

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019**

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HOUSE BILL 588*

Short Title: 2019 Governor's Budget. (Public)

Sponsors: Representatives Johnson, Lambeth, Saine, and McGrady (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Finance, if favorable, Appropriations, if favorable, Rules, Calendar, and
Operations of the House

April 4, 2019

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

The General Assembly of North Carolina enacts:

PART I. TITLE OF ACT AND INTRODUCTION

TITLE OF ACT

SECTION 1.1. This act shall be known as the "Current Operations Appropriations Act of 2019."

INTRODUCTION

SECTION 1.2. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget in accordance with the State Budget Act. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes, and the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by law.

PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the fiscal biennium ending June 30, 2021, according to the following schedule:

Current Operations – General Fund	FY 2019-2020	FY 2020-2021
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EDUCATION

Community Colleges System Office	\$ 1,226,061,352	\$ 1,259,654,502
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1	Department of Public Instruction	10,154,153,510	10,491,072,721
2			
3	Appalachian State University	147,802,753	147,802,753
4	East Carolina University		
5	Academic Affairs	232,198,035	232,198,035
6	Health Affairs	79,382,794	80,527,794
7	Elizabeth City State University	35,303,227	35,303,227
8	Fayetteville State University	54,911,222	54,911,222
9	NC A&T State University	93,601,145	93,601,145
10	NC Central University	85,833,024	85,833,024
11	NC State University		
12	Academic Affairs	422,253,097	422,253,097
13	Agricultural Extension	40,696,005	40,696,005
14	Agricultural Research	54,821,141	54,821,141
15	UNC-Asheville	40,284,916	40,284,916
16	UNC-Chapel Hill		
17	Academic Affairs	277,452,951	277,452,951
18	Health Affairs	200,311,138	200,311,138
19	AHEC	49,864,072	49,864,072
20	UNC-Charlotte	255,365,710	255,365,710
21	UNC-Greensboro	178,127,163	178,127,163
22	UNC-Pembroke	77,397,024	77,901,245
23	UNC-School of the Arts	33,764,437	33,764,437
24	UNC-Wilmington	145,568,641	145,568,641
25	Western Carolina University	131,447,223	131,480,224
26	Winston-Salem State University	64,650,252	64,650,252
27	General Administration	42,663,693	42,781,900
28	University Institutional Programs	171,057,722	291,238,819
29	Related Educational Programs	117,718,501	121,718,501
30	NC School of Science & Math	23,137,488	24,637,488
31	Aid to Private Institutions	124,674,756	152,256,006
32			
33	Total University of North Carolina – Board of Governors	3,180,288,130	3,335,350,906
34			
35	HEALTH AND HUMAN SERVICES		
36			
37	Department of Health and Human Services		
38	Central Management and Support	140,189,457	128,024,328
39	Division of Aging & Adult Services	46,090,696	45,188,109
40	Division of Blind Services/Deaf/HH	8,845,968	8,943,448
41	Division of Child Development & Early Education	257,707,591	262,111,346
42	Division of Health Service Regulation	19,515,137	20,028,073
43	Division of Health Benefits	4,062,350,708	4,390,904,158
44	Division of Mental Health, Developmental Disabilities,		
45	& Substance Abuse Services	755,032,827	769,849,793
46	Division of Public Health	156,950,343	157,697,111
47	Division of Social Services	199,284,911	198,550,948
48	Division of Vocational Rehabilitation	41,376,316	40,777,211
49	Total Health and Human Services	5,687,343,954	6,022,074,525
50			
51	NATURAL AND ECONOMIC RESOURCES		

1			
2	Department of Agriculture and Consumer Services	144,025,441	136,700,937
3			
4	Department of Commerce		
5	Commerce	14,273,241	12,953,294
6	Commerce State-Aid	18,655,810	16,155,810
7	Commerce – Economic Development	234,671,300	160,175,700
8			
9	Wildlife Resources Commission	11,551,698	11,856,155
10			
11	Department of Environmental Quality	95,482,040	93,185,551
12			
13	Department of Labor	19,947,965	20,440,211
14			
15	Department of Natural and Cultural Resources	208,973,267	201,364,600
16	Department of Natural and Cultural		
17	Resources – Roanoke Island	590,328	590,328
18			
19	JUSTICE AND PUBLIC SAFETY		
20			
21	Department of Public Safety	2,186,951,968	2,222,698,198
22			
23	Judicial Department	575,671,659	588,271,430
24			
25	Judicial Department – Indigent Defense	127,953,188	131,159,955
26			
27	Department of Justice	57,183,919	58,306,586
28			
29	GENERAL GOVERNMENT		
30			
31	Department of Administration	67,082,675	67,137,778
32			
33	Office of Administrative Hearings	6,507,941	6,696,368
34			
35	Office of State Auditor	14,409,486	14,783,642
36			
37	Office of State Controller	24,942,798	25,460,365
38			
39	State Board of Elections	7,414,583	7,636,058
40			
41	General Assembly	73,633,413	73,721,429
42			
43	Office of the Governor	6,200,153	6,305,470
44			
45	Office of the Governor – Special Appropriation	0	0
46			
47	Office of State Budget and Management		
48	Office of State Budget and Management	8,701,357	8,967,492
49	OSBM – Reserve for Special Appropriations	3,000,000	3,000,000
50			
51	Housing Finance Agency	33,000,000	13,000,000

1			
2	Department of Insurance	42,943,059	43,684,346
3	Insurance – Industrial Commission	9,456,559	9,569,830
4			
5	Office of Lieutenant Governor	898,408	917,492
6			
7	Department of Military and Veterans Affairs	12,081,391	11,351,990
8			
9	Department of Revenue	89,186,067	96,949,581
10			
11	Department of Secretary of State	14,685,775	14,955,799
12			
13	Department of State Treasurer		
14	State Treasurer	5,021,600	5,169,974
15	State Treasurer – Retirement for Fire		
16	and Rescue Squad Workers	29,710,641	30,060,641
17			
18	Department of Information Technology	91,604,771	56,953,874
19			
20	RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
21			
22	Contingency & Emergency Fund	2,000,000	2,000,000
23	Workers' Compensation Settlement Reserve	2,000,000	0
24	Salary Adjustment Fund	20,000,000	20,000,000
25	State Agencies – Public Safety Reserve	7,500,000	0
26	2020 Census Preparation	1,500,000	0
27	State Agency Insurance Coverage	2,000,000	2,000,000
28	OSHR – Class and Compensation Reserve	2,624,316	2,624,316
29	Medicaid Coverage Gap Savings	(30,700,000)	(69,300,000)
30	Debt Service		
31	General Debt Service	720,286,081	738,665,753
32	Federal Reimbursement	1,616,380	1,616,380
33			
34	TOTAL CURRENT OPERATIONS –		
35	 GENERAL FUND	\$ 25,213,086,224	\$ 25,955,939,987
36			
37	GENERAL FUND AVAILABILITY STATEMENT		
38	SECTION 2.2.(a) The General Fund availability used in developing the 2019-2021		
39	fiscal biennial budget is shown below:		
40			
41		FY 2019-2020	FY 2020-2021
42	Unappropriated Balance	\$ 645,592,679	\$ 74,925,982
43			
44	Over Collections FY 2018-2019	150,800,000	0
45	Reversions FY 2018-2019	275,000,000	0
46	Earmarking of Year End Fund Balance:		
47	Savings Reserve	(119,607,840)	0
48	Capital Improvements Project Reserve	(200,000,000)	0
49	Repairs and Renovations	(50,000,000)	0
50	Retiree Healthcare Reserve (OPEB Liability)	(50,000,000)	0
51	Information Technology Reserve	(75,000,000)	0

1	State Emergency Response and Disaster Relief Fund	(10,000,000)	0
2	Beginning Unreserved Fund Balance	566,784,839	74,925,982
3			
4	Revenues Based on Existing Tax Structure	23,813,800,000	24,801,000,000
5			
6	Nontax Revenues		
7	Investment Income	183,000,000	203,300,000
8	Judicial Fees	232,900,000	232,400,000
9	Disproportionate Share	164,700,000	142,100,000
10	Insurance	83,700,000	84,600,000
11	Master Settlement Agreement (MSA)	139,400,000	139,400,000
12	Other Nontax Revenues	196,600,000	198,600,000
13	Subtotal Nontax Revenues	1,000,300,000	1,000,400,000
14			
15	Total General Fund Availability	25,380,884,839	25,876,325,982
16			
17	Adjustments to Availability: 2019 Session		
18	Transfer to Savings Reserve (G.S. 143C-4-2)	(106,000,000)	(185,800,000)
19	Transfer Additional MSA funds to Golden L.E.A.F.	(5,000,000)	(5,000,000)
20	Remove Sunset on Historic Preservation Credit	(500,000)	(9,000,000)
21	Prepaid Health Plans Insurance Tax Revenue	13,200,000	201,500,000
22	Prepaid Health Plans Insurance Tax Revenue from Closing		
23	Healthcare Coverage Gap	3,300,000	74,900,000
24	Department of State Treasurer Adjustment	156,496	304,870
25	Department of Insurance Adjustment	1,970,871	2,709,135
26	Subtotal Adjustments to Availability: 2019 Session	(92,872,633)	79,614,005
27			
28	Revised General Fund Availability	\$ 25,288,012,206	\$ 25,955,939,987
29			
30	Less General Fund Net Appropriations	(25,213,086,224)	(25,955,939,987)
31			
32	Unappropriated Balance Remaining	\$ 74,925,982	\$ 0
33			

34 **SECTION 2.2.(b)** Notwithstanding the provisions of G.S. 143C-4-3(a), the State
35 Controller shall transfer a total of fifty million dollars (\$50,000,000) from the unreserved fund
36 balance to the Repairs and Renovations Reserve on June 30, 2019. This subsection becomes
37 effective June 30, 2019. Funds transferred under this section to the Repairs and Renovations
38 Reserve are appropriated for the 2019-2020 fiscal year and shall be used in accordance with
39 Section 36.6 of this act.

40 **SECTION 2.2.(c)** Notwithstanding G.S. 143C-4-2, the State Controller shall transfer
41 a total of one hundred nineteen million six hundred seven thousand eight hundred forty dollars
42 (\$119,607,840) from the unreserved fund balance to the Savings Reserve on June 30, 2019. This
43 transfer is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V
44 of the North Carolina Constitution. This subsection becomes effective June 30, 2019.

45 **SECTION 2.2.(d)** Notwithstanding G.S. 143C-4-2, the State Controller shall
46 transfer a total of ten million dollars (\$10,000,000) from the unreserved fund balance to the State
47 Emergency Response and Disaster Relief Fund in the General Fund on June 30, 2019. This
48 subsection becomes effective June 30, 2019.

49 **SECTION 2.2.(e)** The State Controller shall transfer the sum of two hundred million
50 dollars (\$200,000,000) from the unreserved fund balance in the General Fund to the Project
51 Reserve Account on June 30, 2019. This section becomes effective June 30, 2019.

1 **SECTION 2.2.(f)** The State Controller shall transfer the sum of seventy-five million
 2 dollars (\$75,000,000) from the unreserved fund balance in the General Fund to the Information
 3 Technology Reserve established in section 37.9, on June 30, 2019. This section becomes
 4 effective June 30, 2019.

5 **SECTION 2.2.(g)** The State Controller shall transfer the sum of fifty million dollars
 6 (\$50,000,000) from the unreserved fund balance in the General Fund to the Retiree Healthcare
 7 Reserve (OPEB Liability). This section becomes effective June 30, 2019.

8
 9 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

10
 11 **CURRENT OPERATIONS/HIGHWAY FUND**

12 **SECTION 3.1.** Appropriations from the Highway Fund of the State for the
 13 maintenance and operation of the Department of Transportation, and for other purposes as
 14 enumerated, are made for the biennium ending June 30, 2021, according to the following
 15 schedule:

17 Current Operations – Highway Fund	17 FY 2019-2020	17 FY 2020-2021
18 Department of Transportation		
19 General Administration	\$ 95,410,239	\$ 95,425,589
20		
21 Division of Highways		
22 Administration	33,885,520	33,885,520
23 Construction	36,100,000	36,100,000
24 Maintenance	1,531,346,592	1,621,815,402
25 OSHA Program	358,030	358,030
26		
27 Ferry Operations	50,879,026	50,879,026
28		
29 State Aid to Municipalities	150,000,000	150,000,000
30		
31 Intermodal Divisions		
32 Public Transportation	90,836,522	90,836,522
33 Aviation	89,729,049	95,629,049
34 Rail	40,022,269	41,847,269
35 Bicycle and Pedestrian	761,549	761,549
36		
37 Governor's Highway Safety	267,914	267,914
38 Division of Motor Vehicles	141,791,532	138,262,481
39		
40 Other State Agencies, Reserves, Transfers	34,295,727	44,666,689
41		
42 Capital Improvements	11,716,031	11,964,960
43		
44 Total Highway Fund Appropriation	\$ 2,307,400,000	\$ 2,412,700,000

45
 46 **HIGHWAY FUND AVAILABILITY STATEMENT**

47 **SECTION 3.2.** The Highway Fund availability used in developing the 2019-2021
 48 biennial budget is shown below:

50 Highway Fund Availability Statement	50 FY2019-2020	50 FY2020-2021
51		

1	Tax Revenue	\$ 1,530,100,000	\$ 1,579,500,000
2	Nontax Revenue	772,200,000	828,000,000
3	Investment Income	1,000,000	1,000,000
4	NC Railroad Company Dividend Payment	4,100,000	4,200,000
5			
6	Total Highway Fund Availability	\$ 2,307,400,000	\$ 2,412,700,000

7
8 **PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**

9
10 **HIGHWAY TRUST FUND APPROPRIATIONS**

11 **SECTION 4.1.** Appropriations from the Highway Trust Fund are made for the
12 biennium ending June 30, 2021, according to the following schedule:

14	Highway Trust Fund	FY 2019-2020	FY 2020-2021
15			
16	Department of Transportation:		
17	Program Administration	\$ 34,713,357	\$ 35,213,357
18			
19	Construction:		
20	Strategic Prioritization Program	1,426,322,441	1,514,431,956
21			
22	Bonds:		
23	Bond Redemption	73,187,000	27,690,000
24	Bond Interest	15,147,015	29,134,500
25	NC Turnpike Authority	49,930,187	49,930,187
26	Reserve for Visitor Centers	400,000	400,000
27			
28	Total Highway Trust Fund Appropriations	\$ 1,599,700,000	\$ 1,656,800,000

29
30 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

31 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
32 2019-2021 biennial budget is shown below:

34	Highway Trust Fund Availability Statement	FY 2019-2020	FY 2020-2021
35			
36	Beginning Credit Balance	0	0
37	Tax Revenue	\$ 1,452,400,000	\$ 1,491,900,000
38	Nontax Revenue	145,300,000	162,900,000
39	Investment Income	2,000,000	2,000,000
40			
41	Total Highway Trust Fund Availability	\$ 1,599,700,000	\$ 1,656,800,000

42
43 **PART V. OTHER APPROPRIATIONS**

44
45 **CASH BALANCES AND OTHER APPROPRIATIONS**

46 **SECTION 5.1.(a)** Cash balances, federal funds, departmental receipts, grants, and
47 gifts from the General Fund, revenue funds, enterprise funds, and internal service funds are
48 appropriated for the 2019-2021 fiscal biennium as follows:

- 49 (1) For all budget codes listed in the Governor's Recommended Budget for the
50 2019-2021 fiscal biennium, dated March 2019, and in the Budget Support
51 Document, fund balances and receipts are appropriated up to the amounts

1 specified, as adjusted by the General Assembly, for the 2019-2020 fiscal year
2 and the 2020-2021 fiscal year. Funds may be expended only for the programs,
3 purposes, objects, and line items or as otherwise authorized by the General
4 Assembly. Expansion budget funds listed in those documents are appropriated
5 only as otherwise provided in this act.

6 (2) Notwithstanding the provisions of subdivision (1) of this subsection:

7 a. Any receipts that are required to be used to pay debt service
8 requirements for various outstanding bond issues and certificates of
9 participation are appropriated up to the actual amounts received for the
10 2019-2020 fiscal year and the 2020-2021 fiscal year and shall be used
11 only to pay debt service requirements.

12 b. Other funds, cash balances, and receipts of funds that meet the
13 definition issued by the Governmental Accounting Standards Board of
14 a trust or agency fund are appropriated for and in the amounts required
15 to meet the legal requirements of the trust agreement for the 2019-2020
16 fiscal year and the 2020-2021 fiscal year.

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

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

26 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

27 **SECTION 5.2.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with
28 approval of the Director of the Budget, spend funds received from grants awarded subsequent to
29 the enactment of this act for grant awards that are for less than two million five hundred thousand
30 dollars (\$2,500,000), do not require State matching funds, and will not be used for a capital
31 project. State agencies shall report to the Joint Legislative Commission on Governmental
32 Operations within 30 days of receipt of such funds.

33 State agencies may spend all other funds from grants awarded after the enactment of
34 this act only with approval of the Director of the Budget and after consultation with the Joint
35 Legislative Commission on Governmental Operations.

36 **SECTION 5.2.(b)** The Office of State Budget and Management shall work with the
37 recipient State agencies to budget grant awards according to the annual program needs and within
38 the parameters of the respective granting entities. Depending on the nature of the award,
39 additional State personnel may be employed on a time-limited basis. Funds received from such
40 grants are hereby appropriated and shall be incorporated into the authorized budget of the
41 recipient State agency.

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

46 **EDUCATION LOTTERY FUNDS/CHANGES TO REVENUE ALLOCATIONS**

47 **SECTION 5.3.(a)** The appropriations made from the Education Lottery Fund for the
48 2019-2021 fiscal biennium are as follows:

49 **FY 2019-2020**

50 **FY 2020-2021**

1			
2	Noninstructional Support Personnel	\$385,914,455	\$385,914,455
3	Prekindergarten Program	95,909,118	96,821,248
4	Public School Building Capital Fund	100,000,000	100,000,000
5	Needs-Based Public School Capital Fund	75,000,000	75,000,000
6	Scholarships for Needy Students	30,450,000	30,450,000
7	UNC Need-Based Financial Aid	10,744,733	10,744,733
8			
9	TOTAL APPROPRIATION	\$698,018,306	\$698,930,436

10
11 **SECTION 5.3.(b)** G.S. 18C-164(b1) reads as rewritten:

12 "(b1) Net revenues credited to the Education Lottery Fund shall be appropriated in an
13 amount equal to the amount appropriated from the Education Lottery Fund in the Current
14 Operations and Capital Improvements Appropriations Act of 2017-2019."

15
16 **CIVIL PENALTY AND FORFEITURE FUND**

17 **SECTION 5.4.** Appropriations are made from the Civil Penalty and Forfeiture Fund
18 for the fiscal biennium ending June 30, 2021, as follows:

	FY 2019-2020	FY 2020-2021	
20			
21	School Technology Fund	\$18,000,000	\$18,000,000
22	Drivers Education	27,393,768	27,393,768
23	State Public School Fund	147,041,640	147,041,640
24	LEA Transportation	21,386,090	21,386,090
25	Total Appropriation	\$213,821,498	\$213,821,498

26
27 **INDIAN GAMING EDUCATION REVENUE FUND**

28 **SECTION 5.5.** Notwithstanding G.S. 143C-9-7, the sum of ten million dollars
29 (\$10,000,000) in each year of the 2019-2021 fiscal biennium is transferred from the Indian
30 Gaming Education Revenue Fund to the Department of Public Instruction, Textbooks, and
31 Digital Resources Allotment.

32
33 **PART VI. GENERAL PROVISIONS**

34
35 **CONTINGENCY AND EMERGENCY FUND LIMITATION AND TRANSFER**

36 **SECTION 6.1.** Limitation. – For the 2019-2021 fiscal biennium, and
37 notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and
38 Emergency Fund may be used only for expenditures required (i) by a court or Industrial
39 Commission order, (ii) by the State Treasurer to pay death benefits as authorized under Article
40 12A of Chapter 143 of the General Statutes, (iii) by the Office of the Governor for crime rewards
41 in accordance with G.S. 15-53 and G.S. 15-53.1, (iv) by the Industrial Commission for
42 supplemental awards of compensation, or (v) by the Department of Justice for legal fees.

43
44 **STATE EMERGENCY RESPONSE AND DISASTER RELIEF FUND**

45 **SECTION 6.2.** Of the Funds appropriated to the State Emergency Response and
46 Disaster Relief Fund, up to one million (\$1,000,000) may be appropriated to assist the City of
47 Greensboro in disaster recovery from the April 2018 tornadoes.

