. 105-163.011 with respect to qualified securities that (i) have been sold or exchanged and  
2 (ii) the gain from which has been excluded pursuant to G.S. 105-163.020.

3 **"§ 105-163.022. Qualified securities.**

4 (a) Qualified Security. – Except as otherwise provided in this section, any equity  
5 security or subordinated debt instrument issued by a qualified business is a qualified security if  
6 it satisfies all of the following conditions:

7 (1) It is originally issued by the business on or after January 1, 2012.

8 (2) As of the date of issuance, the issuing business is a qualified business.

9 (3) The security or instrument is acquired by the taxpayer at its original issue in  
10 exchange for any tangible or intangible property or benefit to the business,  
11 including cash, promissory notes, services performed, contracts for services  
12 to be performed, or other equity securities of the business.

13 (4) It is held by the taxpayer for a continuous period of more than one year.

14 (5) No broker's fee or commission or other similar remuneration is paid or given  
15 directly or indirectly for soliciting the purchase.

16 (6) If the security or instrument was purchased by a pass-through entity, the  
17 entity met the requirements of G.S. 105-163.011(b1) at the time of purchase.

18 (b) Registration. – Securities of a qualified business acquired before the effective date  
19 of its registration are not qualified securities. Revocation of the registration of a qualified  
20 business pursuant to G.S. 105-163.010A does not affect the exclusion of gain from qualified  
21 securities acquired while the registration was in effect if all conditions for registration are  
22 satisfied.

23 (c) Effect of Redemptions and Other Distributions. – An equity security or subordinated  
24 debt instrument is not a qualified security to the extent the taxpayer purchased it with the  
25 proceeds of a redemption, dividend, or distribution made by the business that issued the  
26 security or instrument. For the purpose of this subsection, when a business makes a redemption,  
27 dividend, or distribution during the four-year period beginning two years before the issuance of  
28 securities or instruments to a taxpayer, the taxpayer is considered to have used the proceeds of  
29 the redemption, dividend, or distribution toward the purchase of the securities or instruments. A  
30 redemption, dividend, or distribution occurs when the business issuing the security or  
31 instrument does either of the following:

32 (1) Purchases, directly or indirectly, any of its outstanding equity securities or  
33 subordinated debt, other than qualified securities, from the taxpayer or a  
34 related person.

35 (2) Declares a dividend or makes a distribution with respect to any of its  
36 outstanding equity securities or subordinated debt, other than qualified  
37 securities, to the taxpayer or a related person. This subdivision does not  
38 apply, however, to a distribution in connection with one of the following:

39 a. The reimbursement to the taxpayer of the reasonable costs of  
40 forming, syndicating, managing, and operating the business.

41 b. An increase in the taxpayer's taxes, penalties, or interest to the extent  
42 the increase is caused by the allocation to the taxpayer of income of  
43 the business.

44 The repayment of principal on subordinated debt is a purchase of the debt except to the  
45 extent the repayment is repayment of principal due on the subordinated debt at its maturity  
46 pursuant to the terms of the subordinated debt instrument. If a transaction is treated under  
47 section 304(a) of the Code as a distribution in redemption of the equity securities of a business,  
48 that business has, for the purpose of this subsection, purchased an amount of its equity  
49 securities equal to the amount treated as such a distribution under section 304(a) of the Code.

50 (d) Exception for Certain Transactions. – The following transactions are not treated as a  
51 redemption or distribution for the purposes of subsection (c) of this section:

1           (1) Any deemed liquidation of a business pursuant to section 708(b)(1)(A) of  
2 the Code by reason of the business becoming a disregarded entity for federal  
3 tax purposes, to the extent there is not actual distribution of money or other  
4 property to the taxpayer or a related person.

5           (2) Any deemed distribution or redemption by reason of a technical termination  
6 of a business pursuant to section 708(b)(1)(B) of the Code to the extent there  
7 is no actual distribution of money or other property to the taxpayer or a  
8 related person.

9           (e) Conversion of Other Securities. – Any equity security or subordinated debt  
10 instrument issued by a business and acquired by the taxpayer solely through the conversion of  
11 another equity security or subordinated debt instrument that was issued by the business and was  
12 a qualified security in the hands of the taxpayer is considered, for the purpose of this section, a  
13 qualified security in the hands of the taxpayer and acquired by the taxpayer on the date the  
14 taxpayer acquired the converted qualified security.

15           (f) Transfers. – In the case of a transfer by gift, by death, or from a pass-through entity  
16 to one of its owners, the transferee is considered, for the purpose of this section, to have  
17 acquired the qualified security in the same manner as the transferor and to have held it during  
18 any continuous period immediately preceding the transfer during which it was held or treated as  
19 held by the transferor.

20           In the case of a transaction described in section 351 or 721 of the Code or a reorganization  
21 described in section 368 of the Code, if qualified securities are exchanged for other securities,  
22 the other securities are considered, for the purpose of this section, qualified securities acquired  
23 on the date the exchanged qualified securities were acquired. In the case of a transaction  
24 described in section 351 or 721 of the Code, the newly acquired securities are considered  
25 qualified securities, however, only if, immediately after the transaction, the business issuing the  
26 securities owns, directly or indirectly, securities representing control, within the meaning of  
27 section 368(c) of the Code, of the business whose securities were exchanged.

28 **"§ 105-163.023. Limitations.**

29           (a) Contributions and Exchanges of Property. – In the case of a transaction described in  
30 section 351 or 721 of the Code or a reorganization described in section 368 of the Code, if a  
31 taxpayer contributes property to or exchanges property with a qualified business, the following  
32 rules apply:

33           (1) Qualified securities exchanged for property. – Except as otherwise provided  
34 in subdivision (3) of this subsection, a taxpayer who transfers property to a  
35 business in exchange for qualified securities in the business must, for  
36 purposes of determining North Carolina taxable income, recognize gain  
37 equal to the amount by which the fair market value of the property exceeded  
38 the taxpayer's basis in the property on the date the property was exchanged  
39 for the qualified securities. This gain must be recognized for the years for  
40 which the taxpayer claims an exclusion of gain under this Part with respect  
41 to the disposition of qualified securities received in exchange for the  
42 property.

43           (2) Contributions to capital. – Except as otherwise provided in subdivision (3) of  
44 this subsection, if the adjusted basis of a qualified security is adjusted due to  
45 a contribution to capital after the date the qualified security was issued  
46 originally, for purposes of determining North Carolina taxable income, the  
47 taxpayer must recognize gain equal to the amount by which the fair market  
48 value of the contributed property exceeded the taxpayer's basis in the  
49 property on the date the property was contributed. This gain must be  
50 recognized for the years for which the taxpayer claims an exclusion of gain  
51 under this Part with respect to the disposition of the qualified securities.

1           (3) Disposition of contributed property. – If a qualified business disposes of  
2 property contributed to it, the disposition occurs before the taxpayer who  
3 contributed the property claims an exclusion of gain pursuant to this Part  
4 with respect to qualified securities affected by the contribution, and the  
5 taxpayer recognizes gain from the disposition, then for purposes of  
6 subdivisions (1) and (2) of this subsection, the taxpayer's basis in the  
7 contributed property is increased by any gain the taxpayer recognized from  
8 the disposition.

9           (b) Transactions That Substantially Reduce the Risk of Loss. – If a taxpayer has entered  
10 into any transaction that substantially reduces the risk of loss from holding the qualified  
11 securities, there is no exclusion of gain under this Part from the sale or exchange of the  
12 qualified securities unless the taxpayer entered into the transaction on or after January 1, 2012,  
13 and elects to recognize gain as if the qualified securities were sold at fair market value on the  
14 date the taxpayer first entered into that transaction. The following are examples of a transaction  
15 that substantially reduces the risk of loss from holding the qualified securities:

16           (1) The taxpayer or a related person has made a short sale of substantially  
17 identical property.

18           (2) The taxpayer or a related person has acquired an option to sell substantially  
19 identical property at a fixed price."