48
49 **CAP STATE-FUNDED PORTION OF NONPROFIT SALARIES**

1 **SECTION 6.3.** No more than one hundred twenty thousand dollars (\$120,000) in
2 State funds, including any interest earnings accruing from those funds, may be used for the annual
3 salary of any individual employee of a nonprofit organization.
4

5 **MSA FUND/INCREASE APPROPRIATION TO GOLDEN L.E.A.F.**

6 **SECTION 6.4.** G.S. 143C-9-3(a1) reads as rewritten:

7 "(a1) Each year, the sum of ~~seventeen million five hundred thousand dollars (\$17,500,000)~~
8 twenty-two million five hundred thousand dollars (\$22,500,000) from the Settlement Reserve
9 Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation),
10 Inc., a nonprofit corporation, and these funds shall not be subject to G.S. 143C-6-23. The
11 remainder of the funds credited to the Settlement Reserve Fund each fiscal year shall be
12 transferred to the General Fund and included in General Fund availability as nontax revenue."
13

14 **OVERSIGHT OF STATE FINANCIAL ASSISTANCE TO NON-STATE ENTITIES**

15 **SECTION 6.5.** G.S. 143C-6-23 reads as rewritten:

16 **"§ 143C-6-23. State grant funds: administration; oversight and reporting requirements.**

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

18 (1) ~~Grant or grant funds. – State funds disbursed as a grant by a State agency;~~
19 ~~however, the terms do not include any payment made by the Medicaid~~
20 ~~program, the State Health Plan for Teachers and State Employees, or other~~
21 ~~similar medical programs.~~

22 (1a) Contractor. – An entity subject to the contractor requirements, as well as any
23 entity that would be subject to the contractor requirements but for a specific
24 statute or rule exempting that entity from the contractor requirements.

25 (1b) Contractor requirements. – Article 3, 3C, 3D, 3E, 3G, or 8 of Chapter 143 of
26 the General Statutes and related Administrative Code Rules.

27 (2) ~~Grantee. – A non-State entity that receives State funds as a grant from a State~~
28 ~~agency but does not include any non-State entity subject to the audit and other~~
29 ~~reporting requirements of the Local Government Commission.~~

30 (3) Encumbrance. – A financial obligation created by a purchase order, contract,
31 salary commitment, unearned or prepaid collections for services provided, or
32 other legally binding agreement. A financial obligation is not an encumbrance
33 for purposes of this section unless it (i) is in writing and has been signed by a
34 person or entity who has authority to legally bind the ~~grantee or subgrantee~~
35 recipient or subrecipient to spend the funds or (ii) was created by the provision
36 of goods or services to the ~~grantee or subgrantee recipient or subrecipient~~ by
37 a third party under circumstances that create a legally binding obligation to
38 pay for the goods or services.

39 (3a) Recipient. – A non-State entity that receives State financial assistance directly
40 from a State agency to carry out part of a State program.

41 (3b) State financial assistance. – State funds disbursed as a grant, cooperative
42 agreement, noncash contribution, food commodity, or direct appropriation to
43 a recipient or subrecipient, as defined in this subsection.

44 (4) ~~Subgrantee. – A non-State entity that receives State funds as a grant from a~~
45 ~~grantee or from another subgrantee but does not include any non-State entity~~
46 ~~subject to the audit and other reporting requirements of the Local Government~~
47 ~~Commission.~~

48 (4a) Subrecipient. – A non-State entity that receives State financial assistance from
49 a recipient to carry out part of a State program, but does not include an
50 individual who is a beneficiary of a State program.

1 (b) Conflict of Interest Policy. – Every ~~grantee-recipient~~ shall file with the State agency
2 disbursing funds to the ~~grantee-a-recipient~~ copy of that ~~grantee's-recipient's~~ policy addressing
3 conflicts of interest that may arise involving the ~~grantee's-recipient's~~ management employees and
4 the members of its board of directors or other governing body. The policy shall address situations
5 in which any of these individuals may directly or indirectly benefit, except as the ~~grantee's~~
6 ~~recipient's~~ employees or members of its board or other governing body, from the ~~grantee's~~
7 ~~recipient's~~ disbursing of State funds, and shall include actions to be taken by the ~~grantee-recipient~~
8 or the individual, or both, to avoid conflicts of interest and the appearance of impropriety. The
9 policy shall be filed before the disbursing State agency may disburse the ~~grant-funds.State~~
10 ~~financial assistance.~~

11 (c) No Overdue Tax Debts. – Every ~~grantee-recipient~~ shall file with the State agency or
12 department disbursing funds to the ~~grantee-recipient~~ a written statement completed by that
13 ~~grantee's-recipient's~~ board of directors or other governing body stating that the ~~grantee-recipient~~
14 does not have any overdue tax debts, as defined by G.S. 105-243.1, at the federal, State, or local
15 level. The written statement shall be made under oath and shall be filed before the disbursing
16 State agency or department may disburse the ~~grant-funds.State financial assistance.~~ A person who
17 makes a false statement in violation of this subsection is guilty of a criminal offense punishable
18 as provided by G.S. 143C-10-1.

19 (d) ~~Office of State Budget~~ Office of State Budget and Management Rules Must Require
20 Uniform Administration of State Grants. – The Office of State Budget and Management shall
21 adopt rules to ensure the uniform administration of State grants by all grantor State agencies and
22 ~~grantees-recipients~~ or ~~subgrantees-subrecipients.~~ The Office of State Budget and Management
23 shall consult with the Office of the State Auditor and the Attorney General in establishing the
24 rules required by this subsection. The rules shall establish policies and procedures for
25 disbursements of State ~~grants-financial assistance~~ and for State agency oversight, monitoring,
26 and evaluation of ~~grantees-recipients~~ and ~~subgrantees-subrecipients.~~ The policies and procedures
27 shall:

- 28 (1) Ensure that the purpose and reporting requirements of each grant are specified
29 to the ~~grantee-recipient.~~
- 30 (2) Ensure that ~~grantees-recipients~~ specify the purpose and reporting requirements
31 for grants made to ~~subgrantees-subrecipients.~~
- 32 (3) ~~Ensure that State funds are spent in accordance with the purposes for which~~
33 ~~they were granted.~~
- 34 (4) ~~Hold the grantees and subgrantees accountable for the legal and appropriate~~
35 ~~expenditure of grant funds.~~
- 36 (5) ~~Provide for adequate oversight and monitoring to prevent the misuse of grant~~
37 ~~funds. These policies shall require~~ Require each grantee-recipient and
38 subgrantee-subrecipient to ensure that, for accounting purposes, State funds
39 and interest earned on those funds remain separate and apart from other funds
40 in the possession or control of the ~~grantee-recipient~~ or ~~subgrantee-subrecipient.~~
- 41 (6) Establish ~~mandatory-minimum~~ periodic reporting requirements for ~~grantees~~
42 recipients and ~~subgrantees-subrecipients,~~ including methods of reporting, to
43 provide separate accounting of all State funds, a separate accounting of funds
44 used for administration, and other financial and program performance
45 information. ~~The mandatory periodic reporting requirements shall require~~
46 ~~grantees and subgrantees to file with the State Auditor copies of reports and~~
47 ~~statements that are filed with State agencies pursuant to this subsection.~~
48 ~~Compliance with the mandatory periodic reporting requirements of this~~
49 ~~subdivision shall not require grantees and subgrantees to file with the State~~
50 ~~Auditor the information described in subsections (b) and (c) of this section.~~

- 1 (7) Require ~~grantees-recipients and subgrantees-subrecipients~~ to maintain reports,
2 records, and other information to properly account for the expenditure of all
3 ~~grant funds-State financial assistance~~ and to make such reports, records, and
4 other information available to the ~~grantor-awarding~~ State agency for oversight,
5 monitoring, and evaluation purposes.
- 6 (8) Require ~~grantees and subgrantees to ensure that work papers in the possession~~
7 ~~of their auditors are available to the State Auditor for the purposes set out in~~
8 ~~subsection (i) of this section.~~
- 9 (9) Require ~~grantees to be responsible for managing and monitoring each project,~~
10 ~~program, or activity supported by grant funds and each subgrantee project,~~
11 ~~program, or activity supported by grant funds.~~
- 12 (9a) Require a State agency that oversees a program that receives State financial
13 assistance to develop a monitoring plan for that program and to submit the
14 plan and any additional information regarding the plan to the Office of State
15 Budget and Management.
- 16 (10) Provide procedures for the suspension of further disbursements or use of ~~grant~~
17 ~~funds-State financial assistance~~ for noncompliance with these ~~rules-policies~~
18 ~~and procedures~~ or other inappropriate use of the ~~funds.State financial~~
19 ~~assistance.~~
- 20 (11) Provide procedures for use in appropriate circumstances for reinstatement of
21 disbursements that have been suspended for noncompliance with these rules
22 or other inappropriate use of ~~grant funds.State financial assistance.~~
- 23 (12) Provide procedures for the recovery and return to the ~~grantor-awarding~~ State
24 agency of unexpended ~~grant funds~~State financial assistance from a ~~grantee~~
25 ~~recipient or subgrantee-subrecipient~~ (i) in accordance with subsection (f1) of
26 this section or (ii) in the event that the ~~grantee-recipient or subgrantee~~
27 ~~subrecipient~~ is unable to fulfill the purposes of the ~~grant-State financial~~
28 ~~assistance~~ for a reason not set forth in that subsection.
- 29 (d1) Required ~~Grant Terms-Terms for State Financial Assistance.~~ – The terms of each
30 ~~grant agreement governing the use of the State financial assistance~~ shall include all of the
31 following, which shall be deemed a part of the ~~grant:award of State financial assistance:~~
- 32 (1) The limitation contained in G.S. 143C-6-8 concerning the availability of
33 appropriated funds.
- 34 (2) The relevant provisions of any legislation authorizing or governing the
35 administration of the ~~grant.State financial assistance.~~
- 36 (3) The terms of this section.
- 37 (e) Rules Are Subject to the Administrative Procedure Act. – Notwithstanding the
38 provisions of G.S. 150B-2(8a)b. rules adopted pursuant to subsection (d) of this section are
39 subject to the provisions of Chapter 150B of the General Statutes.
- 40 (f) Suspension and Recovery of Funds to ~~Grant-Recipients for Noncompliance.~~ – ~~The~~
41 ~~Office of State Budget and Management, after consultation with the administering State agency,~~
42 ~~shall have the power to suspend disbursement of grant funds to grantees or subgrantees, to~~
43 ~~prevent further use of grant funds already disbursed, and to recover grant funds already disbursed~~
44 ~~for nonecompliance with rules adopted pursuant to subsection (d) of this section. If the grant funds~~
45 ~~are a pass-through of funds granted by an agency of the United States, then the Office of State~~
46 ~~Budget and Management must consult with the granting agency of the United States and the State~~
47 ~~agency that is the recipient of the pass-through funds prior to taking the actions authorized by~~
48 ~~this subsection.~~When a recipient or subrecipient is noncompliant with this Part or the policies
49 and procedures adopted pursuant to subsection (d) of this section, or when a recipient or
50 subrecipient is unable to fulfill the obligations or purposes of the State financial assistance, has
51 inappropriately used State financial assistance, or is noncompliant with relevant reporting or

1 other requirements, the Office of State Budget and Management may require State agencies to
2 take the actions authorized in this subsection. If the State financial assistance is a pass-through
3 of funds awarded by an agency of the United States, then the Office of State Budget and
4 Management must consult with the awarding agency of the United States and the State agency
5 that is the recipient of the pass-through funds prior to taking the actions authorized by this
6 subsection. The Office of State Budget and Management is authorized to take all of the following
7 actions with respect to a noncompliant recipient or a subrecipient:

8 (1) Suspend disbursement of all State financial assistance.

9 (2) Prevent further use of State financial assistance already disbursed.

10 (3) Recover State financial assistance already disbursed.

11 (f1) Return of Grant Funds-State Financial Assistance. – Except as otherwise required by
12 federal law, a ~~grantee-recipient~~ or ~~subgrantee-subrecipient~~ shall return to the State all affected
13 ~~grant~~ funds and interest earned on those funds if any of the following occurs:

14 (1) The funds are in the possession or control of a ~~grantee-recipient~~ and
15 ~~subrecipient~~ and are not expended, made subject to an encumbrance, or
16 disbursed to a ~~subgrantee-subrecipient~~ by August 31 immediately following
17 the fiscal year in which the funds are appropriated by the General Assembly,
18 or a different period set forth in the terms of the applicable appropriation or
19 federal grant.

20 (2) The funds remain unexpended at the time that the ~~grantee-recipient~~ or
21 ~~subgrantee-subrecipient~~ dissolves, ceases operations, or otherwise indicates
22 that it does not intend to spend the funds.

23 (3) The Office of State Budget and Management seeks to recover the funds
24 pursuant to subsection (f) of this section.

25 (f2) Use of Returned Grant Funds-State Financial Assistance. – Encumbered funds
26 returned to the State pursuant to subsection (f1) of this section by a ~~grantee-recipient~~ or
27 ~~subgrantee-subrecipient~~ shall upon appropriation by the General Assembly be spent in
28 accordance with the terms of the encumbrance. All other funds returned to the State by a ~~grantee~~
29 ~~recipient~~ or ~~subgrantee-subrecipient~~ pursuant to subsection (f1) of this section shall be credited
30 to the fund from which they were appropriated and shall remain unexpended and unencumbered
31 until appropriated by the General Assembly. Nothing in this section shall be construed to
32 authorize an expenditure pursuant to an unlawful encumbrance or in a manner that would violate
33 the terms of the appropriation of the grant funds at issue.

34 (g) Audit Oversight. – The State Auditor has audit oversight, with respect to ~~grant funds~~
35 State financial assistance received by the ~~grantee or subgrantee, recipient or subrecipient~~ pursuant
36 to Article 5A of Chapter 147 of the General Statutes, of every grantee or subgrantee that receives,
37 uses, or expends ~~grant funds-State financial assistance~~. A ~~grantee or subgrantee-recipient~~ or
38 ~~subrecipient~~ must, upon request, furnish to the State Auditor for audit all books, records, and
39 other information necessary for the State Auditor to account fully for the use and expenditure of
40 ~~grant funds-State financial assistance~~ received by the ~~grantee or subgrantee-recipient~~ or
41 ~~subrecipient~~. The ~~grantee or subgrantee-recipient~~ or ~~subrecipient~~ must furnish any additional
42 financial or budgetary information requested by the State Auditor, including audit work papers
43 in the possession of any auditor of a ~~grantee or subgrantee-recipient~~ or ~~subrecipient~~ directly
44 related to the use and expenditure of ~~grant funds-State financial assistance~~.

45 (h) Report on Grant Recipients That Failed to Comply. – Not later than May 1, 2007, and
46 ~~by May 1 of every succeeding year, the Noncompliance Reports.~~ – The Office of State Budget
47 and Management shall ~~report to the Joint Legislative Commission on Governmental Operations~~
48 ~~and the Fiscal Research Division on~~ maintain a list that is publicly available of all ~~grantees or~~
49 ~~subgrantees-recipient~~ and ~~subrecipients~~ that are suspended from receiving or disbursing State
50 financial assistance for failure ~~failed~~ to comply with this section with respect to ~~grant funds~~
51 ~~received in the prior fiscal year.~~section.

1 ~~(i) State Agencies to Submit Grant List to Auditor. — No later than October 1 of each~~
 2 ~~year, each State agency shall submit a list to the State Auditor, in the format prescribed by the~~
 3 ~~State Auditor, of every grantee to which the agency disbursed grant funds in the prior fiscal year.~~
 4 ~~The list shall include the amount disbursed to each grantee and other information as required by~~
 5 ~~the State Auditor to comply with the requirements of this section.~~

6 ~~(j) Use of Interest Earned on Grant Funds—State Financial Assistance. — Except as~~
 7 ~~otherwise required by federal law or the terms of a federal grant, interest earned on grant funds~~
 8 ~~after receipt of the funds by a grantee or subgrantee recipient or subrecipient shall be credited to~~
 9 ~~the grantee or subgrantee recipient or subrecipient and shall be used for the same purposes for~~
 10 ~~which the grant or subgrant State financial assistance was made.~~

11 ~~(k) Reporting by Grantees and Subgrantees—Recipient or Subrecipient That Cease~~
 12 ~~Operations. —A grantee or subgrantee recipient or subrecipient that intends to dissolve or cease~~
 13 ~~operations shall report that decision in writing to the Office of State Budget and Management~~
 14 ~~and to the Fiscal Research Division at least 30 days prior to taking that action.~~

15 (l) The reporting and audit requirements of this section do not apply to any of the
 16 following:

- 17 (1) Awards to non-State entities subject to the audit and other reporting
 18 requirements of the Local Government Commission.
- 19 (2) Tuition assistance to students.
- 20 (3) Public assistance payments from federal entitlement programs to or on behalf
 21 of enrolled individuals.
- 22 (4) State funds disbursed to a contractor, as defined in this section."
 23

24 **RESERVE FOR PUBLIC SAFETY IMPROVEMENTS AT STATE AND LOCAL** 25 **FACILITIES**

26 **SECTION 6.6.(a)** Of the funds appropriated in this Act for Public Safety
 27 Improvements at State and Local Facilities to the State Board of Education, Department of Public
 28 Safety, and the Office of State Budget and management, the following applies:

29 **SECTION 6.6.(b)** Use of Funds. – The funds for Public Safety Improvements at
 30 State and Local Facilities may be used for the following types of public safety improvements:

- 31 (1) Improvements and expansion of existing capital facilities to provide increased
 32 protection, improved notification, and reduced risk from external harm.
 33 Examples of such improvements include, but are not limited to, improved
 34 doors and windows, guard stations, fencing, and renovations to support items
 35 in Sec. 6.6(b)(2). Funds used for this purpose at State Agencies shall be
 36 transferred to a Capital Budget Code.
- 37 (2) Purchase of equipment to provide increased monitoring of facilities,
 38 notification to emergency responders, and improved response to life
 39 threatening events. Examples of such equipment include, but are not limited
 40 to, panic buttons, worn devices that can create an emergency notification,
 41 cameras, and monitors.
- 42 (3) Improvements to communications and data systems to provide improved
 43 response and coordination in the event of a public safety disturbance at a State
 44 or local facility. Examples of such communications improvements include,
 45 but are not limited to, Voice Interoperability Plan for Emergency Responders
 46 improvements, security alarms and notification systems, telephone systems,
 47 and alert notification systems.
- 48 (4) Development of security master plans and procedures.
- 49 (5) Training of personnel regarding best practices and procedures for emergency
 50 response, public safety risk identification, and related items.

1 **SECTION 6.6.(c)** Application Process. – Each entity receiving funds in Section.
2 6.6.(a) shall request applications from relevant recipients.

- 3 (1) The State Board of Education shall include need based considerations in its
4 criteria for awarding these funds to local school administrative units, regional
5 schools, charter schools and laboratory schools.

6 **SECTION 6.6.(d)** Non-Supplant. – Funds shall be used to supplement and not to
7 supplant State, local, and federal funds for public safety improvements.

8 **SECTION 6.6.(e)** Non-Revert. – Unspent funds appropriated in this Act for the
9 Public Safety Improvements at State and Local Facilities to entities in Section 6.6.(a) shall not
10 revert at the end of the Fiscal Year.

11 **SECTION 6.6.(f)** On or before March 1, 2020, each entity receiving funds in Section
12 6.6.(a). shall report to the Joint Legislative Commission on Governmental Operations. The report
13 shall contain the following:

- 14 (1) Number and description of projects awarded.
15 (2) Total cost of each project awarded.
16 (3) Number of applications received.
17 (4) The basis on which the projects were evaluated.
18 (5) If applications received subject to Section 6.6.(c). were more than the funds
19 available to the entity, the basis on which projects were selected to receive
20 funding.
21

22 **REPEAL STATE CAPITAL AND INFRASTRUCTURE FUND**

23 **SECTION 6.7.** Section 36.12 of S.L. 2017-57, as amended by Section 36.8 of S.L.
24 2018-5, is repealed.
25

26 **PROCUREMENT SIMPLIFICATION AND INCREASED ACCOUNTABILITY**

27 **SECTION 6.8.(a)** G.S. 116.31.10 reads as rewritten:

28 **"§ 116-31.10. Powers of Board regarding certain purchasing contracts.**

29 (a) Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for
30 the President of The University of North Carolina or a special responsibility constituent
31 institution with regard to competitive bid procedures and the bid value benchmark shall be an
32 amount not greater than ~~five hundred thousand dollars (\$500,000).~~ one million dollars
33 (\$1,000,000). The Board shall set the benchmark for the President and each institution from time
34 to time. In setting the benchmark for the President or an institution in accordance with this
35 section, the Board shall consider the overall capabilities including staff resources, purchasing
36 compliance reviews, and audit reports of the President's administrative staff or the institution.
37 The Board shall also consult with the Director of the Division of Purchase and Contract and the
38 Director of the Budget prior to setting the benchmark.