20           **SECTION 29.3.(d)** This section is effective for taxable years beginning on or after  
21 January 1, 2012.

## 22 23 **SMALL BUSINESS JOBS CREDIT**

24           **SECTION 29.4.(a)** Article 3B of Chapter 105 of the General Statutes is amended  
25 by adding a new section to read:

### 26 **"§ 105-129.16K. Temporary small business job creation tax credit.**

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

28           (1) Eligible business. – A business that has no more than 500 full-time  
29 employees in this State at the beginning of the taxable year and employed  
30 five or more full-time employees on December 31, 2011.

31           (2) Eligible new job. – A new job that pays wages, upon which taxes are  
32 withheld under Article 4A of this Chapter, of at least twenty thousand  
33 dollars (\$20,000) over the first 12-month period.

34           (3) Establishment. – Defined in G.S. 105-129.81.

35           (4) Full-time employee. – Defined in G.S. 105-129.81.

36           (5) Full-time job. – Defined in G.S. 105-129.81.

37           (6) New job. – A job that represents a net increase in the number of the  
38 taxpayer's full-time jobs statewide. The net increase in full-time jobs is the  
39 difference between: (i) the total number of full-time employees employed by  
40 the employer on May 1, 2012; and (ii) the number of full-time employees  
41 employed by the employer on December 31, 2012. The net increase in  
42 full-time jobs cannot exceed the number of qualified full-time employees  
43 hired after May 1, 2012, but before January 1, 2013. The term does not  
44 include a job previously located in this State that is transferred to the  
45 business from a related member of the business as defined in  
46 G.S. 105-130.7A.

47           (7) Qualified employee. – An individual that satisfies at least one of the  
48 following two conditions, subject to the exclusion in (c) below.

49           a. Is unemployed, or employed for less than 40 hours, for the 180-day  
50 period ending the date that employment with the taxpayer began.

1           b. Was in active military service in an area designated by the President  
2           of the United States by executive order as a "combat zone" anytime  
3           after September 11, 2001, and who was discharged or released from  
4           active duty at any time during the five-year period ending the date  
5           that employment with the taxpayer began.

6           c. "Qualified employee" excludes: (i) any employee who bears any of  
7           the relationships described in subparagraphs (A) to (G) of section  
8           152(d)(2) of the Internal Revenue Code to the employer; (ii) if the  
9           employer is a corporation, any employee who owns, directly or  
10           indirectly, more than fifty percent (50%) in value of the outstanding  
11           stock of the corporation, or if the employer is an entity other than a  
12           corporation, an employee who owns, directly or indirectly, more than  
13           fifty percent (50%) of the capital and profits in the entity, as  
14           determined with the application of section 267(c) of the Internal  
15           Revenue Code; or (iii) if the employer is an estate or trust, any  
16           employee who is a fiduciary of the estate or trust, or is an individual  
17           who bears any of the relationships described in subparagraphs (A) to  
18           (G) of section 152(d)(2) of the Internal Revenue Code to a grantor,  
19           beneficiary, or fiduciary of the estate or trust.

20           (b) Credit. – An eligible business is allowed a credit for each eligible new job the  
21           business creates that is filled by a qualified employee. The taxpayer may not claim the credit in  
22           the taxable year in which the job is created, but may claim the credit in the following taxable  
23           year only if the job is maintained for a period of at least 12 months. The amount of the credit is  
24           equal to six and two-tenths percent (6.2%) of the wages, upon which taxes are withheld under  
25           Article 4A of this Chapter, paid to the person that holds the eligible new job for the 12-month  
26           period beginning when the job was first created, regardless of whether that entire period was  
27           within the taxable year. The amount of the credit allowed per eligible new job may not exceed  
28           five thousand dollars (\$5,000), and the taxpayer may not claim more than two hundred  
29           thousand dollars (\$200,000) in total credits under this section.