39 ~~(b) If the President or a constituent institution has an expenditure benchmark greater than~~
40 ~~two hundred fifty thousand dollars (\$250,000), the President or constituent institution shall~~
41 ~~comply with this subsection for any purchase greater than the President's or institution's~~
42 ~~benchmark set by the Board but not greater than five hundred thousand dollars (\$500,000). The~~
43 ~~President or institution shall submit to the Division of Purchase and Contract for that Division's~~
44 ~~approval or other action deemed necessary by the Division a copy of all offers received and the~~
45 ~~President's or institution's recommendation of award or other action. Notice of the Division's~~
46 ~~decision shall be sent to the President or the institution. The President or institution shall then~~
47 ~~proceed with the award of contract or other action recommended by the Division.~~

48 **SECTION 6.8.(b)** G.S. 115D-58.14(c) reads as rewritten:

49 **"§ 115D-58.14. Purchasing flexibility.**

50 (c) The State Board of Community Colleges, in consultation with the Department of
51 Administration, shall review the purchasing process for community colleges and may increase

1 or decrease the purchasing/delegation benchmark for each community college based on the
 2 college's overall capabilities, including staff resources, purchasing compliance reviews, and audit
 3 reports. The State Board may, in its discretion, reduce a community college's
 4 purchasing/delegation benchmark at anytime. The State Board shall not increase a community
 5 college's purchasing/delegation benchmark by more than fifteen percent (15%) in any calendar
 6 year without the concurrence of the Department of Administration within 60 days of submission.
 7 The maximum purchasing/delegation benchmark for a community college ~~shall be one hundred~~
 8 ~~thousand dollars (\$100,000)~~ is two hundred thousand dollars (\$200,000)."

9 **SECTION 6.8.(c)** G.S. 143-53 reads as rewritten:

10 **"§ 143-53. Rules.**

11 (a) The Secretary of Administration may adopt rules governing the following:

12 (1) Prescribing the routine and procedures to be followed in canvassing bids and
 13 awarding contracts, and for reviewing decisions made pursuant thereto, and
 14 the decision of the reviewing body shall be the final administrative review.
 15 The Division of Purchase and Contract shall review and decide a protest on a
 16 contract valued at ~~twenty five thousand dollars (\$25,000) or more~~ above the
 17 agency's delegation level. The Secretary shall adopt rules or criteria governing
 18 the review of and decision on a protest on a contract ~~of less than twenty five~~
 19 ~~thousand dollars (\$25,000)~~ by valued at or below the delegation level for the
 20 agency that awarded the contract.

21 ...

22 (5) Prescribing conditions under which purchases and contracts for the purchase,
 23 installment or lease-purchase, rental or lease of goods and services may be
 24 entered into by means other than competitive bidding, including, but not
 25 limited to, negotiation, reverse auctions, and acceptance of electronic bids.
 26 Notwithstanding the provisions of subsections (a) and (b) of this section, any
 27 waiver of competition for the purchase, rental, or lease of goods and services
 28 is subject to prior review by the Secretary, if the expenditure exceeds ~~ten~~
 29 ~~thousand dollars (\$10,000)~~ an agency's delegation level. The Division may
 30 levy a fee, not to exceed one dollar (\$1.00), for review of each waiver
 31 application."
 32

33 **INCREASE INSURANCE COVERAGE FOR STATE FACILITIES**

34 **SECTION 6.9.(a)** G.S.58-31-1 reads as rewritten:

35 **"§ 58-31-1. State Property ~~Fire-Insurance~~ Fund created.**

36 Upon the expiration of all existing policies of fire insurance upon state-owned buildings,
 37 fixtures, furniture, and equipment, including all such property the title to which may be in any
 38 State department, institution, or agency, the State of North Carolina shall not reinsure any of such
 39 properties.

40 There is hereby created a "State Property ~~Fire-Insurance~~ Fund," which shall be as a special
 41 fund in the State treasury, for the purpose of providing a reserve against loss ~~from fire~~ at State
 42 departments and institutions. State departments, agencies, and institutions are required to
 43 purchase "all risk" coverage offered by the Department of Insurance. The State Treasurer shall
 44 be the custodian of the "State Property ~~Fire-Insurance~~ Fund" and shall invest its assets in
 45 accordance with the provisions of G.S. 147-69.2 and 147-69.3. The unexpended appropriations
 46 of State departments and institutions for fire insurance premiums for the fiscal year 1944-1945
 47 and the appropriations for fire insurance premiums made for the biennium 1945-1947 or that may
 48 thereafter be made for this purpose shall be transferred to the "State Property ~~Fire-Insurance~~
 49 Fund.""

50 **SECTION 6.9.(b)** G.S. 58-31-5 reads as rewritten:

51 **"§ 58-31-5. Appropriations; fund to pay administrative expenses.**

1 Upon the expiration of the existing fire insurance policies on said properties and in making
2 appropriations for any biennium after the next biennium, the Commissioner shall file with the
3 Department of Administration his estimate of the appropriations which will be necessary in order
4 to set up and maintain an adequate reserve to provide a fund sufficient to protect the State, its
5 departments, institutions, and agencies from loss or damage to any of said properties up to fifty
6 per centum (50%) of the value thereof. Appropriations made for the creating of such ~~fire~~
7 insurance reserves against property of the Department of Agriculture and Consumer Services, or
8 the Department of Transportation or any special operating fund shall be charged against the funds
9 of such departments.

10 The State Property ~~Fire~~-Insurance Fund is authorized and empowered to pay all the
11 administrative expenses occasioned by the administration of Article 31 of Chapter 58 of the
12 General Statutes."

13 **SECTION 6.9.(c)** G.S. 58-31-15 reads as rewritten:

14 "**§ 58-31-15. Extended coverage insurance.**

15 Upon request of any State department, agency or institution, extended coverage insurance,
16 and other property insurance, may be provided on designated state-owned property of such
17 department, agency or institution which is insured by the State Property ~~Fire~~-Insurance Fund.
18 Premiums for such insurance coverage shall be paid by each requesting department, agency or
19 institution in accordance with rates fixed by the Commissioner. Losses covered by such insurance
20 may be paid for out of the State Property ~~Fire~~-Insurance Fund in the same manner as ~~fire~~-losses.
21 The Commissioner, with the approval of the Governor and Council of State, is authorized and
22 empowered to purchase from insurers admitted to do business in North Carolina such insurance
23 or reinsurance as may be necessary to protect the State Property ~~Fire~~-Insurance Fund against loss
24 with respect to such insurance coverage. The words "extended coverage insurance," as used in
25 this section, mean insurance against loss or damage caused by windstorm, hail, explosion, riot,
26 riot attending a strike, civil commotion, aircraft, vehicles or smoke."

27 **SECTION 6.9.(d)** Of the funds appropriated in this act for State Agency Insurance
28 Coverage, the Office of State Budget and Management shall, in consultation with the Department
29 of Insurance, allocate funds such that all General Fund-supported facilities have "all risk"
30 insurance coverage. If the funds appropriated in this act are insufficient for coverage, then
31 notwithstanding G.S. 58-31-1, funds shall be allocated in the following priority order:

32 (1) The Office of State Budget and Management, in consultation with the
33 Department of Insurance, shall allocate funds necessary to insure General
34 Fund-supported facilities at the greatest risk of loss.

35 (2) The Office of State Budget and Management, in consultation with the
36 Department of Insurance, shall allocate funds necessary to increase the insured
37 building value to the replacement cost for General Fund-supported facilities.

38 **SECTION 6.9.(e)** The Office of State Budget and Management, in consultation with
39 the Department of Insurance, shall report on the allocation method of funds in subsection (d) of
40 this section by December 1, 2019. The report shall contain all of the following:

41 (1) The amount recurring funds required to ensure that all General
42 Fund-supported facilities maintain "all risk" coverage throughout the State.

43 (2) The amount of recurring funds required to ensure that all General Fund
44 facilities are ensured at the building and content replacement value.

45 **SECTION 6.9.(f)** Should funds not be available to purchase "all risk" coverage for
46 all General Fund-supported facilities, nothing in this Section shall remove coverage for fire losses
47 at State facilities.

48
49 **PART VI-A. DISASTER RELIEF FUNDING [RESERVED]**

50
51 **PART VII. PUBLIC SCHOOLS**

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.1.(a) The State Board of Education shall allocate additional funds for children with disabilities on the basis of four thousand four hundred forty-two dollars and thirty-four cents (\$4,442.34) per child for fiscal years 2019-2020 and 2020-2021. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and seventy-five hundredths percent (12.75%) of its 2019-2021 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2.(a) The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis one thousand three hundred thirty-nine dollars and fourteen cents (\$1,339.14) per child for fiscal years 2019-2020 and 2020-2021. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2019-2020 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

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

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

- (1) Anticipated county property tax revenue availability. – The county-adjusted property tax base multiplied by the effective State average tax rate.
- (2) Anticipated total county revenue availability. – The sum of the following:
 - a. Anticipated county property tax revenue availability.
 - b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
 - c. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.
- (3) Anticipated total county revenue availability per student. – The anticipated total county revenue availability for the county divided by the average daily membership of the county.
- (4) Anticipated State average revenue availability per student. – The sum of all anticipated total county revenue availability divided by the average daily membership for the State.
- (5) Average daily membership. – Average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual adopted by the State

- 1 Board of Education. If a county contains only part of a local school
2 administrative unit, the average daily membership of that county includes all
3 students who reside within the county and attend that local school
4 administrative unit.
- 5 (6) County-adjusted property tax base. – Computed as follows:
6 a. Subtract the present-use value of agricultural land, horticultural land,
7 and forestland in the county, as defined in G.S. 105-277.2, from the
8 total assessed real property valuation of the county.
9 b. Adjust the resulting amount by multiplying by a weighted average of
10 the three most recent annual sales assessment ratio studies.
11 c. Add to the resulting amount the following:
12 1. Present-use value of agricultural land, horticultural land, and
13 forestland, as defined in G.S. 105-277.2.
14 2. Value of property of public service companies, determined in
15 accordance with Article 23 of Chapter 105 of the General
16 Statutes.
17 3. Personal property value for the county.
- 18 (7) County-adjusted property tax base per square mile. – The county-adjusted
19 property tax base divided by the number of square miles of land area in the
20 county.
- 21 (8) County wealth as a percentage of State average wealth. – Computed as
22 follows:
23 a. Compute the percentage that the county per capita income is of the
24 State per capita income and weight the resulting percentage by a factor
25 of five-tenths.
26 b. Compute the percentage that the anticipated total county revenue
27 availability per student is of the anticipated State average revenue
28 availability per student and weight the resulting percentage by a factor
29 of four-tenths.
30 c. Compute the percentage that the county-adjusted property tax base per
31 square mile is of the State-adjusted property tax base per square mile
32 and weight the resulting percentage by a factor of one-tenth.
33 d. Add the three weighted percentages to derive the county wealth as a
34 percentage of the State average wealth.
- 35 (9) Effective county tax rate. – The actual county tax rate multiplied by a weighted
36 average of the three most recent annual sales assessment ratio studies.
- 37 (10) Effective State average tax rate. – The average of effective county tax rates
38 for all counties.
- 39 (11) Local current expense funds. – The most recent county current expense
40 appropriations to public schools, as reported by local boards of education in
41 the audit report filed with the Secretary of the Local Government Commission
42 pursuant to G.S. 115C-447.
- 43 (12) Per capita income. – The average for the most recent three years for which
44 data are available of the per capita income according to the most recent report
45 of the United States Department of Commerce, Bureau of Economic Analysis,
46 including any reported modifications for prior years as outlined in the most
47 recent report.
- 48 (13) Sales assessment ratio studies. – Sales assessment ratio studies performed by
49 the Department of Revenue under G.S. 105-289(h).

- 1 (14) State average adjusted property tax base per square mile. – The sum of the
2 county-adjusted property tax bases for all counties divided by the number of
3 square miles of land area in the State.
- 4 (15) State average current expense appropriations per student. – The most recent
5 State total of county current expense appropriations to public schools, as
6 reported by local boards of education in the audit report filed with the
7 Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- 8 (16) Supplant. – To decrease local per student current expense appropriations from
9 one fiscal year to the next fiscal year.
- 10 (17) Weighted average of the three most recent annual sales assessment ratio
11 studies. – The weighted average of the three most recent annual sales
12 assessment ratio studies in the most recent years for which county current
13 expense appropriations and adjusted property tax valuations are available. If
14 real property in a county has been revalued one year prior to the most recent
15 sales assessment ratio study, a weighted average of the two most recent sales
16 assessment ratios shall be used. If property has been revalued the year of the
17 most recent sales assessment ratio study, the sales assessment ratio for the year
18 of revaluation shall be used.

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

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

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

42 **SECTION 7.3.(f)** Minimum Effort Required. – A county shall receive full funding
43 under this section if the county (i) maintains an effective county tax rate that is at least one
44 hundred percent (100%) of the effective State average tax rate in the most recent year for which
45 data are available or (ii) maintains a county appropriation per student to the school local current
46 expense fund of at least one hundred percent (100%) of the current expense appropriations per
47 student to the school local current expense fund that the county could provide given the county's
48 wealth and an average effort to fund public schools. A county that maintains a county
49 appropriation per student to the school local current expense fund of less than one hundred
50 percent (100%) of the current expense appropriations per student to the school local current
51 expense fund that the county could provide given the county's wealth and an average effort to

1 fund public schools shall receive funding under this section at the same percentage that the
 2 county's appropriation per student to the school local current expense fund is of the current
 3 expense appropriations per student to the school local current expense fund that the county could
 4 provide given the county's wealth and an average effort to fund public schools.

5 **SECTION 7.3.(g) Nonsupplant Requirement.** – A county in which a local school
 6 administrative unit receives funds under this section shall use the funds to supplement local
 7 current expense funds and shall not supplant local current expense funds. For the 2019-2021
 8 fiscal biennium, the State Board of Education shall not allocate funds under this section to a
 9 county found to have used these funds to supplant local per student current expense funds. The
 10 State Board of Education shall make a finding that a county has used these funds to supplant
 11 local current expense funds in the prior year, or the year for which the most recent data are
 12 available, if all of the following criteria apply:

- 13 (1) The current expense appropriations per student of the county for the current
 14 year is less than ninety-five percent (95%) of the average of local current
 15 expense appropriations per student for the three prior fiscal years.
- 16 (2) The county cannot show (i) that it has remedied the deficiency in funding or
 17 (ii) that extraordinary circumstances caused the county to supplant local
 18 current expense funds with funds allocated under this section.

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

21 **SECTION 7.3.(h) Counties Containing a Base of the Armed Forces.** –
 22 Notwithstanding any other provision of this section, for the 2019-2021 fiscal biennium, counties
 23 containing a base of the Armed Forces of the United States that have an average daily
 24 membership of more than 17,000 students shall receive whichever is the higher amount in the
 25 2019-2020 and 2020-2021 fiscal years as follows: either the amount of supplemental funding the
 26 county received as a low-wealth county in the 2012-2013 fiscal year or the amount of
 27 supplemental funding the county is eligible to receive as a low-wealth county pursuant to the
 28 formula for distribution of supplemental funding under the other provisions of this section.

29 **SECTION 7.3.(i) Funds for EVAAS Data.** – Notwithstanding the requirements of
 30 subsection (a) of this section, local school administrative units may utilize funds allocated under
 31 this section to purchase services that allow for extraction of data from the Education
 32 Value-Added Assessment System (EVAAS).

33 **SECTION 7.3.(j) Reports.** – For the 2019-2021 fiscal biennium, the State Board of
 34 Education shall report to the Fiscal Research Division prior to May 15 of each year if it
 35 determines that counties have supplanted funds.

36 **SECTION 7.3.(k) Department of Revenue Reports.** – The Department of Revenue
 37 shall provide to the Department of Public Instruction a preliminary report for the current fiscal
 38 year of the assessed value of the property tax base for each county prior to March 1 of each year
 39 and a final report prior to May 1 of each year. The reports shall include for each county the annual
 40 sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real
 41 property represented by the present-use value of agricultural land, horticultural land, and
 42 forestland, as defined in G.S. 105-277.2, (iii) property of public service companies determined
 43 in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.
 44

45 **SMALL COUNTY SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

46 **SECTION 7.4.(a) Allotment Schedule for the 2019-2021 Fiscal Biennium.** – Except
 47 as otherwise provided in subsection (d) of this section, each eligible county school administrative
 48 unit shall receive a dollar allotment according to the following schedule:

<u>Allotted ADM</u>	<u>Small County Allotment</u>
0-600	\$1,710,000
601-1,300	\$1,820,000

1	1,301-1,700	\$1,548,700
2	1,701-2,000	\$1,600,000
3	2,001-2,300	\$1,560,000
4	2,301-2,600	\$1,470,000
5	2,601-2,800	\$1,498,000
6	2,801-3,300	\$1,548,000

7 **SECTION 7.4.(b)** Phase-Out Provision for the 2019-2020 Fiscal Year. – If a local
8 school administrative unit becomes ineligible for funding under the schedule in subsection (a) of
9 this section in the 2019-2020 fiscal year, funding for that unit shall be phased out over a five-year
10 period. Funding for such local school administrative units shall be reduced in equal increments
11 in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth
12 fiscal year after the local school administrative unit becomes ineligible.

13 Allotments for eligible local school administrative units under this subsection shall
14 not be reduced by more than twenty percent (20%) of the amount received in fiscal year
15 2018-2019 in any fiscal year. A local school administrative unit shall not become ineligible for
16 funding if either the highest of the first two months total projected average daily membership for
17 the current year or the higher of the first two months total prior year average daily membership
18 would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this
19 section.

20 **SECTION 7.4.(c)** Phase-Out Provision for the 2020-2021 Fiscal Year. – If a local
21 school administrative unit becomes ineligible for funding under the schedule in subsection (a) of
22 this section in the 2020-2021 fiscal year, funding for that unit shall be phased out over a five-year
23 period. Funding for such local school administrative units shall be reduced in equal increments
24 in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth
25 fiscal year after the local administrative unit becomes ineligible.

26 Allotments for eligible local school administrative units under this subsection shall
27 not be reduced by more than twenty percent (20%) of the amount received in fiscal year
28 2019-2020 in any fiscal year. A local school administrative unit shall not become ineligible for
29 funding if either the highest of the first two months total projected average daily membership for
30 the current year or the higher of the first two months total prior year average daily membership
31 would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this
32 section.

33 **SECTION 7.4.(d)** Nonsupplant Requirement for the 2019-2021 Fiscal Biennium. –
34 A county in which a local school administrative unit receives funds under this section shall use
35 the funds to supplement local current expense funds and shall not supplant local current expense
36 funds. For the 2019-2021 fiscal biennium, the State Board of Education shall not allocate funds
37 under this section to a county found to have used these funds to supplant local per student current
38 expense funds. The State Board of Education shall make a finding that a county has used these
39 funds to supplant local current expense funds in the prior year or the year for which the most
40 recent data are available, if all of the following criteria apply:

- 41 (1) The current expense appropriation per student of the county for the current
42 year is less than ninety-five percent (95%) of the average of local current
43 expense appropriation per student for the three prior fiscal years.
- 44 (2) The county cannot show (i) that it has remedied the deficiency in funding or
45 (ii) that extraordinary circumstances caused the county to supplant local
46 current expense funds with funds allocated under this section.

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

49 **SECTION 7.4.(e)** Reports. – For the 2019-2021 fiscal biennium, the State Board of
50 Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it
51 determines that counties have supplanted funds.

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

5 Local school administrative units may also utilize funds allocated under this section
6 to purchase services that allow for extraction of data from the Education Value-Added
7 Assessment System (EVAAS).

8 9 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

10 **SECTION 7.5.(a)** Funds appropriated in this act for disadvantaged student
11 supplemental funding shall be used, consistent with the policies and procedures adopted by the
12 State Board of Education, only to do the following:

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

20 The State Board of Education may require local school administrative units receiving
21 funding under the Disadvantaged Student Supplemental Fund to purchase the Education
22 Value-Added Assessment System (EVAAS) in order to provide in-depth analysis of student
23 performance and help identify strategies for improving student achievement. This data shall be
24 used exclusively for instructional and curriculum decisions made in the best interest of children
25 and for professional development for their teachers and administrators.

26 **SECTION 7.5.(b)** Disadvantaged student supplemental funding (DSSF) shall be
27 allotted to a local school administrative unit based on (i) the unit's eligible DSSF population and
28 (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student
29 ratios:

- 30 (1) For counties with wealth greater than ninety percent (90%) of the statewide
31 average, a ratio of 1:19.9.
- 32 (2) For counties with wealth not less than eighty percent (80%) and not greater
33 than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- 34 (3) For counties with wealth less than eighty percent (80%) of the statewide
35 average, a ratio of 1:19.1.
- 36 (4) For local school administrative units receiving DSSF funds in fiscal year
37 2005-2006, a ratio of 1:16. These local school administrative units shall
38 receive no less than the DSSF amount allotted in fiscal year 2006-2007.

39 For the purpose of this subsection, wealth shall be calculated under the low-wealth
40 supplemental formula as provided for in this act.

41 **SECTION 7.5.(c)** If a local school administrative unit's wealth increases to a level
42 that adversely affects the unit's disadvantaged student supplemental funding (DSSF) allotment
43 ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional
44 fiscal year.

45 46 **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

47 **SECTION 7.6.** Funds appropriated in this act for the Uniform Education Reporting
48 System (UERS) for the 2019-2021 fiscal biennium shall not revert at the end of each fiscal year
49 but shall remain available until expended.

50 51 **ALLOW DPI REORGANIZATION TO TAKE EFFECT IN NEW BIENNIUM**

1 **SECTION 7.7.** Section 7.7(a) of S.L. 2017-57, as amended by section 7.5 of S.L.
2 2018-5, reads as rewritten:

3 **"SECTION 7.7.(a)** Notwithstanding G.S. 143C 6 4, the Department of Public Instruction
4 may, after consultation with the Office of State Budget and Management and the Fiscal Research
5 Division, reorganize the Department, realign fund structures, or both, if necessary, to implement
6 (i) the budget reductions for the 2017 2019 fiscal biennium, (ii) recommendations resulting from
7 the audit required pursuant to Section 7.23L of this act, or (iii) other changes necessary to
8 improve the efficiency of the Department. Consultation shall occur prior to requesting budgetary
9 and personnel changes through the budget revision process. The Department of Public Instruction
10 shall provide (i) a current organization chart and a list of affected funds and (ii) the proposed
11 organization chart and a list of affected funds clearly identifying the changes for the Department
12 in the consultation process and shall report to the Joint Legislative Commission on Governmental
13 Operations on any reorganization, including any movement of positions and funds between fund
14 codes on a recurring basis. Any such reorganization, once consultation and reporting
15 requirements are met, may, subject to approval by the State Board of Education, go into effect
16 on July 1, 2019."
17

18 **SCHOOL SAFETY AND MENTAL HEALTH SUPPORT ALLOTMENT**

19 **SECTION 7.8.(a)** Of the funds appropriated in this act to the Department of Public
20 Instruction, forty million dollars (\$40,000,000) shall fund the new School Safety and Mental
21 Health Support Allotment. These funds shall be used by local administrative units and charter
22 schools for the following certified school-based instructional support personnel: nurses,
23 counselors, school psychologists, and social workers and to hire School Resource Officers for
24 elementary and middle schools. The State Board of Education shall ensure at least one new
25 full-time equivalent position is allotted to each local administrative unit. The remaining positions
26 shall be allotted based on average daily membership.

27 **SECTION 7.8.(b)** Local boards of education may transfer any portion of a position
28 funded under Section 7.8.(a) to dollar allotments for contracted services which are directly related
29 to school nursing, school psychology, school counseling, school social work, and school resource
30 officers.
31

32 **SCHOOL RESOURCE OFFICERS REPORT**

33 **SECTION 7.9.(a)** The State Board of Education shall direct the Center for Safer
34 Schools to conduct an annual census of School Resource Officers located in each local education
35 agency (LEA) across the State. The Center shall submit a report analyzing and summarizing this
36 data to the Joint Legislative Education Oversight Committee and the State Board of Education
37 by March 1 of each year. The report shall include at least the following information collected
38 from each LEA:

- 39 (1) The total number of school resource officers.
- 40 (2) Demographic information, including gender, age, race/ethnicity, education
41 level, years as a sworn law enforcement officer, and years as a school resource
42 office.
- 43 (3) School resource officer-specific training and advanced or additional training
44 completed.
- 45 (4) The school or schools to which the school resource officers are assigned.
- 46 (5) The funding source for each school resource officer.
- 47 (6) The school type, including elementary, middle, and high school, early college,
48 special education school, traditional, charter school, and lab school.
- 49 (7) Whether the resource officer is shared across more than one school.
- 50 (8) The law enforcement affiliation of each school resource officer.

- 1 (9) The type of compliance weapon, if any, carried by each school resource
2 officer.
3

4 **NORTH CAROLINA NEW TEACHER SUPPORT PROGRAM**

5 **SECTION 7.10.(a)** Of the funds appropriated to the Department of Public
6 Instruction by this act, the Department shall transfer the sum of five hundred thousand dollars
7 (\$500,000) each year of the biennium to East Carolina University to expand the North Carolina
8 New Teacher Support Program. Funds appropriated are to be used to support beginning teachers
9 from schools identified by the State Board of Education as low-performing, continually
10 low-performing, or needing comprehensive support and improvement as defined in North
11 Carolina's Consolidated State Plan required under the Elementary and Secondary Education Act
12 of 1965, as amended by the Every Student Succeeds Act (ESSA), P.L. 114-95.

13 **SECTION 7.10.(b)** Funds appropriated shall supplement, not supplant, any funds
14 from university or local administrative units that are being used to support beginning teachers'
15 participation in the New Teacher Support Program. Funds appropriated under this section which
16 remain unused at the end of the fiscal year shall not revert but shall continue to be available for
17 these purposes.
18

19 **NATIONAL BOARD CERTIFICATION FEE SUPPORT**

20 **SECTION 7.11.(a)** Of the funds appropriated to the Department of Public
21 Instruction by this act, the Department shall transfer the sum of one million nine hundred
22 thousand dollars (\$1,900,000) each year of the biennium to the State Education Assistance
23 Authority to pay the application fees for first time candidates applying for certification by the
24 National Board for Professional Teaching Standards. Funds shall be available beginning with the
25 2019-2020 school year.

26 **SECTION 7.11.(b)** G.S. 115C-296.2 reads as rewritten:

27 **"§ 115C-296.2. National Board for Professional Teaching Standards Certification.**

28 (a) State Policy. – It is the goal of the State to provide opportunities and incentives for
29 good teachers to become excellent teachers and to retain them in the teaching profession; to attain
30 this goal, the State shall support the efforts of teachers to achieve national certification by
31 providing approved paid leave time for teachers participating in the process, ~~lending teachers~~
32 assisting with paying the participation fee, and paying a significant salary differential to teachers
33 who attain national certification from the National Board for Professional Teaching Standards
34 (NBPTS).
35

36 (c) Payment of the NBPTS Participation Fee; Paid Leave. – The State shall either provide
37 on a first-come, first-served basis, or lend teachers the participation fee and shall provide up to
38 three days of approved paid leave to all teachers participating in the NBPTS program who:

- 39 (1) Have completed three full years of teaching in a North Carolina public school;
40 and
41 (2) Have (i) not previously received State funds for participating in any
42 certification area in the NBPTS program, (ii) repaid any State funds
43 previously received for the NBPTS certification process, or (iii) received a
44 waiver of repayment from the State Board of Education.

45 Teachers participating in the program shall take paid leave only with the approval of their
46 supervisors.
47

48"

49 **TEACHER COMPENSATION MODELS AND ADVANCED TEACHING ROLES** 50 **EXPANSION**

51 **SECTION 7.12.** Section 8.7(c) of S.L. 2016-94 reads as rewritten:

1 "SECTION 8.7.(c) Selection by State Board of Education. – By ~~December 15, 2016,~~
2 December 15, 2019, the State Board of Education shall review the proposals submitted by local
3 boards of education and shall select up to ~~10~~ 14 local school administrative units as follows:

- 4 (1) Up to ~~five~~ seven local school administrative units with an average daily
5 membership (ADM) equal to or less than 4,000.
- 6 (2) Up to ~~three~~ five local school administrative units with an ADM of 4,001 to
7 20,000.
- 8 (3) Up to two local school administrative units with an ADM of 20,001 or more."
9

10 **DIVERSIFYING THE EDUCATOR WORKFORCE PILOT**

11 **SECTION 7.13.(a)** Purpose. – The State Board of Education, in collaboration with
12 the Office of the Governor, the University of North Carolina System, and the North Carolina
13 Community College System, shall establish a five year grant program to support strategic
14 partnerships committed to increasing the pipeline of male educators and educators of color across
15 the state. The purpose of the pilot is to:

- 16 (1) Increase the diversity of the educator workforce across the state;
- 17 (2) Increase the pipeline of male teachers, teachers of color, and principals of
18 color across the state,
- 19 (3) Provide mechanisms to support male educators and educators of color
20 currently serving in K-12 public schools.

21 For grant award consideration, applicants must:

- 22 (1) Form a partnership, for the purposes of the grant, that includes some or all of
23 the following: local education agencies (LEA); historically black colleges and
24 universities, other minority-serving institutions, and/or other public or private
25 colleges and universities; community colleges; and community or nonprofit
26 organizations;
- 27 (2) Include strategies that address one or more of the following components of
28 the educator development continuum: recruitment, preparation, placement,
29 induction, support, and retention.

30 Grants activities may include, but are not limited to:

- 31 (1) Leveraging existing high school dual enrollment programs to offer
32 education-based college credit or honors courses.
- 33 (2) Implementing targeted recruitment programs at the secondary and
34 postsecondary education levels.
- 35 (3) Utilizing and leveraging existing financial aid programs that include loan
36 forgiveness, private scholarships for entering a teacher education program,
37 incentives for teaching in high need districts, and increased funding for males
38 and educators of color who want to teach elementary education or lead in
39 elementary schools.
- 40 (4) Offering job placement support upon graduation.
- 41 (5) Providing induction support and beginning educator support.
- 42 (6) Creating residencies or fellowships.
- 43 (7) Providing comprehensive and substantive mentoring support.

44 **SECTION 7.13.(b)** Request for Proposal – By October 1, 2019, the State Board of
45 Education, in collaboration with the Office of the Governor, the University of North Carolina
46 System, and the North Carolina Community College System, shall issue a Request for Proposal
47 (RFP) for the grant program. Applicants shall submit their proposals by January 1, 2020. The
48 RFP shall require that proposals include the following information at a minimum:

- 49 (1) Description of the proposal.
- 50 (2) Evidence-based research that supports the proposal.
- 51 (3) Implementation plan.

(4) Plans for financial sustainability once grant money is no longer available.

SECTION 7.13.(c) Selection. – By March 1, 2020, a selection committee will select up to five grantees, making the effort to ensure that there is a diverse selection of postsecondary institutions and representation of rural and urban LEAs and charter schools while reaching the geographic areas and LEAs that are most in need.

SECTION 7.13.(d) Grants. – Any grants awarded may be spent over a five-year period from the initial award. Grants may be awarded for new or existing projects.

SECTION 7.13.(e) Reporting Requirements. – No later than September 1 of each year, grant recipients shall submit to the State Board of Education an annual report for the preceding grant year that describes the implementation of the program and must include qualitative and quantitative data around program effectiveness.

SECTION 7.13.(f) Evaluation and Reporting. – Of the funds appropriated by this act, the State Board of Education may use up to \$300,000 to contract with an independent research organization to evaluate the impact of this grant program. The independent research organization shall report the results of this evaluation to the Joint Legislative Education Oversight Committee, the Fiscal Research Division of the General Assembly, and the Office of State Budget and Management by October 1, 2024. The State Board shall report annually on the implementation of this grant program beginning on January 1, 2021.

SECTION 7.13.(g) Carryforward. – Funds unspent in each fiscal year shall not revert and shall be carried forward to implement this section.

TEACHER CADET PROGRAM

SECTION 7.14. Of the funds appropriated to the Department of Public Instruction by this act, the sum of three hundred thousand dollars (\$300,000) shall be made available as grant-in-aid to the North Carolina Foundation for Public School Children to expand the Teacher Cadet Program across the state.

TEACHER PROFESSIONAL DEVELOPMENT ALLOTMENT

SECTION 7.15. Of the funds appropriated in this act to the Department of Public Instruction, five million dollars (\$5,000,000) shall fund the new Teacher Professional Development Allotment. Funds shall be used by local administrative units and charter schools for teacher professional development. Funds shall be allotted to local administrative units based on average daily membership. The Department shall determine an appropriate minimum allotment.

EXPANDING OPPORTUNITIES FOR HIGH ACHIEVING STUDENTS GRANT PROGRAM

SECTION 7.16.(a) Purpose. – The State Board of Education shall establish a grant program to expand opportunities for the identification of high-achieving students from under-represented populations, such as low-income students, minority students, and English language learners, to be placed in Academically and Intellectually Gifted (AIG) classes and other opportunities for academically advanced students. Grants may include, but are not limited to, carrying out the following:

- (1) Screening of all students in schools or school districts for AIG and/or other advanced academic placement.
- (2) Enhanced instruction and experiential learning opportunities.
- (3) Teacher professional development focused on instruction to high-achieving students from under-represented populations.
- (4) Implementation of programs that increase access to post-secondary education.
- (5) Expanding access to AIG and advanced classes such as eighth grade Math I and Advanced Placement courses.

1 **SECTION 7.16.(b)** Request for Proposal. – By September 1, 2019, the State Board
 2 of Education shall issue a Request for Proposal (RFP) for the grant program. Local boards of
 3 education shall submit their proposals by November 1, 2019. The RFP shall require that proposals
 4 include the following information at a minimum:

- 5 (1) Description of the proposal, including the number of additional students from
 6 under-represented populations served.
- 7 (2) Evidence-based research that supports the proposal.
- 8 (3) Implementation plan.
- 9 (4) Plans for financial sustainability once grant money is no longer available.

10 **SECTION 7.16.(c)** Grant Awards. – By December 15, 2019, the State Board of
 11 Education shall review the proposals submitted by local boards of education and shall select up
 12 to 10 local school administrative units for grant awards. The State Board of Education may make
 13 grant awards for up to three years. A local school administrative unit may not receive more than
 14 five hundred thousand dollars (\$500,000) in a single fiscal year from this grant program.

15 **SECTION 7.16.(d)** Evaluation and Reporting. – Of the funds appropriated by this
 16 act, the State Board of Education may use up to three hundred thousand dollars (\$300,000) to
 17 contract with an independent research organization to evaluate the impact of this grant program.
 18 The independent research organization shall report the results of this evaluation to the Joint
 19 Legislative Education Oversight Committee, the Fiscal Research Division of the General
 20 Assembly, and the Office of State Budget and Management by September 1, 2022. The
 21 Department of Public Instruction shall report annually on the implementation of this grant
 22 program beginning on March 1, 2020.

23 **SECTION 7.16.(e)** Carryforward. – Funds unspent in the 2019-2020 fiscal year shall
 24 not revert and shall be carried forward to implement this section.

25
 26 **RESIDENTIAL SCHOOLS**

27 **SECTION 7.17.** From the funds appropriated in this act to the Department of Public
 28 Instruction, the State Board of Education shall allocate up to one million five hundred thousand
 29 dollars (\$1,500,000) each year of the biennium to the North Carolina School for the Deaf, Eastern
 30 North Carolina School for the Deaf, and Governor Morehead School. Each of the three residential
 31 schools shall receive five hundred thousand dollars (\$500,000). Funds may be used for
 32 hard-to-staff positions, equipment, maintenance and repairs, utilities, and position
 33 reclassification.

34
 35 **STATE PUBLIC SCHOOL FUND ENROLLMENT ADJUSTMENTS**

36 **SECTION 7.18.** The Department of Public Instruction shall work with the Office of
 37 State Budget and Management and the Fiscal Research Division to review and refine the
 38 methodology used to forecast Average Daily Membership growth and average salary-based
 39 adjustment requests. The Department of Public Instruction shall use the revised methodology to
 40 determine Average Daily Membership growth and average salary-based adjustment requests for
 41 FY 2020-2021.

42
 43 **PART VIII. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES**

44
 45 **TEACHER SALARY SCHEDULE**

46 **SECTION 8.1.(a)** The following monthly teacher salary schedule shall apply for the
 47 2019-2020 school year to licensed personnel of the public schools who are classified as teachers.
 48 The salary schedule is based on years of teaching experience.

49 **2019-2020 Teacher Monthly Salary Schedule**

50 Years of Experience	51 "A" Teachers
0	3,625

1	1	3,725
2	2	3,825
3	3	3,925
4	4	4,025
5	5	4,100
6	6	4,175
7	7	4,250
8	8	4,350
9	9	4,450
10	10	4,550
11	11	4,650
12	12	4,750
13	13	4,850
14	14	4,950
15	15	5,050
16	16	5,150
17	17	5,180
18	18	5,210
19	19	5,240
20	20	5,270
21	21	5,290
22	22	5,310
23	23	5,330
24	24	5,350
25	25	5,370
26	26	5,390
27	27	5,410
28	28	5,430
29	29	5,460
30	30+	5,500

SECTION 8.1.(b) The following monthly teacher salary schedule shall apply for the 2020-2021 school year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2020-2021 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	3,750
1	3,850
2	3,950
3	4,050
4	4,150
5	4,250
6	4,300
7	4,375
8	4,470
9	4,570
10	4,650
11	4,700
12	4,800
13	4,900
14	5,000
15	5,110

1	16	5,210
2	17	5,310
3	18	5,350
4	19	5,390
5	20	5,430
6	21	5,470
7	22	5,510
8	23	5,550
9	24	5,590
10	25	5,620
11	26	5,650
12	27	5,680
13	28	5,720
14	29	5,760
15	30+	5,800

SECTION 8.1.(c) Salary Supplements for Teachers Paid on the Teacher Monthly Salary Schedules for the 2019-2021 fiscal biennium –

- (1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.
- (2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (3) Licensed teachers with licensure 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 supplement provided to them as "M" teachers.
- (4) Licensed teachers with licensure 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 supplement provided to them as "M" teachers.
- (5) Certified school nurses shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.

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

SECTION 8.1.(e) For the 2019-2020 school year, the twenty-sixth step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the master's degree level or higher, and (iii) school audiologists who are licensed as audiologists at the master's degree level or higher shall be two and one half percent (2.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule. The twenty-seventh step of the salary schedule for these employees shall be two and three quarters percent (2.75%) higher than the salary received by these same employees on the twenty-sixth step of the salary schedule. Each subsequent step on the salary schedule shall be half of one percent (0.5%) higher than the salary of the prior step.

SECTION 8.1.(f) For the 2020-2021 school year, the twenty-sixth step of the salary schedule for (i) school psychologists, (ii) school speech pathologists who are licensed as speech

1 pathologists at the master's degree level or higher, and (iii) school audiologists who are licensed
2 as audiologists at the master's degree level or higher shall be two and one half percent (2.5%)
3 higher than the salary received by these same employees on the twenty-fifth step of the salary
4 schedule. The twenty-seventh step of the salary schedule for these employees shall be two percent
5 (2.0%) higher than the salary received by these same employees on the twenty-sixth step of the
6 salary schedule. Each subsequent step on the salary schedule shall be half of one percent (0.5%)
7 higher than the salary of the prior step.

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

11 **SECTION 8.1.(h)** A teacher compensated in accordance with the salary schedules
12 described in subsections (a) and (b) of this section shall receive an amount equal to the greater
13 of the following:

- 14 (1) The applicable amount on the salary schedule for the applicable school year.
- 15 (2) For teachers who were eligible for longevity for the 2013-2014 school year,
16 the sum of the following:
 - 17 a. The salary the teacher received in the 2013-2014 school year pursuant
18 to Section 35.11 of S.L. 2013-360.
 - 19 b. The longevity that the teacher would have received under the longevity
20 system in effect for the 2013-2014 school year provided in Section
21 35.11 of S.L. 2013-360 based on the teacher's current years of service.
 - 22 c. The annual bonus provided in Section 9.1.(e) of S.L. 2014-100.
 - 23 d. The annual bonus provided in Section 8.9 of S.L. 2018-5.
- 24 (3) For teachers who were not eligible for longevity for the 2013-2014 school
25 year, the sum of the salary and annual bonus the teacher received in the
26 2014-2015 school year pursuant to Section 9.1. of S.L. 2014-100 and the
27 annual bonus the teacher received in the 2018-2019 school year pursuant to
28 Section 8.9 of S.L. 2018-5.

29 **SECTION 8.1.(i)** As used in this section, the term "teacher" shall also include
30 instructional support personnel.

31 32 **RESTORE MASTERS PAY**

33 **SECTION 8.2.(a)** The following session laws are repealed:

- 34 (1) Section 8.22 of S.L. 2013-360.
- 35 (2) Section 8.3 of S.L. 2014-100.