30           (c) Change in Ownership of Business. – As used in this subsection, the term "business"  
31           means a taxpayer or an establishment. The sale, merger, consolidation, conversion, acquisition,  
32           or bankruptcy of a business, or any transaction by which an existing business reformulates  
33           itself as another business, does not create new eligibility in a succeeding business with respect  
34           to credits for which the predecessor was not eligible under this Article. A successor business  
35           may, however, take any credit or carried-over portion of a credit that its predecessor could have  
36           taken if it had a tax liability. The acquisition of a business is a new investment that creates new  
37           eligibility in the acquiring taxpayer under this Article if any of the following conditions are  
38           met:

39           (1) The business closed before it was acquired.

40           (2) The business was required to file a notice of plant closing or mass layoff  
41           under the federal Worker Adjustment and Retraining Notification Act, 29  
42           U.S.C. § 2101, before it was acquired.

43           (3) The business was acquired by its employees, directly or indirectly, through  
44           an acquisition company under an employee stock option transaction or  
45           another similar mechanism. For the purpose of this subdivision, "acquired"  
46           means that as part of the initial purchase of a business by the employees, the  
47           purchase included an agreement for the employees through the employee  
48           stock option transaction or another similar mechanism to obtain one of the  
49           following:

50           a. Ownership of more than fifty percent (50%) of the business.

1                    b. Ownership of not less than forty percent (40%) of the business within  
2                    seven years if the business has tangible assets with a net book value  
3                    in excess of one hundred million dollars (\$100,000,000) and has the  
4                    majority of its operations located in a development tier one area.

5                    (d) No Double Benefit. – A taxpayer that claims a credit under this section is not  
6                    eligible for any other job creation credit allowed under this Chapter with respect to the same  
7                    job."

8                    **SECTION 29.4.(b)** G.S. 105-129.17(a) reads as rewritten:

9                    "(a) Tax Election. – The ~~credit~~credits allowed in G.S. 105-129.16A ~~is~~and  
10                    G.S. 105-129.16K are allowed against the franchise tax levied in Article 3 of this Chapter, the  
11                    income taxes levied in Article 4 of this Chapter, or the gross premiums tax levied in Article 8B  
12                    of this Chapter. All other credits allowed in this Article are allowed against the franchise tax  
13                    levied in Article 3 of this Chapter or the income taxes levied in Article 4 of this Chapter. The  
14                    taxpayer must elect the tax against which a credit will be claimed when filing the return on  
15                    which the first installment of the credit is claimed. This election is binding. Any carryforwards  
16                    of a credit must be claimed against the same tax."

17                    **SECTION 29.4.(c)** This act is effective for taxable years beginning on or after  
18                    January 1, 2013.

## 20 **EXTEND SUNSETS ON CERTAIN TAX EXPENDITURES**

21                    **SECTION 29.5.(a)** G.S. 105-129.82 reads as rewritten:

22                    **§ 105-129.82. (See notes) Sunset; studies.**

23                    (a) Sunset. – This Article is repealed effective for business activities that occur on or  
24                    after ~~January 1, 2013.~~January 1, 2015."

25                    **SECTION 29.5.(b)** G.S. 105-151.31 reads as rewritten:

26                    **"§ 105-151.31. (Repealed for taxable years beginning on or after January 1, 2013) Earned**  
27                    **income tax credit.**

28                    (a) Credit. – An individual who claims for the taxable year an earned income tax credit  
29                    under section 32 of the Code is allowed a credit against the tax imposed by this Part equal to  
30                    five percent (5%) of the amount of credit the individual qualified for under section 32 of the  
31                    Code. A nonresident or part-year resident who claims the credit allowed by this section must  
32                    reduce the amount of the credit by multiplying it by the fraction calculated under  
33                    G.S. 105-134.5(b) or (c), as appropriate.

34                    (b) Credit Refundable. – If the credit allowed by this section exceeds the amount of tax  
35                    imposed by this Part for the taxable year reduced by the sum of all credits allowable, the  
36                    Secretary must refund the excess to the taxpayer. The refundable excess is governed by the  
37                    provisions governing a refund of an overpayment by the taxpayer of the tax imposed in this  
38                    Part. Section 3507 of the Code, Advance Payment of Earned Income Credit, does not apply to  
39                    the credit allowed by this section. In computing the amount of tax against which multiple  
40                    credits are allowed, nonrefundable credits are subtracted before refundable credits.