36 **SECTION 8.2.(b)** Notwithstanding any other provision of law, only the following
37 teachers and instructional support personnel shall be paid on the "M" salary schedule or receive
38 a salary supplement for academic preparation at the six-year degree level or at the doctoral degree
39 level for the 2019-2020 school year and subsequent school years:

- 40 (1) Certified school nurses and instructional support personnel in positions for
41 which a master's degree is required for licensure.
- 42 (2) Teachers and instructional support personnel who were paid on the "M" salary
43 schedule or received that salary supplement prior to the 2014-2015 school
44 year.
- 45 (3) Teachers and instructional support personnel who (i) complete a degree at the
46 master's, six-year, or doctoral degree level for which they completed at least
47 one course prior to August 1, 2013, and (ii) would have qualified for the salary
48 supplement pursuant to State Board of Education policy, TCP-A-006, as it
49 was in effect on June 30, 2013.
- 50 (4) Teachers who do not qualify under subdivisions (1), (2), and (3) of this section
51 but who spend at least seventy percent (70%) of their time as follows:

- 1 a. For teachers, in classroom instruction related to their graduate
2 academic preparation in their field or subject area within their area of
3 licensure. Most of the teachers' remaining time shall be spent in one or
4 more of the following:
- 5 1. Mentoring teachers.
 - 6 2. Performing demonstration lessons for teachers.
 - 7 3. Writing curricula.
 - 8 4. Developing and leading staff development programs for
9 teachers
- 10 b. For instructional support personnel, performing work within the
11 employee's area of graduate academic preparation.

12 **SECTION 8.2.(c)** Beginning with the 2019-2020 fiscal year and in subsequent fiscal
13 years, for teachers who are paid on the "M" salary schedule under subdivision (4) of subsection
14 (b) of this act, determination of whether teachers shall be paid on the "M" salary schedule or
15 receive a salary supplement for academic preparation shall take place on an annual basis.
16 Teachers may be moved off the "M" salary schedule or discontinue receiving salary supplements
17 if they are not meeting the requirements of subdivision (4) of subsection (b) of this act in that
18 year.

19 **SECTION 8.2.(d)**. Unless an individual otherwise qualifies under subdivision (2) or
20 (3) of subsection (b) of this section, teachers and instructional support personnel who earn an
21 advanced degree in school administration shall not be paid on the "M" salary schedule or receive
22 a salary supplement for academic preparation.

23 **ELIMINATE REQUIREMENT THAT TEACHERS PAY FOR SUBSTITUTES**

24 **SECTION 8.3.** G.S. 115C-302.1 reads as rewritten:

25 "**§ 115C-302.1. Salary.**

26 ...

27
28 (d) Personal Leave. – Teachers earn personal leave at the rate of .20 days for each full
29 month of employment not to exceed two days per year. Personal leave may be accumulated
30 without any applicable maximum until June 30 of each year. A teacher may carry forward to July
31 1 a maximum of five days of personal leave; the remainder of the teacher's personal leave shall
32 be converted to sick leave on June 30. At the time of retirement, a teacher may also convert
33 accumulated personal leave to sick leave for creditable service towards retirement.

34 Personal leave may be used only upon the authorization of the teacher's immediate
35 supervisor. A teacher shall not take personal leave on the first day the teacher is required to report
36 for the school year, on a required teacher workday, on days scheduled for State testing, or on the
37 day before or the day after a holiday or scheduled vacation day, unless the request is approved
38 by the principal. On all other days, if the request is made at least five days in advance, the request
39 shall be automatically granted subject to the availability of a substitute teacher, and the teacher
40 cannot be required to provide a reason for the request. Teachers may transfer personal leave days
41 between local school administrative units. The local school administrative unit shall credit a
42 teacher who has separated from service and is reemployed within 60 months from the date of
43 separation with all personal leave accumulated at the time of separation. Local school
44 administrative units shall not advance personal leave. Teachers using personal leave ~~on teacher~~
45 ~~workdays shall receive full salary. Teachers using personal leave on other days shall receive full~~
46 ~~salary less the required substitute deduction. If, however, no substitute is hired for a teacher, the~~
47 ~~substitute reduction shall be refunded to that teacher.~~ shall receive full salary."

48 **PRINCIPAL BONUSES**

49 **SECTION 8.3A.(a)** The Department of Public Instruction shall administer a bonus
50 in the 2019-2021 fiscal biennium to any principal who supervised a school as a principal for a
51

majority of the previous school year if that school was in the top fifty percent (50%) of school growth in the State during the previous school year, calculated by the State Board pursuant to G.S. 115C-83.15(c), as follows:

2019-2021 Principal Bonus Schedule

Statewide Growth Percentage	Bonus
Top 5%	\$10,000
Top 10%	\$7,500
Top 15%	\$5,000
Top 20%	\$2,500
Top 50%	\$1,000.

For the 2019-2020 school year, a principal who qualifies for a bonus pursuant to this subsection and supervised a school with an overall school performance grade, as calculated by the State Board pursuant to G.S. 115C-83.15(d), of D or F for the 2017-2018 school year, provided the principal supervised the school for a majority of the 2018-2019 school year, shall qualify for a bonus of twice the amount listed in the 2019-2021 Principal Bonus Schedule.

For the 2020-2021 school year, a principal who qualifies for a bonus pursuant to this subsection and supervised a school with an overall school performance grade, as calculated by the State Board pursuant to G.S. 115C-83.15(d), of D or F for the 2018-2019 school year, provided the principal supervised the school for a majority of the 2019-2020 school year, shall qualify for a bonus of twice the amount listed in the 2019-2021 Principal Bonus Schedule.

A principal shall receive no more than one bonus per year pursuant to this subsection. The bonus shall be paid at the highest amount for which the principal qualifies.

SECTION 8.3A.(b) The bonus awarded pursuant to this section shall be in addition to any regular wage or other bonus the principal receives or is scheduled to receive.

SECTION 8.3A.(c) Notwithstanding G.S. 135-1(7a), the bonus awarded pursuant to this section is not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 8.3A.(d) The bonus awarded pursuant to this section does not apply to principals no longer employed as a principal due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to October 1.

SECTION 8.3A.(e) It is the intent of the General Assembly that funds provided to local school administrative units pursuant to this section will supplement principal compensation and not supplant local funds.

SECTION 8.3A.(f) The bonus provided pursuant to this section for the 2019-2020 fiscal year shall be paid no later than October 31, 2019, to qualifying principals employed as of October 1, 2019. The bonus provided pursuant to this section for the 2020-2021 fiscal year shall be paid no later than October 31, 2020, to qualifying principals employed as of October 1, 2020.

PRINCIPAL SALARY SCHEDULE

SECTION 8.4.(a) The following annual principal salary schedule is composed of two elements, the base schedule and the complementary schedule, described in subsection (c) of this section, and shall apply for the 2019-2020 fiscal year, beginning July 1, 2019. The first step of the base schedule is calculated using an annual rate of pay equivalent to 12 months of the monthly rate of pay for teachers on the eleventh step of the "A" salary schedule, plus twenty-four percent (24%).

2019-2020 Principal Annual Salary Schedule

Base Schedule

Years of Experience	Annual Salary
0	\$67,704
1	69,058
2	70,439

1	3	71,848
2	4	72,926
3	5	74,020
4	6	75,130
5	7	76,069
6	8	77,020
7	9	77,790
8	10	78,568
9	11	79,354
10	12	80,148
11	13	80,949
12	14	81,758
13	15	82,576
14	16	83,402
15	17	84,236
16	18	85,078
17	19	85,929
18	20+	86,788

SECTION 8.4.(b) The following annual principal salary schedule is composed of two elements, the base schedule and the complementary schedule, described in subsection (c) of this section, and shall apply for the 2020-2021 fiscal year, beginning July 1, 2020. The first step of the base schedule is calculated using an annual rate of pay equivalent to 12 months of the monthly rate of pay for teachers on the eleventh step of the "A" salary schedule, plus twenty-four percent (24%).

2020-2021 Principal Annual Salary Schedule

Base Schedule

Years of Experience	Annual Salary
0	\$69,192
1	70,576
2	71,988
3	73,428
4	74,529
5	75,647
6	76,782
7	77,742
8	78,714
9	79,501
10	80,296
11	81,099
12	81,910
13	82,729
14	83,556
15	84,392
16	85,236
17	86,088
18	86,949
19	87,818
20+	88,696

SECTION 8.4.(c) In addition to the base salary schedules described in subsections (a) and (b) of this section, principals shall receive additional compensation in each year of the biennium pursuant to the complementary schedule in this subsection.

Complementary Schedule

Avg. Daily Membership	Annual Supplement
0-400	\$0
401-700	\$1,000
701-1,000	\$2,500
1,001-1,300	\$4,000
1,300-1,800	\$5,500
1,800+	\$7,000

SECTION 8.4.(d) A principal's placement on the base salary schedule shall be determined by the principal's total number of years of experience as a principal and shall not include years spent as a teacher or assistant principal. A principal's placement on the complementary schedule shall be determined according to the prior year's average daily membership (ADM) of the school supervised by the principal regardless of who was principal of the school in the prior year.

SECTION 8.4.(e) Principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars (\$126.00) per month, and those at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per month.

SECTION 8.4.(f) Beginning with the 2017-2018 fiscal year, in lieu of providing annual longevity payments to principals paid on the principal salary schedule, the amounts of those longevity payments are included in the annual amounts under the principal salary schedule.

SECTION 8.4.(g) A principal compensated in accordance with this section for the 2019-2020 fiscal biennium shall receive an amount equal to the greater of the following:

- (1) The applicable amount on the salary schedule for the applicable school year.
- (2) For principals who were eligible for longevity in the 2016-2017 fiscal year, the sum of the following:
 - a. The salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.22 of S.L. 2016-94.
 - b. The longevity that the principal would have received as provided for State employees under the North Carolina Human Resources Act for the 2016-2017 fiscal year based on the principal's current years of service.
- (3) For principals who were not eligible for longevity in the 2016-2017 fiscal year, the salary the principal received in the 2016-2017 fiscal year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
- (4) For the 2019-2020 fiscal year only, the salary the principal received in the 2018-2019 fiscal year pursuant to Section 8.2 of S.L. 2018-5.

ASSISTANT PRINCIPAL SALARIES

SECTION 8.5.(a) For the 2019-2020 fiscal year, commencing July 1, 2019, assistant principals shall receive a monthly salary based on the 2019-2020 salary schedule for teachers who are classified as "A" teachers plus nineteen percent (19%). Years of experience for an assistant principal on the salary schedule shall be measured by the total number of years the assistant principal has spent as a teacher, an assistant principal, or both. For purposes of this section, an administrator with a one-year provisional assistant principal's certificate shall be considered equivalent to an assistant principal.

SECTION 8.5.(b) For the 2020-2021 fiscal year, commencing July 1, 2020, assistant principals shall receive a monthly salary based on the 2020-2021 salary schedule for teachers who are classified as "A" teachers plus nineteen percent (19%). Years of experience for an assistant principal on the salary schedule shall be measured by the total number of years the assistant principal has spent as a teacher, an assistant principal, or both. For purposes of this

1 section, an administrator with a one-year provisional assistant principal's certificate shall be
 2 considered equivalent to an assistant principal.

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

7 **SECTION 8.5.(d)** 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. The stipend shall not
 10 exceed the difference between the beginning salary of an assistant principal plus the cost of
 11 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
 12 including awards of the Principal Fellows Program. The Principal Fellows Program or the school
 13 of education where the intern participates in a full-time master's in-school administration
 14 program shall supply the Department of Public Instruction with certification of eligible full-time
 15 interns.

16 **SECTION 8.5.(e)** Beginning with the 2017-2018 fiscal year, in lieu of providing
 17 annual longevity payments to assistant principals on the assistant principal salary schedule, the
 18 amounts of those longevity payments are included in the monthly amounts provided to assistant
 19 principals pursuant subsection (a) of this section.

20 **SECTION 8.5.(f)** An assistant principal compensated in accordance with this section
 21 for the 2019-2021 fiscal biennium shall receive an amount equal to the greater of the following:

- 22 (1) The applicable amount on the salary schedule for the applicable school year.
- 23 (2) For assistant principals who were eligible for longevity in the 2016-2017 fiscal
 24 year, the sum of the following:
 - 25 a. The salary the assistant principal received in the 2016-2017 fiscal year
 26 pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.
 - 27 b. The longevity that the assistant principal would have received as
 28 provided for State employees under the North Carolina Human
 29 Resources Act for the 2016-2017 fiscal year based on the assistant
 30 principal's current years of service.
- 31 (3) For assistant principals who were not eligible for longevity in the 2016-2017
 32 fiscal year, the salary the assistant principal received in the 2016-2017 fiscal
 33 year pursuant to Section 9.1 or Section 9.2 of S.L. 2016-94.

34
 35 **CENTRAL OFFICE SALARIES**

36 **SECTION 8.6.(a)** The monthly salary ranges that follow apply to assistant
 37 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
 38 officers for the 2019-2020 fiscal year, beginning July 1, 2019:

	2019-2020 Fiscal Year		
	Minimum	to	Maximum
41 School Administrator I	\$3,638	to	\$6,730
42 School Administrator II	\$3,846	to	\$7,131
43 School Administrator III	\$4,072	to	\$7,558
44 School Administrator IV	\$4,228	to	\$7,853
45 School Administrator V	\$4,393	to	\$8,166
46 School Administrator VI	\$4,650	to	\$8,377
47 School Administrator VII	\$4,829	to	\$8,995.

48 The local board of education shall determine the appropriate category and placement
 49 for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or
 50 finance officer within the salary ranges and within funds appropriated by the General Assembly

1 for central office administrators and superintendents. The category in which an employee is
 2 placed shall be included in the contract of any employee.

3 **SECTION 8.6.(b)** The monthly salary ranges that follow apply to public school
 4 superintendents for the 2019-2020 fiscal year, beginning July 1, 2019:

5 **2019-2020 Fiscal Year**

	Minimum		Maximum
6 Superintendent I	\$5,116	to	\$9,535
7 Superintendent II	\$5,460	to	\$10,103
8 Superintendent III	\$5,783	to	\$10,709
9 Superintendent IV	\$6,131	to	\$11,353
10 Superintendent V	\$6,499	to	\$12,037.

11
 12 The local board of education shall determine the appropriate category and placement
 13 for the superintendent based on the average daily membership of the local school administrative
 14 unit and within funds appropriated by the General Assembly for central office administrators and
 15 superintendents.

16 **SECTION 8.6.(c)** The monthly salary ranges that follow apply to assistant
 17 superintendents, associate superintendents, directors/coordinators, supervisors, and finance
 18 officers for the 2020-2021 fiscal year, beginning July 1, 2020:

19 **2020-2021 Fiscal Year**

	Minimum		Maximum
20 School Administrator I	\$3,679	to	\$6,831
21 School Administrator II	\$3,887	to	\$7,238
22 School Administrator III	\$4,113	to	\$7,671
23 School Administrator IV	\$4,269	to	\$7,971
24 School Administrator V	\$4,434	to	\$8,288
25 School Administrator VI	\$4,691	to	\$8,502
26 School Administrator VII	\$4,870	to	\$9,130.

27
 28 The local board of education shall determine the appropriate category and placement
 29 for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or
 30 finance officer within the salary ranges and within funds appropriated by the General Assembly
 31 for central office administrators and superintendents. The category in which an employee is
 32 placed shall be included in the contract of any employee.

33 **SECTION 8.6.(d)** The monthly salary ranges that follow apply to public school
 34 superintendents for the 2020-2021 fiscal year, beginning July 1, 2020:

35 **2020-2021 Fiscal Year**

	Minimum		Maximum
36 Superintendent I	\$5,157	to	\$9,678
37 Superintendent II	\$5,542	to	\$10,255
38 Superintendent III	\$5,870	to	\$10,870
39 Superintendent IV	\$6,223	to	\$11,523
40 Superintendent V	\$6,597	to	\$12,217.

41
 42 The local board of education shall determine the appropriate category and placement
 43 for the superintendent based on the average daily membership of the local school administrative
 44 unit and within funds appropriated by the General Assembly for central office administrators and
 45 superintendents.

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

49 **SECTION 8.6.(f)** Superintendents, assistant superintendents, associate
 50 superintendents, directors/coordinators, supervisors, and finance officers with certification based
 51 on academic preparation at the six-year degree level shall receive a salary supplement of one

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

7 **SECTION 8.6.(g)** The State Board of Education shall not permit local school
8 administrative units to transfer State funds from other funding categories for salaries for public
9 school central office administrators.

10 **NONCERTIFIED PERSONNEL SALARIES**

11 **SECTION 8.7.(a)** For the 2019-2020 fiscal year, the annual salary for noncertified
12 public school employees whose salaries are supported from State funds shall be increased as
13 follows:
14

- 15 (1) For permanent, full-time employees on a 12-month contract, by the greater of
16 five hundred dollars (\$500) or one and one-half percent (1.5%).
- 17 (2) For the following employees, by a prorated and equitable amount based on the
18 amount specified in subdivision (1) of this subsection:
 - 19 a. Permanent, full-time employees on a contract for fewer than 12
20 months.
 - 21 b. Permanent, part-time employees.
 - 22 c. Temporary and permanent hourly employees.

23 **SECTION 8.7.(b)** In addition to the salary increases provided in subsection (a) of
24 this section the salaries of permanent, full-time employees on a 12-month contract shall be
25 increased by five hundred dollars (\$500). Salaries for permanent, full-time employees on a
26 contract for fewer than 12 months, permanent, part-time employees, and temporary and
27 permanent hourly employees shall be increased by five hundred dollars (\$500) on a prorated and
28 equitable basis.

29 **SECTION 8.7.(c)** For the 2020-2021 fiscal year, the annual salary for noncertified
30 public school employees whose salaries are supported from State funds shall be increased as
31 follows:

- 32 (1) For permanent, full-time employees on a 12-month contract, by the greater of
33 five hundred dollars (\$500) or one and one-half percent (1.5%).
- 34 (2) For the following employees, by a prorated and equitable amount based on the
35 amount specified in subdivision (1) of this subsection:
 - 36 a. Permanent, full-time employees on a contract for fewer than 12
37 months.
 - 38 b. Permanent, part-time employees.
 - 39 c. Temporary and permanent hourly employees.

40 **PART IX. COMMUNITY COLLEGES**

41 **NC JOB READY (WORKFORCE) – NC GETTING READY FOR OPPORTUNITIES IN** 42 **THE WORKFORCE (NC GROW) SCHOLARSHIPS**

43 **SECTION 9.1.(a)** There is established the North Carolina Getting Ready for
44 Opportunities in the Workforce (NC GROW) Scholarship Program to be administered by the
45 North Carolina State Education Assistance Authority (SEAA) in collaboration with the State
46 Board of Community Colleges. The Program is funded by allocations from the NC Job Ready
47 Fund as directed in G.S. 93-6.3.

48 **SECTION 9.1.(b)** The State Board of Community Colleges, in collaboration with
49 the Department of Commerce, shall determine the eligible programs of study for the NC GROW
50
51

1 Scholarships. The eligible programs of study shall include programs in Architecture and
2 Construction, Health Sciences, Information Technology, Electrical Line Worker, and
3 Manufacturing programs, and may include other programs to meet local workforce needs.

4 **SECTION 9.1.(c)** The North Carolina Community College System shall contract
5 with SEAA to administer awards under the NC GROW Scholarship Program. SEAA is
6 authorized to administer this program consistent with the manner in which it administers grants
7 to community college students qualifying for the Scholarships for Needy Students under Article
8 35A of Chapter 115C of the General Statutes and the Need-Based Assistance Program under
9 G.S. 115D-40.1, so that no qualifying North Carolina student incurs costs of tuition and selected
10 fees to attend a community college. Of the funds appropriated in fiscal year 2020-2021, up to
11 five hundred thousand dollars (\$500,000) may be used for program administration and outreach
12 to encourage students to pursue coursework in the selected programs of study.

13 **SECTION 9.1.(d)** The State Board of Community Colleges shall establish criteria
14 for initial and continuing eligibility to participate in the NC GROW Scholarship Program. At a
15 minimum, the criteria shall require an eligible student to:

- 16 (1) Be a legal resident of North Carolina for tuition purposes.
- 17 (2) Be enrolled in an eligible program of study in areas of high, in-demand
18 training.
- 19 (3) Have unmet financial need for tuition and selected fees remaining after
20 exhausting eligibility for federal and other State-funded financial aid.
- 21 (4) Maintain a 2.0 or higher grade-point average to remain eligible for this
22 assistance in future years.
- 23 (5) Maintain satisfactory academic progress, as determined by the community
24 college.

25 **SECTION 9.1.(e)** The North Carolina Community College System and SEAA shall
26 report annually on:

- 27 (1) The number of students receiving awards.
- 28 (2) The average award per recipient.
- 29 (3) The enrollment (by headcount and FTE) in each selected program of study.
- 30 (4) The number of graduates produced in each selected program of study.
- 31 (5) The graduation rate of students receiving a scholarship grant under this
32 program.