41                    (c) Sunset. – This section is repealed effective for taxable years beginning on or after  
42                    ~~January 1, 2013.~~January 1, 2015."

43                    **SECTION 29.5.(c)** G.S. 105-129.16D reads as rewritten:

44                    **"§ 105-129.16D. (Repealed effective for facilities placed in service on or after January 1,**  
45                    **2013) Credit for constructing renewable fuel facilities.**

46                    (a) Dispensing Credit. – A taxpayer that constructs and installs and places in service in  
47                    this State a qualified commercial facility for dispensing renewable fuel is allowed a credit equal  
48                    to fifteen percent (15%) of the cost to the taxpayer of constructing and installing the part of the  
49                    dispensing facility, including pumps, storage tanks, and related equipment, that is directly and  
50                    exclusively used for dispensing or storing renewable fuel. A facility is qualified if the

1 equipment used to store or dispense renewable fuel is labeled for this purpose and clearly  
2 identified as associated with renewable fuel.

3 ...  
4 (d) Sunset. – This section is repealed effective for facilities placed in service on or after  
5 ~~January 1, 2013.~~ January 1, 2015."

6 **SECTION 29.5.(d)** G.S. 105-129.16F reads as rewritten:

7 "**§ 105-129.16F. (Repealed for taxable years beginning on or after January 1, 2013)**

8 **Credit for biodiesel producers.**

9 (a) Credit. – A biodiesel provider that produces at least 100,000 gallons of biodiesel  
10 during the taxable year is allowed a credit equal to the per gallon excise tax the producer paid  
11 under Article 36C of this Chapter on the biodiesel. For the purposes of this section, "biodiesel"  
12 is liquid fuel derived in whole from agricultural products, animal fats, or wastes from  
13 agricultural products or animal fats. The credit does not apply to tax paid on diesel fuel  
14 included in a biodiesel blend. The credit may not exceed five hundred thousand dollars  
15 (\$500,000) and is subject to the limitations of G.S. 105-129.17.

16 (b) Sunset. – This section is repealed for taxable years beginning on or after ~~January 1,~~  
17 ~~2013.~~ January 1, 2015."

18 **SECTION 29.5.(e)** G.S. 105-130.48 reads as rewritten:

19 "**§ 105-130.48. (Repealed for taxable years beginning on or after January 1, 2013) Credit**  
20 **for recycling oyster shells.**

21 (a) Credit. – A taxpayer who donates oyster shells to the Division of Marine Fisheries  
22 of the Department of Environment and Natural Resources is eligible for a credit against the tax  
23 imposed by this Part. The amount of the credit is equal to one dollar (\$1.00) per bushel of  
24 oyster shells donated.

25 ...  
26 (f) Sunset. – This section is repealed effective for taxable years beginning on or after  
27 ~~January 1, 2013.~~ January 1, 2015."

28 **SECTION 29.5.(f)** G.S. 105-129.75 reads as rewritten:

29 "**§ 105-129.75. Sunset.**

30 This Article expires ~~January 1, 2014,~~ January 1, 2016, for rehabilitation projects for which  
31 an application for an eligibility certification is submitted on or after that date."

32 **SECTION 29.5.(g)** G.S. 105-130.47(k) reads as rewritten:

33 "(k) Sunset. – This section is repealed for qualifying expenses occurring on or after  
34 ~~January 1, 2014.~~ January 1, 2016."

35 **SECTION 29.5.(h)** G.S. 105-130.41(d) reads as rewritten:

36 "(d) Sunset. – This section is repealed effective for taxable years beginning on or after  
37 ~~January 1, 2014.~~ January 1, 2016."

38 **SECTION 29.5.(i)** G.S. 105-129.39 reads as rewritten:

39 "This Article expires for qualified rehabilitation expenditures and rehabilitation expenses  
40 incurred on or after ~~January 1, 2014.~~ January 1, 2016."