33 34 **NC JOB READY (WORKFORCE) – NC GROW FINANCIAL AID FOR STUDENTS** 35 **SEEKING INDUSTRY CREDENTIALS**

36 **SECTION 9.2.(a)** There is established the North Carolina Getting Ready for
37 Opportunities in the Workforce (NC GROW) Financial Aid for Students Seeking Industry
38 Credentials Program to be administered by the State Board of Community Colleges. The Program
39 is funded by allocations from the NC Job Ready Fund as directed in G.S. 93-6.3.

40 **SECTION 9.2.(b)** The State Board of Community Colleges, in collaboration with
41 the Department of Commerce, shall determine the eligible programs of study for the NC GROW
42 Financial Aid for Students Seeking Industry Credentials Program. The eligible programs of study
43 shall include programs in Architecture and Construction, Health Sciences, Information
44 Technology, Electrical Line Worker, and Manufacturing programs, and may include other
45 programs to meet local workforce needs.

46 **SECTION 9.2.(c)** Of funds appropriated in this act for the NC GROW Financial Aid
47 for Students Seeking Industry Credentials Program, the State Board of Community Colleges shall
48 determine the allocation of awards to students pursuing short-term, noncredit State and industry
49 workforce credentials. The State Board of Community Colleges, in collaboration with the
50 Department of Commerce, shall determine the eligible programs of study for this financial
51 assistance. The eligible programs of study shall include programs in Architecture and

1 Construction, Health Sciences, Information Technology, Electrical Line Worker, and
 2 Manufacturing programs, and may include other programs to meet local workforce needs. These
 3 funds shall be used to assist students with any education-related costs incurred while in pursuit
 4 of these credentials.

5 **SECTION 9.2.(d)** For fiscal year 2019-2020, from funds appropriated for the NC
 6 GROW Financial Aid for Students Seeking Industry Credentials Program, up to two hundred
 7 thousand (\$500,000) dollars may be used may be used to administer this program and the NC
 8 GROW Scholarships program administered by SEAA, as well as for outreach to encourage
 9 students to pursue coursework in the selected programs of study. For the 2020-2021 fiscal year
 10 on, from funds appropriated for the NC GROW Financial Aid for Students Seeking Industry
 11 Credentials Program, up to two hundred thousand (\$200,000) dollars may be used to administer
 12 this program to market the financial assistance to prospective recipients.

13 **NC CAREER COACH PROGRAM/CHANGES TO LOCAL MATCH REQUIREMENTS**

14 **SECTION 9.3.** G.S. 115D-21.5(c)(2) reads as rewritten:

15 "(2) Application submission requirements. – The State Board of Community
 16 Colleges shall require at least the following:

- 17 a. Evidence of a signed memorandum of understanding that meets, at a
 18 minimum, the requirements of this section.
 19 b. ~~Evidence that the funding request will be matched dollar for dollar~~
 20 ~~with local funds. For applications from a development tier three area~~
 21 ~~as defined in G.S. 143B-437.08, evidence that the funding request will~~
 22 ~~be matched at least fifty percent (50%) with local funds. For~~
 23 ~~applications from a development tier two area as defined in~~
 24 ~~G.S. 143B-437.08, evidence that the funding request will be matched~~
 25 ~~at least twenty-five percent (25%) with local funds. Matching funds~~
 26 ~~may come from public or private sources. Applications from a~~
 27 ~~development tier one area as defined in G.S. 143B-437.08 are not~~
 28 ~~required to provide a local match."~~
 29
 30

31 **INSTRUCTION IN JAILS/REPORTING FULL-TIME EQUIVALENT (FTE)** 32 **ENROLLMENT FOR CORRECTIONAL INSTITUTIONS**

33 **SECTION 9.4.(a)** Section 8.3(b) of S.L. 2010-31 reads as rewritten:

34 "**SECTION 8.3.(b)** Courses in federal prisons ~~or local jails~~ shall not earn regular budget
 35 full-time equivalents, but may be offered on a self-supporting basis."

36 **SECTION 9.4.(b).** G.S. 115D-5(c1) reads as rewritten:

37 "(c1) Community colleges shall report full-time equivalent (FTE) student hours for
 38 correction education programs on the basis of ~~contact hours rather than student membership~~
 39 ~~hours. student membership hours.~~ No community college shall operate a multi-entry/multi-exit
 40 class or program in a prison facility, except for a literacy class or program.

41 The State Board shall work with the Division of Adult Correction and Juvenile Justice of the
 42 Department of Public Safety on offering classes and programs that match the average length of
 43 stay of an inmate in a prison facility."
 44

45 **CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

46 **SECTION 9.5.** Of the funds appropriated to the Community Colleges System Office
 47 for the 2019-2021 fiscal biennium for the College Information System, up to one million two
 48 hundred fifty thousand dollars (\$1,250,000) shall not revert at the end of each fiscal year but shall
 49 remain available until expended. These funds may be used only to purchase periodic system
 50 upgrades and modernize the North Carolina Community College System's enterprise resource
 51 planning (ERP) system.

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 9.6.(a) G.S. 115D-3 reads as rewritten:

"§ 115D-3. Community Colleges System Office; staff.

The Community Colleges System Office shall be a principal administrative department of State government under the direction of the State Board of Community Colleges, and shall be separate from the free public school system of the State, the State Board of Education, and the Department of Public Instruction. The State Board has authority to adopt and administer all policies, regulations, and standards which it deems necessary for the operation of the System Office.

The State Board shall elect a President of the North Carolina System of Community Colleges who shall serve as chief administrative officer of the Community Colleges System Office. The compensation of this position shall be fixed by the State Board from funds provided by the General Assembly in the Current Operations Appropriations Act. Notwithstanding any other provision of law and consistent with this authority, the President of the North Carolina Community College System may reorganize the System Office in accordance with recommendations and plans submitted to and approved by the State Board of Community Colleges."

SECTION 9.6.(b) By April 1, 2020, and annually thereafter, the President of the North Carolina Community Colleges shall report any reorganization, including any movement of positions and funds between fund codes on a recurring basis, to the Joint Legislative Education Oversight Committee, the House Appropriations Committee on Education, the Senate Appropriations Committee on Education/Higher Education, and the Fiscal Research Division.

PART X. UNIVERSITIES**UNC/ESCHEATS FUND FOR STUDENT FINANCIAL AID PROGRAMS**

SECTION 10.1.(a) The funds appropriated by this act from the Escheat Fund for the 2019-2021 fiscal biennium for student financial aid shall be allocated in accordance with G.S. 116B-7. Notwithstanding any other provision of Chapter 116B of the General Statutes, if the interest income generated from the Escheat Fund is less than the amounts referenced in this act, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this act; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by this act for student financial aid remain uncommitted aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 10.1.(b) The State Education Assistance Authority (SEAA) shall conduct periodic evaluations of expenditures of the student financial aid programs administered by SEAA to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. The SEAA may make recommendations for redistribution of funds to the President of The University of North Carolina and the President of the Community College System regarding their respective student financial aid programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

FINISH LINE GRANTS

SECTION 10.2.(a) The State Board of Community Colleges, the Board of Governors of The University of North Carolina, and the President of The North Carolina Independent Colleges and Universities shall develop program guidelines and shall determine the allocation of funds appropriated in this act for the student Finish Line Grants for their respective

1 systems. Funding for Finish Line Grants in each system is supported by the NC Job Ready Fund
2 via allocations directed in G.S. 93-6.3.

3 **SECTION 10.2.(b)** Students may receive grants of up to one thousand dollars
4 (\$1,000) per academic year for documented financial emergencies that threaten their ability to
5 remain enrolled to complete their program of study. To be eligible to receive an award, students
6 must be North Carolina residents, have a minimum cumulative grade point average of 2.0, and
7 must be within 30 credit hours of earning an associate degree or a four-year degree.

8 **SECTION 10.2.(c)** The State Board of Community Colleges, the Board of
9 Governors of The University of North Carolina, and the President of The North Carolina
10 Independent Colleges and Universities shall report to the Joint Legislative Education Oversight
11 Committee by October 1, 2020 and annually thereafter on:

- 12 (1) The number of applicants.
- 13 (2) The number and types of emergency cited by applicants.
- 14 (3) The number of students receiving awards.
- 15 (4) The average award per recipient.
- 16 (5) The number of recipients who have completed a degree within one year of
17 receiving aid.

18 **SUMMER SCHOLARSHIPS FOR STUDENT SUCCESS**

19 **SECTION 10.3.(a)** The State Board of Community Colleges and the Board of
20 Governors of The University of North Carolina shall work with the North Carolina State
21 Education Assistance Authority (SEAA) to develop program guidelines and determine the
22 allocation of funds appropriated in this act for the Summer Scholarships for Student Success for
23 their respective systems. SEAA will disburse funding for summer scholarships to institutions in
24 each system based upon guidance from the governing boards and presidents of each system. Of
25 the funds appropriated for this purpose, up to one hundred and fifty thousand dollars (\$150,000)
26 may be used for program administration.

27 **SECTION 10.3.(b)** Students may receive grants of up to one thousand dollars
28 (\$1,000) per academic year for costs associated with summer term enrollments. To be eligible to
29 receive an award, students must be North Carolina residents and have a minimum cumulative
30 grade point average of 2.0. Grants shall be targeted to students in order to accelerate their path to
31 timely completion or enable them to remain on track to graduate. The State Board of Community
32 Colleges and the Board of Governors of The University of North Carolina shall develop
33 additional program guidelines not inconsistent with these requirements.

34 **SECTION 10.3.(c)** The State Board of Community Colleges and the Board of
35 Governors of The University of North Carolina shall report to the Joint Legislative Education
36 Oversight Committee by October 1, 2020 and annually thereafter on:

- 37 (1) The number of applicants.
- 38 (2) The number of students receiving awards.
- 39 (3) The average award per recipient.
- 40 (4) The impact of awards on student degree completion rates, including the
41 amount of time for recipients to complete degrees relative to a peer group that
42 did not receive awards.

43 **OVERREALIZED RECEIPTS FOR CERTAIN BUDGET CODES**

44 **SECTION 10.4.** G.S. 116-30.3A reads as rewritten:

45 **"§ 116-30.3A. Availability of excess receipts.**

46 Notwithstanding the provisions of Chapter 143C of the General Statutes, receipts within The
47 University of North Carolina realized in excess of budgeted levels shall be available, up to a
48 maximum of ten percent (10%) above budgeted levels, for each Budget Code, in addition to
49 appropriations to support the operations generating the receipts as approved by the Director of
50
51

1 the ~~Budget.~~ Budget, except that Budget Codes for The UNC System Office, Agricultural
 2 Extension, Agricultural Research, and NC School of Science and Mathematics shall not be
 3 subject to the ten percent (10%) maximum. Notwithstanding the provisions of Chapter 143C of
 4 the General Statutes, receipts within The University of North Carolina Health Care System
 5 realized in excess of budgeted levels shall be available above budgeted levels, for each Budget
 6 Code, in addition to appropriations to support the operations generating the receipts as approved
 7 by the Director of the Budget."
 8

9 **UNC CARRYFORWARD INCREASE/MUST BE USED FOR REPAIRS AND**
 10 **RENOVATIONS**

11 **SECTION 10.5.(a)** G.S. 116-30.3 reads as rewritten:

12 **"§ 116-30.3. Reversions.**

13 (a) Of the General Fund current operations appropriations credit balance remaining at the
 14 end of each fiscal year in each of the budget codes listed in this subsection, any amount of the
 15 General Fund appropriation for that budget code for that fiscal year (i) may be carried forward
 16 to the next fiscal year in that budget code, (ii) is appropriated in that budget code, and (iii) may
 17 be used for any of the purposes set out in subsection (f) of this section. However, the amount
 18 carried forward in each budget code under this subsection shall not exceed ~~two and one-half~~
 19 ~~percent (2.5%)~~ seven and one-half percent (7.5%) of the General Fund appropriation in that
 20 budget code. The Director of the Budget, under the authority set forth in G.S. 143C-6-2, shall
 21 establish the General Fund current operations credit balance remaining in each budget code.

22 The budget codes that may carry forward a General Fund current operations appropriations
 23 credit balance remaining at the end of each fiscal year pursuant to this section are the budget
 24 codes for each of the following:

25 ...

26 (f) ~~Funds~~ Of the funds carried forward pursuant to subsection (a) of this ~~section~~ section,
 27 up to two and one-half percent (2.5%) of the General Fund appropriation in the budget code may
 28 be used for one-time expenditures, provided, however, that the expenditures shall not impose
 29 additional financial obligations on the State and shall not be used to support positions. Funds
 30 carried forward in excess of two and one-half percent (2.5%) of the General Fund appropriation
 31 in that budget code shall be used only for projects that are eligible to receive funds from the
 32 Repairs and Renovations Reserve under G.S. 143C-4-3(b)."

33 **SECTION 10.5.(b)** This section is effective June 30, 2019 for budget codes 16060
 34 (University of North Carolina at Wilmington), 16082 (University of North Carolina at
 35 Pembroke), and 16088 (Fayetteville State University). This section is effective July 1, 2019 for
 36 all other applicable budget codes.
 37

38 **WAIVE TUITION FOR DEPENDENTS OF FALLEN CORRECTIONAL OFFICERS**

39 **SECTION 10.6.(a)** G.S. 115B-1 reads as rewritten:

40 **"§ 115B-1. Definitions.**

41 The following definitions apply in this Chapter:

42 ...

- 43 (4) Permanently and totally disabled as a direct result of a traumatic injury
 44 sustained in the line of duty. – A person: (i) who as a law enforcement officer,
 45 firefighter, volunteer firefighter, ~~or~~ rescue squad worker ~~worker,~~ or
 46 correctional officer suffered a disabling injury while in active service or
 47 training for active service, (ii) who at the time of active service or training was
 48 a North Carolina resident, and (iii) who has been determined to be
 49 permanently and totally disabled for compensation purposes by the North
 50 Carolina Industrial Commission.

51 ...

- (6) Survivor. – Any person whose parent, legal guardian, legal custodian, or spouse: (i) was a law enforcement officer, a firefighter, a volunteer firefighter, or a rescue squad worker, or a correctional officer, (ii) was killed while in active service or training for active service or died as a result of a service-connected disability, and (iii) at the time of active service or training was a North Carolina resident. The term does not include the widow or widower of a law enforcement officer, firefighter, volunteer firefighter, ~~or a rescue squad worker~~ worker, or a correctional officer if the widow or widower has remarried.

...."

SECTION 10.6.(b) G.S. 115B-2(a) reads as rewritten:

"(a) The constituent institutions of The University of North Carolina and the community colleges as defined in G.S. 115D-2(2) shall permit the following persons to attend classes for credit or noncredit purposes without the required payment of tuition:

- (1) Repealed by Session Laws 2009-451, s. 8.11(a), effective July 1, 2009.
- (2) Any person who is the survivor of a law enforcement officer, firefighter, volunteer firefighter, ~~or rescue squad worker~~ worker, or correctional officer killed as a direct result of a traumatic injury sustained in the line of duty.
- (3) The spouse of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad ~~worker~~ worker, or correctional officer who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.
- (4) Any child, if the child is at least 17 years old but not yet 24 years old, whose parent, legal guardian, or legal custodian is a law enforcement officer, firefighter, volunteer firefighter, ~~or rescue squad worker~~ worker, or correctional officer who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. However, a child's eligibility for a waiver of tuition under this Chapter shall not exceed: (i) 54 months, if the child is seeking a baccalaureate degree, or (ii) if the child is not seeking a baccalaureate degree, the number of months required to complete the educational program to which the child is applying.
- (5) Any child, if the child (i) is at least 17 years old but not yet 24 years old, (ii) is a ward of North Carolina or was a ward of the State at the time the child reached the age of 18, (iii) is a resident of the State; and (iv) is eligible for services under the Chaffee Education and Training Vouchers Program; but the waiver shall only be to the extent that there is any tuition still payable after receipt of other financial aid received by the student.
- (6) Any child enrolled in a regional school established pursuant to Part 10 of Article 16 of Chapter 115C of the General Statutes who enrolls in classes at a constituent institution or community college which has a written agreement with the regional school."

SECTION 10.6.(c) G.S. 115B-5(b) reads as rewritten:

"(b) The officials of the institutions charged with administration of this Chapter shall require the following proof to insure that a person applying to the institution and who requests a tuition waiver under G.S. 115B-2(a)(2), (3), or (4) is eligible for the benefits provided by this Chapter.

- (1) The parent-child relationship shall be verified by a birth certificate, legal adoption papers, or other documentary evidence deemed appropriate by the institution.
- (1a) The legal guardian-child relationship shall be verified by an order from a court proceeding that established the legal guardianship.

- 1 (1b) The legal custodian-child relationship shall be verified by an order from a
 2 court proceeding that established the legal custodianship.
- 3 (2) The marital relationship shall be verified by a marriage certificate or other
 4 documentary evidence deemed appropriate by the institution.
- 5 (3) The cause of death of the law enforcement officer, firefighter, volunteer
 6 firefighter, ~~or rescue squad worker~~ ~~worker~~, or correctional officer shall be
 7 verified by certification from the records of the Department of State Treasurer,
 8 the appropriate city or county law enforcement agency that employed the
 9 deceased, the administrative agency for the fire department or fire protection
 10 district recognized for funding under the Department of State Auditor, or the
 11 administrative agency having jurisdiction over any paid firefighters of all
 12 counties and cities.
- 13 (4) The permanent and total disability shall be verified by documentation deemed
 14 necessary by the institution from the North Carolina Industrial Commission."
 15

16 FUTURE TEACHERS OF NORTH CAROLINA PROGRAM MODIFICATIONS

17 SECTION 10.8.(a) G.S. 116-41.30(b) reads as rewritten:

18 "(b) Program. – FTNC shall be a ~~program providing professional development and~~
 19 ~~curricula for courses that provide~~ selective, application-based symposium for high school juniors
 20 and seniors, offering a challenging introduction to teaching as a profession for high school
 21 students through courses offered by participating high schools in conjunction with college
 22 partners. profession. FTNC courses shall include both content on pedagogy and the profession
 23 of teaching and field experiences for high school students. provide instruction on pedagogy,
 24 ethics and professionalism, child development, successful teaching strategies and classroom
 25 management practices, effective lesson planning, assessment and intervention, and requirements
 26 of teacher licensure. The symposium should provide practical benefit to participating students,
 27 which may include interaction with current educators, administrators, and educator preparation
 28 faculty members, a simulated student teaching experience, and information about financial aid
 29 and scholarship opportunities."

30 SECTION 10.8.(b) G.S. 116-41.31 reads as rewritten:

31 "§ 116-41.31. Oversight of Future Teachers of North Carolina.

32 (a) FTNC General Administration. – FTNC shall be administratively located in The
 33 University of North Carolina System Office. ~~The President shall select three constituent~~
 34 ~~institutions with highly successful schools of education located in the western, central, and~~
 35 ~~eastern regions of the State, respectively, to collaborate on development of curricula for FTNC~~
 36 ~~and to provide professional development to high school teachers who will teach FTNC courses.~~
 37 ~~The three constituent institutions shall also work with other constituent institutions and other~~
 38 ~~institutions of higher education in the State to seek input in the development of curricula and~~
 39 ~~professional development for FTNC and to create a network of college faculty to provide support~~
 40 ~~to high schools offering FTNC courses.~~

41 (b) FTNC Site Applications. — ~~All high schools in the State are encouraged to offer FTNC~~
 42 ~~courses to students. A high school shall apply to offer FTNC courses with the geographically~~
 43 ~~appropriate constituent institution overseeing FTNC and shall ensure that all teachers teaching~~
 44 ~~FTNC courses have received appropriate training. High schools shall also seek a partner~~
 45 ~~institution of higher education to provide support from college faculty. High schools participating~~
 46 ~~in the FTNC program shall report demographic, survey, and other available outcome data to The~~
 47 ~~University of North Carolina System Office as necessary for completion of the FTNC annual~~
 48 ~~report required by G.S. 116-41.32.~~ The President shall establish a Future Teachers Advisory
 49 Council to oversee the FTNC program. At the President's discretion, the council shall coordinate
 50 with UNC constituent institutions to utilize expertise from administrators, faculty, and staff
 51 members in designing the agenda and instructional content for the FTNC Symposium. The Future

1 Teachers Advisory Council shall ensure diverse representation of the educator preparation
 2 programs represented at the Symposium. The Council shall also be responsible for creating an
 3 application process for interested high school students, reviewing submitted applications,
 4 selecting students to attend, and implementing recruitment and outreach efforts.

5 ~~(e) FTNC Institution of Higher Education Partners. — Constituent institutions that partner~~
 6 ~~with high schools shall offer dual credit for high school students who successfully complete the~~
 7 ~~FTNC course with a grade of "B" or higher. Other institutions of higher education that partner~~
 8 ~~with high schools are encouraged to offer dual credit for high school students who successfully~~
 9 ~~complete the FTNC course with a grade of "B" or higher. Constituent institutions shall provide~~
 10 ~~annually to The University of North Carolina System Office data on students who have received~~
 11 ~~dual credit for completion of an FTNC course and students who applied for admission into an~~
 12 ~~educator preparation program at a constituent institution who indicated in the application for~~
 13 ~~admission that the student completed an FTNC course. Other institutions of higher education are~~
 14 ~~encouraged to provide annually to The University of North Carolina System Office data on~~
 15 ~~students who have received dual credit for completion of an FTNC course and students who~~
 16 ~~applied for admission into an educator preparation program at the institution of higher education~~
 17 ~~who indicated in the application for admission that the student completed an FTNC course."~~

18 **SECTION 10.8.(c) G.S. 116-41.32 reads as rewritten:**

19 **"§ 116-41.32. Future Teachers of North Carolina reporting.**

20 The University of North Carolina System Office shall report annually, beginning October 15,
 21 2019, on the following:

- 22 (1) ~~Total number and names of local school administrative units with high schools~~
 23 ~~participating in FTNC, total number and names of high schools offering~~
 24 ~~FTNC, partner institution of higher education for each high school, and~~
 25 ~~number of sections of the course being offered at each high school.~~
 26 (2) ~~Demographic information of students enrolled in FTNC courses.~~
 27 (3) ~~Percentage of students who, after completing the course, reported the~~
 28 ~~following:~~
 29 a. ~~The student plans to choose teaching as a profession.~~
 30 b. ~~The course was very or somewhat effective in helping the student~~
 31 ~~formulate a positive perception of the education profession.~~
 32 e. ~~The coursework and activities increased the student's knowledge of the~~
 33 ~~teaching profession and other careers in education.~~
 34 d. ~~The field experience helped the student understand the many factors~~
 35 ~~that contribute to effective teaching.~~
 36 (4) ~~Percentage of students who completed an FTNC course who received dual~~
 37 ~~credit for successful completion of the course, by institution.~~
 38 (5) ~~Percentage of students who completed an FTNC course who applied for~~
 39 ~~admission into an educator preparation program, by institution.~~
 40 (6) ~~Number of teachers provided professional development for FTNC.~~
 41 (1) Number of students who submitted an application to attend the symposium.
 42 (2) Number of students attending symposium, including distribution by region.
 43 (3) List of high schools and LEAs represented by participating students.
 44 (4) Demographic information of students attending symposium.
 45 (5) Description of event agendas and content.
 46 (6) Percentage of students who, after attending the FTNC symposium, report the
 47 following:
 48 a. The student plans to choose teaching as a profession.
 49 b. The student plans to enroll in a community college, a UNC institution,
 50 in in-State private institution, or an out-of-state institution.

- 1 c. The symposium increased the student's knowledge of the teaching
 2 profession and other careers in education.
 3 d. The symposium was very or somewhat effective in helping the student
 4 formulate a positive perception of the education profession."
 5

6 **SUBPART X-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY**
 7

8 **NORTH CAROLINA TEACHING FELLOWS**

9 **SECTION 10A.1.(a)** G.S. 116-209.60 reads as rewritten:

10 **"§ 116-209.60. Definitions.**

11 The following definitions apply in this Part:

- 12 (1) Commission. – The North Carolina Teaching Fellows Commission.
 13 (2) Director. – The Director of the North Carolina Teaching Fellows Program.
 14 (3) Forgivable loan. – A forgivable loan made under the Program.
 15 (4) Program. – The North Carolina Teaching Fellows Program.
 16 (5) Public school. – An elementary or secondary school located in North Carolina
 17 that is governed by a local board of education, charter school board of
 18 directors, regional school board of directors, or University of North Carolina
 19 laboratory school board of trustees.
 20 (6) ~~STEM. — Science, technology, engineering, and mathematics.~~
 21 (7) Trust Fund. – The North Carolina Teaching Fellows Program Trust Fund."

22 **SECTION 10A.1.(b)** G.S. 116-209.62 reads as rewritten:

23 **"§ 116-209.62. North Carolina Teaching Fellows Program established; administration.**

24 (a) Program. – There is established the North Carolina Teaching Fellows Program to be
 25 administered by the System Office of The University of North Carolina, in conjunction with the
 26 Authority and the Commission. The purpose of the Program is to recruit, prepare, and support
 27 students residing in or attending institutions of higher education located in North Carolina for
 28 preparation as highly effective ~~STEM or special education~~ teachers in the State's public schools.
 29 The Program shall be used to provide a forgivable loan to individuals interested in preparing to
 30 teach in the public schools of the ~~State in STEM or special education licensure areas.~~ State.

31 (b) Trust Fund. – There is established the North Carolina Teaching Fellows Program
 32 Trust Fund to be administered by the Authority, in conjunction with the System Office of The
 33 University of North Carolina. All funds (i) appropriated to, or otherwise received by, the Program
 34 for forgivable loans and other Program purposes, (ii) received as repayment of forgivable loans,
 35 and (iii) earned as interest on these funds shall be placed in the Trust Fund. The purpose of the
 36 Trust Fund is to provide financial assistance to qualified students for completion of teacher
 37 education and licensure programs to fill ~~STEM or special education licensure areas~~ teaching
 38 positions in the public schools of the State.

39 ...

40 (d) Director of the Program. – The Board of Governors of The University of North
 41 Carolina shall appoint a Director of the Program. The Director shall appoint staff to the
 42 Commission and shall be responsible for recruitment and coordination of the Program, including
 43 proactive, aggressive, and strategic recruitment of potential recipients. Recruitment activities
 44 shall include (i) targeting regions of the State with the highest teacher attrition rates and teacher
 45 recruitment ~~challenges, challenges~~ and (ii) actively engaging with educators, business leaders,
 46 experts in human resources, elected officials, and other community leaders throughout the ~~State,~~
 47 and (iii) ~~attracting candidates in STEM and special education licensure areas to the Program.~~
 48 State. The Director shall report to the President of The University of North Carolina. The
 49 Authority shall provide office space and clerical support staff, as necessary, to the Director for
 50 the Program.

1 (e) Student Selection Criteria for Forgivable Loans. – The Commission shall adopt
2 stringent standards for awarding forgivable loans based on multiple measures to ensure that only
3 the strongest applicants receive them, including the following:

- 4 (1) Grade point averages.
- 5 (2) Performance on relevant career and college readiness assessments.
- 6 (3) Experience, accomplishments, and other criteria demonstrating qualities
7 positively correlated with highly effective teachers, including excellent verbal
8 and communication skills.
- 9 (4) Demonstrated commitment to serve in a ~~STEM or special education licensure~~
10 ~~area~~ in North Carolina public schools.

11 (f) Program Selection Criteria. – The Authority shall administer the Program in
12 cooperation with ~~five institutions~~ any institution of higher education with ~~approved~~ a State Board
13 of Education ~~approved~~ educator preparation ~~programs~~ program selected by the Commission that
14 represent both postsecondary constituent institutions of The University of North Carolina and
15 private postsecondary institutions operating in the State. ~~The Commission shall adopt stringent~~
16 ~~standards for selection of the most effective educator preparation programs, including the~~
17 ~~following:~~

- 18 (1) ~~Demonstrates high rates of educator effectiveness on value added models and~~
19 ~~teacher evaluations, including using performance-based, subject-specific~~
20 ~~assessment and support systems, such as edTPA or other metrics of evaluating~~
21 ~~candidate effectiveness that have predictive validity.~~
- 22 (2) ~~Demonstrates measurable impact of prior graduates on student learning,~~
23 ~~including impact of graduates teaching in STEM or special education~~
24 ~~licensure areas.~~
- 25 (3) ~~Demonstrates high rates of graduates passing exams required for teacher~~
26 ~~licensure.~~
- 27 (4) ~~Provides curricular and co-curricular enhancements in leadership, facilitates~~
28 ~~learning for diverse learners, and promotes community engagement,~~
29 ~~classroom management, and reflection and assessment.~~
- 30 (5) ~~Requires at least a minor concentration of study in the subject area that the~~
31 ~~candidate may teach.~~
- 32 (6) ~~Provides early and frequent internship or practical experiences, including the~~
33 ~~opportunity for participants to perform practicums in diverse school~~
34 ~~environments.~~
- 35 (7) ~~Is approved by the State Board of Education as an educator preparation~~
36 ~~program.~~

37 (g) Awards of Forgivable Loans. – The Program shall provide forgivable loans to selected
38 students to be used at the five selected institutions for completion of a program leading to initial
39 teacher licensure as follows:

40 ...

41 (h) ~~Identification of STEM and Special Education Licensure Areas.~~ – The Superintendent
42 ~~of Public Instruction shall identify and provide to the Commission and the Authority a list of~~
43 ~~STEM and special education licensure areas and shall annually provide to the Commission the~~
44 ~~number of available positions in each licensure area relative to the number of current and~~
45 ~~anticipated teachers in that area of licensure. The Commission shall make the list of STEM and~~
46 ~~special education licensure areas readily available to applicants.~~

47 ...

48 (j) Annual Report. – The Commission, in coordination with the Authority, the
49 Department of Public Instruction, and the ~~selected~~ participating educator education programs
50 participating in the Program shall report no later than January 1, 2019, and annually thereafter,
51 to the Joint Legislative Education Oversight Committee regarding the following:

- 1 (1) Forgivable loans awarded from the Trust Fund, including the following:
 2 a. Demographic information regarding recipients.
 3 b. Number of recipients by institution of higher education and program.
 4 c. Information on number of recipients by anticipated STEM and special
 5 education licensure area.
- 6 (2) Placement and repayment rates, including the following:
 7 a. Number of graduates who have been employed in a ~~STEM or special~~
 8 ~~education~~ North Carolina public school by licensure area within two
 9 years of program completion.
 10 b. Number of graduates who accepted employment at a low-performing
 11 school identified under G.S. 115C-105.37 as part of their years of
 12 service.
 13 c. Number of graduates who have elected to do loan repayment and their
 14 years of service, if any, prior to beginning loan repayment.
 15 d. Number of graduates employed in a ~~STEM or special education~~ by
 16 licensure area who have received an overall rating of at least
 17 accomplished and have met expected growth on applicable standards
 18 of the teacher evaluation instrument.
 19 e. Aggregate information on student growth and proficiency in courses
 20 taught by graduates who have fulfilled service requirements through
 21 employment in a ~~STEM or special education~~ licensure
 22 ~~area~~ requirements.
- 23 (2a) Mentoring and coaching support through the North Carolina New Teacher
 24 Support Program, including the following:
 25 a. Number of forgivable loan recipients who received mentoring and
 26 coaching support when employed at a low-performing school
 27 identified under G.S. 115C-105.37.
 28 b. Number of forgivable loan recipients who received mentoring and
 29 coaching support when employed at a school not identified as
 30 low-performing under G.S. 115C-105.37.
- 31 (3) Selected school outcomes by program, including the following:
 32 a. Turnover rate for forgivable loan graduates, including the turnover rate
 33 for graduates who also received mentoring and coaching support
 34 through the North Carolina New Teacher Support Program.
 35 b. Aggregate information on student growth and proficiency as provided
 36 annually by the State Board of Education to the Commission in courses
 37 taught by forgivable loan graduates.
 38 c. Fulfillment rate of forgivable loan graduates."

39 **SECTION 10A.1.(c)** G.S. 116-209.63(b) reads as rewritten:

40 "(b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the
 41 loan if, within 10 years after graduation from a program leading to teacher licensure, exclusive
 42 of any authorized deferment for extenuating circumstances, the recipient serves as a ~~teacher in a~~
 43 ~~STEM or special education licensure area, as provided in G.S. 116-209.62(h),~~ teacher for every
 44 year the teacher was awarded the forgivable loan, in any combination of the following:

- 45 (1) One year at a North Carolina public school identified as low-performing under
 46 G.S. 115C-105.37 at the time the teacher accepts employment at the school
 47 or, if the teacher changes employment during this period, at another school
 48 identified as low-performing.
 49 (2) Two years at a North Carolina public school not identified as low-performing
 50 under G.S. 115C-105.37."
 51

OPPORTUNITY SCHOLARSHIPS/ELIMINATE STATUTORY INCREASE

SECTION 10A.2.(a) G.S. 115C-562.1 reads as rewritten:

"§ 115C-562.1. Definitions.

The following definitions apply in this Part:

...

(3) Eligible students. – A student residing in North Carolina who has not yet received a high school diploma and who meets all of the following requirements:

a. ~~Meets one of the following criteria:~~ Received a scholarship grant during the previous school year.

~~1. Was a full time student (i) assigned to and attending a public school pursuant to G.S. 115C 366 or (ii) enrolled in a Department of Defense Elementary and Secondary School, established pursuant to 10 U.S.C. § 2164 and located in North Carolina, during the previous semester.~~

~~2. Received a scholarship grant during the previous school year.~~

~~3. Is entering either kindergarten or the first grade.~~

~~4. Is a child in foster care as defined in G.S. 131D-10.2(9).~~

~~5. Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship grant application.~~

~~6. Is a child whose parent or legal guardian is on full time duty status in the active uniformed service of the United States, including members of the National Guard and Reserve on active duty orders pursuant to 10 U.S.C. § 12301, et seq., and 10 U.S.C. § 12401, et seq.~~

a1. Has not enrolled in a postsecondary institution in a matriculated status eligible for enrollment for 12 hours of academic credit.

b. Resides in a household with an income level not in excess of one hundred thirty-three percent (133%) of the amount required for the student to qualify for the federal free or reduced-price lunch program. The Authority shall not count any distribution from the estate of a decedent in calculating the income level of the applicant's household for the purposes of determining eligibility for a scholarship under this sub-subdivision."

SECTION 10A.2.(b) G.S. 115C-562.8(b) is repealed.

SECTION 10A.2.(c) The State Education Assistance Authority shall not award scholarship funds to new recipients pursuant to Part 2A of Article 39 of Subchapter X of Chapter 115C of the General Statutes after the 2018-2019 academic year.

ELIGIBILITY FOR PRIVATE INSTITUTION NEED-BASED SCHOLARSHIPS

SECTION 10A.3. G.S. 116-281 reads as rewritten:

"§ 116-281. Eligibility requirements for scholarships.

In order to be eligible to receive a scholarship under this Article, a student seeking a degree, diploma, or certificate at an eligible private postsecondary institution must meet all of the following requirements:

...

(3) The student must meet at least one of the following:

a. Qualify as a legal resident of North Carolina and as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with definitions of residency that may from time to time

1 be adopted by the Board of Governors of The University of North
2 Carolina.

3 b. Be a veteran provided the veteran's abode is in North Carolina and the
4 veteran provides the eligible private postsecondary institution a letter
5 of intent to establish residency in North Carolina.

6 c. Be an active duty member of the Armed Forces provided the member
7 of the Armed Forces is abiding in this State incident to active military
8 duty in this State.

9 d. Be a legal dependent of a veteran whose abode is in North Carolina or
10 a legal dependent of an active duty member of the Armed Forces
11 abiding in this State incident to active military duty in this State."
12

13 **PART XI. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

14 **SUBPART XI-A. CENTRAL MANAGEMENT AND SUPPORT**

15 **FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH** 16 **TECHNOLOGY (NC FAST)**

17 **SECTION 11A.1.(a)** Of the funds appropriated in this act to the Department of
18 Health and Human Services, Division of Central Management and Support, the sum of nine
19 million two hundred twenty-two thousand nine hundred twenty eight dollars (\$9,222,928) in
20 nonrecurring funds for the 2019-2020 fiscal year, along with any prior year earned revenue and
21 the cash balance in Budget Code 24410 Fund 2411 shall be used to match federal funds to
22 expedite the development and implementation of Child Services Case Management, Document
23 Management Implementation, and Infrastructure Modernization components of the North
24 Carolina Families Accessing Services through Technology (NC FAST) project. The Department
25 shall report any changes in approved federal funding or federal match rates within 30 days after
26 the change to the Joint Legislative Oversight Committee on Health and Human Services, the
27 Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research
28 Division. Departmental receipts appropriated in this act in the sum of twenty-two million
29 seventy-four thousand two hundred eighty-five dollars (\$22,074,285) for the 2019-2020 fiscal
30 year shall be used to implement the components of the NC FAST project described in this
31 subsection.
32

33 **SECTION 11A.1.(b)** Of the funds appropriated in this act to the Department of
34 Health and Human Services, Division of Central Management and Support, the sum of five
35 million nine hundred fifty-nine thousand six hundred sixty-two dollars (\$5,959,662) in recurring
36 funds and six million seven hundred seventy-seven thousand seventy-two dollars (\$6,777,072)
37 in nonrecurring funds for the 2019-2020 fiscal year, along with eight million three hundred
38 twenty-seven thousand eight hundred seventy seven dollars (\$8,327,877) in recurring funds for
39 the 2020-2021 fiscal year shall be used to provide ongoing maintenance and operations for the
40 NC FAST system, including the creation of 6 full-time equivalent positions for the 2019-2020
41 fiscal year and 11 full-time equivalent positions for the 2020-2021 fiscal year. Departmental
42 receipts appropriated in this act in the sum of thirty-four million nine hundred twenty-seven
43 thousand two hundred fifty-eight dollars (\$34,927,258) for the 2019-2020 fiscal year and in the
44 sum of seventeen million two hundred thirty-three thousand four hundred two dollars
45 (\$17,233,402) for the 2020-2021 fiscal year shall be used for the purposes specified in this
46 subsection.
47

48 **COMMUNITY HEALTH GRANT PROGRAM CHANGES**

49 **SECTION 11A.2.(a)** Of the funds appropriated in this act to the Department of
50 Health and Human Services, Division of Central Management and Support, Office of Rural
51

1 Health, for Community Health Grants, the sum of seven million five hundred thousand dollars
2 (\$7,500,000) in recurring funds for the 2019-2020 fiscal year and the sum of seven million five
3 hundred thousand dollars (\$7,500,000) in recurring funds for the 2020-2021 fiscal year shall be
4 used as follows:

- 5 (1) Up to two hundred thousand dollars (\$200,000) in recurring funds for each
6 fiscal year of the 2019-2021 fiscal biennium may be used for administrative
7 purposes.
- 8 (2) At least six million nine hundred fifty thousand dollars (\$6,950,000) in
9 recurring funds for each fiscal year of the 2019-2021 fiscal biennium shall be
10 used to award grants on a competitive basis to free and charitable clinics,
11 federally qualified health centers, State-designated rural health centers, local
12 health departments, school-based health centers, and other nonprofit
13 organizations that (i) provide primary and preventative medical services to
14 uninsured or medically indigent patients and (ii) serve as a medical home to
15 these vulnerable populations, in order to accomplish any of the following
16 purposes:
 - 17 a. Increase access to primary care and preventative health services for
18 these vulnerable populations in existing primary care locations.
 - 19 b. Establish primary care and preventative health services in counties
20 where no such services exist to serve these vulnerable populations.
 - 21 c. Create new services, sustain existing service levels, or augment
22 existing services provided to these vulnerable populations, including
23 primary care and preventative health services and including dental,
24 pharmacy, and behavioral health services when integrated into the
25 medical home.
 - 26 d. Increase primary care capacity to serve these vulnerable populations,
27 including enhancing or replacing facilities, equipment, or technologies
28 necessary to participate in the exchange of data and tools to monitor
29 and improve the quality of care provided.

30 **SECTION 11A.2.(b)** The Office of Rural Health shall work with the North Carolina
31 Community Health Center Association, the North Carolina Association of Local Health
32 Directors, the North Carolina Association of Free and Charitable Clinics, the North Carolina
33 School-Based Health Alliance, and other organizations representing eligible grant recipients to
34 establish a Primary Care Advisory Committee to develop an objective and equitable process for
35 grading applications for grants funded by this section and making recommendations to the Office
36 of Rural Health for the award of grants funded by this section.

37 The Office of Rural Health shall make the final decision about awarding grants funded
38 by this section. In awarding grants, the Office of Rural Health shall consider the availability of
39 other funds for the applicant; the incidence of poverty in the area served by the applicant or the
40 number of indigent clients served by the applicant; the availability of, or arrangements for,
41 after-hours care; and collaboration between the applicant and a community hospital or other
42 safety-net organizations.

43 **SECTION 11A.2.(c)** Grant recipients shall not use these funds to do any of the
44 following:

- 45 (1) Enhance or increase compensation or other benefits of personnel,
46 administrators, directors, consultants, or any other persons receiving funds for
47 program administration; provided, however, funds may be used to hire or
48 retain health care providers. The use of grant funds for this purpose does not
49 obligate the Department of Health and Human Services to continue to fund
50 compensation beyond the grant period.

1 (2) Supplant existing funds, including federal funds traditionally received by
2 federally qualified community health centers. However, grant funds may be
3 used to supplement existing programs that serve the purposes described in
4 subsection (a) of this section.