41 **SECTION 29.5.(j)** G.S. 105-151.28(d) reads as rewritten:

42 "(d) Sunset. – This section is repealed for taxable years beginning on or after ~~January 1,~~  
43 ~~2013.~~ January 1, 2015."

44 **SECTION 29.5.(k)** G.S. 105-151.32(c) reads as rewritten:

45 "(c) Sunset. – This section is repealed effective for taxable years beginning on or after  
46 ~~January 1, 2013.~~ January 1, 2015."

47 **SECTION 29.5.(l)** G.S. 105-129.16I(c) reads as rewritten:

48 "(c) Sunset. – This section is repealed effective for a renewable energy property facility  
49 placed in service on or after ~~January 1, 2014.~~ January 1, 2016."

50 **SECTION 29.5.(m)** G.S. 105-164.14B(f) reads as rewritten:

1 "(f) Sunset. – This section is repealed for sales made on or after ~~January 1, 2013~~ January  
2 1, 2015."

3 **SECTION 29.5.(n)** G.S. 105-164.14A reads as rewritten:

4 "**§ 105-164.14A. Economic incentive refunds.**

5 (a) Refund. – The following taxpayers are allowed an annual refund of sales and use  
6 taxes paid under this Article:

7 (1) **(Repealed for purchases made on or after ~~January 1, 2013~~ January 1,**  
8 **2015)** Passenger air carrier. – An interstate passenger air carrier is allowed a  
9 refund of the sales and use tax paid by it on fuel in excess of two million five  
10 hundred thousand dollars (\$2,500,000). The amount of sales and use tax paid  
11 does not include a refund allowed to the interstate passenger air carrier under  
12 G.S. 105-164.14(a). This subdivision is repealed for purchases made on or  
13 after ~~January 1, 2013~~ January 1, 2015.

14 ...  
15 (4) **(Repealed for purchases made on or after ~~January 1, 2013~~ January 1,**  
16 **2015)** Motorsports team or sanctioning body. – A professional motorsports  
17 racing team, a motorsports sanctioning body, or a related member of such a  
18 team or body is allowed a refund of the sales and use tax paid by it in this  
19 State on aviation fuel that is used to travel to or from a motorsports event in  
20 this State, to travel to a motorsports event in another state from a location in  
21 this State, or to travel to this State from a motorsports event in another state.  
22 For purposes of this subdivision, a "motorsports event" includes a  
23 motorsports race, a motorsports sponsor event, and motorsports testing. This  
24 subdivision is repealed for purchases made on or after ~~January 1,~~  
25 ~~2013~~ January 1, 2015.

26 (5) **(Repealed for purchases made on or after ~~January 1, 2014~~ January 1,**  
27 **2016)** Professional motorsports team. – A professional motorsports racing  
28 team or a related member of a team is allowed a refund of fifty percent  
29 (50%) of the sales and use tax paid by it in this State on tangible personal  
30 property, other than tires or accessories, that comprises any part of a  
31 professional motorsports vehicle. For purposes of this subdivision,  
32 "motorsports accessories" includes instrumentation, telemetry, consumables,  
33 and paint. This subdivision is repealed for purchases made on or after  
34 January 1, 2014.

35 (6) **(Repealed for purchases made on or after ~~January 1, 2013~~ January 1,**  
36 **2015)** Analytical services business. – A taxpayer engaged in analytical  
37 services in this State is allowed a refund of sales and use tax paid by it. This  
38 subdivision is repealed for purchases made on or after ~~January 1, 2013~~ January 1,  
39 2015. The amount of the refund is the greater of the following:

40 a. Fifty percent (50%) of the eligible amount of sales and use tax paid  
41 by it on tangible personal property that is consumed or transformed  
42 in analytical service activities. The eligible amount of sales and use  
43 tax paid by the taxpayer in this State is the amount by which sales  
44 and use tax paid by the taxpayer in this State in the fiscal year exceed  
45 the amount paid by the taxpayer in this State in the 2006-2007 State  
46 fiscal year.

47 b. Fifty percent (50%) of the amount of sales and use tax paid by it in  
48 the fiscal year on medical reagents.

49 ...."

50 **SECTION 29.5.(o)** G.S. 105-277.1F(2a) reads as rewritten:

1           "(2a) G.S. 105-277.1D, the inventory property tax deferral. This subdivision is  
2           effective for taxes imposed for taxable years beginning on or after July 1,  
3           2010. This subdivision is repealed effective for taxes imposed for taxable  
4           years beginning on or after July 1, 2015. Residences receiving the property  
5           tax benefit provided by this act are not affected by the repeal of this act until  
6           the occurrence of a disqualifying event."

7           **SECTION 29.5.(p)** G.S. 105-129.51(b) reads as rewritten:

8           "(b) This Article is repealed for taxable years beginning on or after ~~January 1,~~  
9           ~~2014.~~January 1, 2016."

10          **SECTION 29.6.** Section 31.4 of S.L. 2011-145 reads as rewritten:

11          **"NER/COMMERCE/SET REGULATORY FEE FOR UTILITIES COMMISSION**

12          **"SECTION 31.4.(a)** The percentage rate to be used in calculating the public utility  
13          regulatory fee under G.S. 62-302(b)(2) ~~is twelve hundredths of one percent (0.12%) thirteen~~  
14          ~~and one-half hundredths of one percent (0.135%)~~ for each public utility's North Carolina  
15          jurisdictional revenues earned during each quarter that begins on or after July 1, 2011.

16          **"SECTION 31.4.(b)** The electric membership corporation regulatory fee imposed under  
17          G.S. 62-302(b1) for the 2011-2012 fiscal year is two hundred thousand dollars (\$200,000).

18          **"SECTION 31.4.(c)** This section becomes effective ~~July 1, 2011.~~July 1, 2012."

## 19 20 **PART XXX. MISCELLANEOUS PROVISIONS**

### 21 22 **STATE BUDGET ACT APPLIES**

23          **SECTION 30.1.** The provisions of the State Budget Act, Chapter 143C of the  
24          General Statutes, are reenacted and shall remain in full force and effect and are incorporated in  
25          this act by reference.

### 26 27 **MOST TEXT APPLIES ONLY TO THE 2012-2013 FISCAL YEAR**

28          **SECTION 30.2.** Except for statutory changes or other provisions that clearly  
29          indicate an intention to have effects beyond the 2012-2013 fiscal year, the textual provisions of  
30          this act apply only to funds appropriated for, and activities occurring during, the 2012-2013  
31          fiscal year.

### 32 33 **EFFECT OF HEADINGS**

34          **SECTION 30.3.** The headings to the parts and sections of this act are a  
35          convenience to the reader and are for reference only. The headings do not expand, limit, or  
36          define the text of this act, except for effective dates referring to a Part.

### 37 38 **APPROPRIATIONS, LIMITATIONS, AND DIRECTIONS APPLY**

39          **SECTION 30.4.(a)** Except where expressly repealed or amended by this act, the  
40          provisions of S.L. 2011-145 and S.L. 2011-391 remain in effect.

41          **SECTION 30.4.(b)** Notwithstanding any modifications by this act in the amounts  
42          appropriated, except where expressly repealed or amended, the limitations and directions for  
43          the 2012-2013 fiscal year in S.L. 2011-145 and S.L. 2011-391 that applied to appropriations to  
44          particular agencies or for particular purposes apply to the newly enacted appropriations and  
45          budget reductions of this act for those same particular purposes.

### 46 47 **SEVERABILITY CLAUSE**

48          **SECTION 30.5.** If any section or provision of this act is declared unconstitutional  
49          or invalid by the courts, it does not affect the validity of this act as a whole or any part other  
50          than the part so declared to be unconstitutional or invalid.



1 **EFFECTIVE DATE**

2           **SECTION 30.6.** Except as otherwise provided, this act becomes effective July 1,  
3 2012.