5 (3) Finance or satisfy any existing debt.

6 **SECTION 11A.2.(d)** The Office of Rural Health shall develop a standardized
7 method for grant recipients to report objective, measurable quality health outcomes and shall
8 require grant recipients to report these quality health outcomes to the Department. Beginning
9 recipients of grant funds shall annually provide to the Office of Rural Health a written report
10 detailing the number of patients that are cared for, the types of services that were provided,
11 quality measures and outcomes, and any other information requested by the Office of Rural
12 Health as necessary for evaluating the success of the Community Health Grant Program.

13 **SECTION 11A.2.(e)** Of the funds appropriated in this act to the Department of
14 Health and Human Services, Division of Central Management and Support, Office of Rural
15 Health, for the Community Health Grant Program, the sum of up to one hundred fifty thousand
16 dollars (\$150,000) in recurring funds for each fiscal year of the 2019-2021 fiscal biennium shall
17 be used to match federal funds to provide to safety net providers eligible to participate in the
18 Community Health Grant Program, through the Rural Health Technology Team, ongoing training
19 and technical assistance with respect to health information technology, the adoption of electronic
20 health records, and the establishment of connectivity to the State's health information exchange
21 network known as NC HealthConnex.

22 **COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS**

23 **SECTION 11A.3.(a)** Of the funds appropriated in this act to the Department of
24 Health and Human Services, Division of Central Management and Support, the sum of ten
25 million six hundred fifty-three thousand nine hundred eleven dollars (\$10,653,911) for each year
26 of the 2019-2021 fiscal biennium and the sum of four million seven hundred seventy-four
27 thousand five hundred twenty-five dollars (\$4,774,525) for each year of the 2019-2021 fiscal
28 biennium appropriated in Section 11L.1 of this act in Social Services Block Grant funds shall be
29 used to allocate funds for nonprofit organizations.

30 **SECTION 11A.3.(b)** The Department shall continue administering a competitive
31 grants process for nonprofit funding. The Department shall administer a plan that, at a minimum,
32 includes each of the following:
33

34 (1) A request for application (RFA) process to allow nonprofits to apply for and
35 receive State funds on a competitive basis. The Department shall require
36 nonprofits to include in the application a plan to evaluate the effectiveness,
37 including measurable impact or outcomes, of the activities, services, and
38 programs for which the funds are being requested.

39 (2) A requirement that nonprofits match a minimum of fifteen percent (15%) of
40 the total amount of the grant award.

41 (3) A requirement that the Secretary prioritize grant awards to those nonprofits
42 that are able to leverage non-State funds in addition to the grant award.

43 (4) A process that awards grants to nonprofits that have the capacity to provide
44 services on a statewide basis and that support any of the following State health
45 and wellness initiatives:

46 a. A program targeting advocacy, support, education, or residential
47 services for persons diagnosed with autism.

48 b. A system of residential supports for those afflicted with substance
49 abuse addiction.

- 1 c. A program of advocacy and supports for individuals with intellectual
2 and developmental disabilities or severe and persistent mental illness,
3 substance abusers, or the elderly.
- 4 d. Supports and services to children and adults with developmental
5 disabilities or mental health diagnoses.
- 6 e. A food distribution system for needy individuals.
- 7 f. The provision and coordination of services for the homeless.
- 8 g. The provision of services for individuals aging out of foster care.
- 9 h. Programs promoting wellness, physical activity, and health education
10 programming for North Carolinians.
- 11 i. The provision of services and screening for blindness.
- 12 j. A provision for the delivery of after-school services for
13 apprenticeships or mentoring at-risk youth.
- 14 k. The provision of direct services for amyotrophic lateral sclerosis
15 (ALS) and those diagnosed with the disease.
- 16 l. A comprehensive smoking prevention and cessation program that
17 screens and treats tobacco use in pregnant women and postpartum
18 mothers.
- 19 m. A program providing short-term or long-term residential substance
20 abuse services. For purposes of this sub-subdivision, "long-term"
21 means a minimum of 12 months.
- 22 n. A program that provides year-round sports training and athletic
23 competition for children and adults with disabilities.
- 24 (5) A process that ensures that funds received by the Department to implement
25 the plan supplement and do not supplant existing funds for health and wellness
26 programs and initiatives.
- 27 (6) A process that allows grants to be awarded to nonprofits for up to two years.
- 28 (7) A requirement that initial disbursement of the grants be awarded no later than
29 30 days after certification of the State budget for the respective fiscal year.

30 **SECTION 11A.3.(c)** No later than July 1 of each year, as applicable, the Secretary
31 shall announce the recipients of the competitive grant awards and allocate funds to the grant
32 recipients for the respective grant period pursuant to the amounts designated under subsection
33 (a) of this section. After awards have been granted, by September 1 of each year, the Secretary
34 shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services
35 on the grant awards that includes at least all of the following:

- 36 (1) The identity and a brief description of each grantee and each program or
37 initiative offered by the grantee.
- 38 (2) The amount of funding awarded to each grantee.
- 39 (3) The number of persons served by each grantee, broken down by program or
40 initiative.

41 **SECTION 11A.3.(d)** No later than December 1 of each fiscal year, each nonprofit
42 organization receiving funding pursuant to this section in the respective fiscal year shall submit
43 to the Division of Central Management and Support a written report of all activities funded by
44 State appropriations. The report shall include the following information about the fiscal year
45 preceding the year in which the report is due:

- 46 (1) The entity's mission, purpose, and governance structure.
- 47 (2) A description of the types of programs, services, and activities funded by State
48 appropriations.
- 49 (3) Statistical and demographical information on the number of persons served by
50 these programs, services, and activities, including the counties in which
51 services are provided.

1 (4) Outcome measures that demonstrate the impact and effectiveness of the
2 programs, services, and activities.

3 (5) A detailed program budget and list of expenditures, including all positions
4 funded, matching expenditures, and funding sources.

5 **SECTION 11A.3.(e)** Funds appropriated pursuant to this section that have been
6 awarded but not yet disbursed or encumbered at the end of each fiscal year shall not revert but
7 shall remain available for expenditure.

9 **ELIMINATION OF UNNECESSARY AND REDUNDANTS REPORTS**

10 **SECTION 11A.4.(a)** Eliminate Report on Expand Monitoring Capacity. –
11 G.S. 90-113.73A is repealed.

12 **SECTION 11A.4.(b)** Eliminate Report on Coordination of Diabetes Programs. –
13 G.S. 130A-221.1(b) is repealed.

14 **SECTION 11A.4.(c)** Eliminate Report on Department to Coordinate Chronic Care
15 Initiatives. – G.S. 130A-222.5(3) is repealed.

16 **SECTION 11A.4.(d)** Eliminate Report on Maintenance of Effort. –
17 G.S. 108A-27.12(g) is repealed.

18 **SECTION 11A.4.(e)** Eliminate Report on Reports to the Committee. –
19 G.S. 120-208.4(b) is repealed.

21 **SUBPART XI-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION**

23 **NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED 24 FACILITIES**

25 **SECTION 11B.1.(a)** Eligibility. – The Department of Health and Human Services,
26 Division of Child Development and Early Education, shall continue implementing the
27 prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four
28 years of age on or before August 31 of the program year. In determining eligibility, the Division
29 shall establish income eligibility requirements for the program not to exceed seventy-five percent
30 (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have
31 family incomes in excess of seventy-five percent (75%) of median income if those children have
32 other designated risk factors. Furthermore, any age-eligible child who is a child of either of the
33 following shall be eligible for the program: (i) an active duty member of the Armed Forces of the
34 United States, including the North Carolina National Guard, State military forces, or a reserve
35 component of the Armed Forces who was ordered to active duty by the proper authority within
36 the last 18 months or is expected to be ordered within the next 18 months, or (ii) a member of the
37 Armed Forces of the United States, including the North Carolina National Guard, State military
38 forces, or a reserve component of the Armed Forces who was injured or killed while serving on
39 active duty. Eligibility determinations for NC Pre-K participants may continue through local
40 education agencies and local North Carolina Partnership for Children, Inc., partnerships.

41 Other than developmental disabilities or other chronic health issues, the Division shall
42 not consider the health of a child as a factor in determining eligibility for participation in the NC
43 Pre-K program.

44 **SECTION 11B.1.(b)** Multiyear Contracts. – The Division of Child Development
45 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for
46 licensed private child care centers providing NC Pre-K classrooms.

47 **SECTION 11B.1.(c)** Building Standards. – Notwithstanding G.S. 110-91(4), private
48 child care facilities and public schools operating NC Pre-K classrooms shall meet the building
49 standards for preschool students as provided in G.S. 115C-521.1.

50 **SECTION 11B.1.(d)** Programmatic Standards. – Except as provided in subsection
51 (b1) of this section, entities operating NC Pre-K classrooms shall adhere to all of the policies

1 prescribed by the Division of Child Development and Early Education regarding programmatic
 2 standards and classroom requirements.

3 **SECTION 11B.1.(e)** NC Pre-K Committees. – Local NC Pre-K committees shall
 4 use the standard decision-making process developed by the Division of Child Development and
 5 Early Education in awarding NC Pre-K classroom slots and student selection.

6 **SECTION 11B.1.(f)** Reporting. – The Division of Child Development and Early
 7 Education shall submit an annual report no later than March 15 of each year to the Joint
 8 Legislative Oversight Committee on Health and Human Services, the Office of State Budget and
 9 Management, and the Fiscal Research Division. The report shall include the following:

- 10 (1) The number of children participating in the NC Pre-K program by county.
- 11 (2) The number of children participating in the NC Pre-K program who have
 12 never been served in other early education programs such as child care, public
 13 or private preschool, Head Start, Early Head Start, or early intervention
 14 programs.
- 15 (3) The expected NC Pre-K expenditures for the programs and the source of the
 16 local contributions.
- 17 (4) The results of an annual evaluation of the NC Pre-K program.

18 **SECTION 11B.1.(g)** Audits. – The administration of the NC Pre-K program by local
 19 partnerships shall be subject to the financial and compliance audits authorized under
 20 G.S. 143B-168.14(b).

21
 22 **CHILD CARE SUBSIDY RATES**

23 **SECTION 11B.2.(a)** The maximum gross annual income for initial eligibility,
 24 adjusted annually, for subsidized child care services shall be determined based on a percentage
 25 of the federal poverty level as follows:

26 AGE	27 INCOME PERCENTAGE LEVEL
28 0 – 5	200%
29 6 – 12	133%

30 The eligibility for any child with special needs, including a child who is 13 years of
 31 age or older, shall be two hundred percent (200%) of the federal poverty level.

32 **SECTION 11B.2.(b)** Fees for families who are required to share in the cost of care
 33 are established based on ten percent (10%) of gross family income. When care is received at the
 34 blended rate, the co-payment shall be eighty-three percent (83%) of the full-time co-payment.
 35 Co-payments for part-time care shall be seventy-five percent (75%) of the full-time co-payment.

36 **SECTION 11B.2.(c)** Payments for the purchase of child care services for
 37 low-income children shall be in accordance with the following requirements:

- 38 (1) Religious sponsored child care facilities operating pursuant to G.S. 110-106
 39 and licensed child care centers and homes that meet the minimum licensing
 40 standards that are participating in the subsidized child care program shall be
 41 paid the one-star county market rate or the rate they charge privately paying
 42 parents, whichever is lower, unless prohibited by subsection (f) of this section.
- 43 (2) Licensed child care centers and homes with two or more stars shall receive the
 44 market rate for that rated license level for that age group or the rate they charge
 45 privately paying parents, whichever is lower, unless prohibited by subsection
 46 (g) of this section.
- 47 (3) No payments shall be made for transportation services charged by child care
 48 facilities.
- 49 (4) Payments for subsidized child care services for postsecondary education shall
 be limited to a maximum of 20 months of enrollment.

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

4 **SECTION 11B.2.(d)** Provisions of payment rates for child care providers in counties
5 that do not have at least 50 children in each age group for center-based and home-based care are
6 as follows:

- 7 (1) Except as applicable in subdivision (2) of this subsection, payment rates shall
8 be set at the statewide or regional market rate for licensed child care centers
9 and homes.
- 10 (2) If it can be demonstrated that the application of the statewide or regional
11 market rate to a county with fewer than 50 children in each age group is lower
12 than the county market rate and would inhibit the ability of the county to
13 purchase child care for low-income children, then the county market rate may
14 be applied.

15 **SECTION 11B.2.(e)** A market rate shall be calculated for child care centers and
16 homes at each rated license level for each county and for each age group or age category of
17 enrollees and shall be representative of fees charged to parents for each age group of enrollees
18 within the county. The Division of Child Development and Early Education shall also calculate
19 a statewide rate and regional market rate for each rated license level for each age category.

20 **SECTION 11B.2.(f)** The Division of Child Development and Early Education shall
21 continue implementing policies that improve the quality of child care for subsidized children,
22 including a policy in which child care subsidies are paid, to the extent possible, for child care in
23 the higher quality centers and homes only. The Division shall define higher quality, and subsidy
24 funds shall not be paid for one- or two-star rated facilities. For those counties with an inadequate
25 number of four- and five-star rated facilities, the Division shall continue a transition period that
26 allows the facilities to continue to receive subsidy funds while the facilities work on the increased
27 star ratings. The Division may allow exemptions in counties where there is an inadequate number
28 of four- and five-star rated facilities for non-star rated programs, such as religious programs.

29 **SECTION 11B.2.(g)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
30 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program
31 that provides for the purchase of care in child care facilities for minor children of needy families.
32 Except as authorized by subsection (f) of this section, no separate licensing requirements shall
33 be used to select facilities to participate. In addition, child care facilities shall be required to meet
34 any additional applicable requirements of federal law or regulations. Child care arrangements
35 exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall
36 meet the requirements established by other State law and by the Social Services Commission.

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

40 **SECTION 11B.2.(h)** Payment for subsidized child care services provided with
41 Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations
42 and policies issued by the Division of Child Development and Early Education for the subsidized
43 child care program.

44 **SECTION 11B.2.(i)** Noncitizen families who reside in this State legally shall be
45 eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions
46 of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for
47 child care subsidies only if at least one of the following conditions is met:

- 48 (1) The child for whom a child care subsidy is sought is receiving child protective
49 services or foster care services.
- 50 (2) The child for whom a child care subsidy is sought is developmentally delayed
51 or at risk of being developmentally delayed.

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

3 **SECTION 11B.2.(j)** The Department of Health and Human Services, Division of
4 Child Development and Early Education, shall require all county departments of social services
5 to include on any forms used to determine eligibility for child care subsidy whether the family
6 waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

7 **SECTION 11B.2.(k)** Department of Defense-certified child care facilities licensed
8 pursuant to G.S. 110-106.2 may participate in the State-subsidized child care program that
9 provides for the purchase of care in child care facilities for minor children in needy families,
10 provided that funds allocated from the State-subsidized child care program to Department of
11 Defense-certified child care facilities shall supplement and not supplant funds allocated in
12 accordance with G.S. 143B-168.15(g). Payment rates and fees for military families who choose
13 Department of Defense-certified child care facilities and who are eligible to receive subsidized
14 child care shall be as set forth in this section.

15 16 **CHILD CARE ALLOCATION FORMULA**

17 **SECTION 11B.3.(a)** The Department of Health and Human Services, Division of
18 Child Development and Early Education (Division), shall allocate child care subsidy voucher
19 funds to pay the costs of necessary child care for minor children of needy families. The
20 mandatory thirty percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation
21 under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy
22 allocation. The Department of Health and Human Services shall use the following method when
23 allocating federal and State child care funds, not including the aggregate mandatory thirty percent
24 (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

- 25 (1) Funds shall be allocated to a county based upon the projected cost of serving
26 children under age 11 in families with all parents working who earn less than
27 the applicable federal poverty level percentage set forth in Section 11B.2(a)
28 of this act.
- 29 (2) The Division may withhold up to two percent (2%) of available funds from
30 the allocation formula for (i) preventing termination of services throughout
31 the fiscal year and (ii) repayment of any federal funds identified by counties
32 as overpayments, including overpayments due to fraud. The Division shall
33 allocate to counties any funds withheld before the end of the fiscal year when
34 the Division determines the funds are not needed for the purposes described
35 in this subdivision. The Division shall submit a report to the Joint Legislative
36 Oversight Committee on Health and Human Services and the Fiscal Research
37 Division, which report shall include each of the following:
- 38 a. The amount of funds used for preventing termination of services and
39 the repayment of any federal funds.
 - 40 b. The date the remaining funds were distributed to counties.
 - 41 c. As a result of funds withheld under this subdivision and after funds
42 have been distributed, any counties that did not receive at least the
43 amount the counties received the previous year and the amount by
44 which funds were decreased.

45 The Division shall submit a report in each year of the 2019-2021 fiscal biennium 30
46 days after the funds withheld pursuant to this subdivision are distributed but no later than April
47 1 of each respective year.

- 48 (3) The Division shall set aside four percent (4%) of child care subsidy allocations
49 for vulnerable populations, which include a child identified as having special
50 needs and a child whose application for assistance indicates that the child and
51 the child's family is experiencing homelessness or is in a temporary living

1 situation. A child identified by this subdivision shall be given priority for
2 receiving services until such time as set-aside allocations for vulnerable
3 populations are exhausted.

4 **SECTION 11B.3.(b)** The Division may reallocate unused child care subsidy voucher
5 funds in order to meet the child care needs of low-income families. Any reallocation of funds
6 shall be based upon the expenditures of all child care subsidy voucher funding, including North
7 Carolina Partnership for Children, Inc., funds within a county. Counties shall manage service
8 levels within the funds allocated to the counties. A county with a spending coefficient over one
9 hundred percent (100%) shall submit a plan to the Division for managing the county's allocation
10 before receiving any reallocated funds.

11 **SECTION 11B.3.(c)** When implementing the formula under subsection (a) of this
12 section, the Department shall do the following:

- 13 (1) Implement the final one-third change in a county's allocation beginning fiscal
14 year 2020-2021. A county's initial allocation shall be the county's expenditure
15 in the previous fiscal year or a prorated share of the county's previous fiscal
16 year expenditures if sufficient funds are not available.
- 17 (2) Effective immediately following the next new decennial census data release,
18 implement (i) one-third of the change in a county's allocation in the year
19 following the data release, (ii) an additional one-third of the change in a
20 county's allocation beginning two years after the initial change under this
21 subdivision, and (iii) the final one-third change in a county's allocation
22 beginning the following two years thereafter.

23 24 **SMART START INITIATIVES**

25 **SECTION 11B.4.(a)** Policies. – The North Carolina Partnership for Children, Inc.,
26 and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s
27 mission of improving child care quality in North Carolina for children from birth to five years of
28 age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child
29 care facilities with (i) improving quality, including helping one-, two-, and three-star-rated
30 facilities increase their star ratings, and (ii) implementing prekindergarten programs. State
31 funding for local partnerships shall also be used for evidence-based or evidence-informed
32 programs for children from birth to five years of age that do the following:

- 33 (1) Increase children's literacy.
- 34 (2) Increase the parents' ability to raise healthy, successful children.
- 35 (3) Improve children's health.
- 36 (4) Assist four- and five-star-rated facilities in improving and maintaining quality.

37 **SECTION 11B.4.(b)** Administration. – Administrative costs shall be equivalent to,
38 on an average statewide basis for all local partnerships, not more than eight percent (8%) of the
39 total statewide allocation to all local partnerships. For purposes of this subsection, administrative
40 costs shall include costs associated with partnership oversight, business and financial
41 management, general accounting, human resources, budgeting, purchasing, contracting, and
42 information systems management. The North Carolina Partnership for Children, Inc., shall
43 continue using a single statewide contract management system that incorporates features of the
44 required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local
45 partnerships are required to participate in the contract management system and, directed by the
46 North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with
47 other local partnerships to increase efficiency and effectiveness.

48 **SECTION 11B.4.(c)** Salaries. – The salary schedule developed and implemented by
49 the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds
50 that may be used for the salary of the Executive Director of the North Carolina Partnership for

1 Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for
2 Children, Inc., shall base the schedule on the following criteria:

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

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

13 **SECTION 11B.4.(d) Match Requirements.** – The North Carolina Partnership for
14 Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred
15 percent (100%) of the total amount budgeted for the program in each fiscal year of the 2019-2021
16 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local
17 partnerships are required to match, contributions of cash shall be equal to at least thirteen percent
18 (13%) and in-kind donated resources shall be equal to no more than six percent (6%) for a total
19 match requirement of nineteen percent (19%) for each year of the 2019-2021 fiscal biennium.
20 The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of
21 the required match for a fiscal year in order to meet the match requirement of the succeeding
22 fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match
23 requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the
24 match requirement of this subsection. Volunteer services that qualify as professional services
25 shall be valued at the fair market value of those services. All other volunteer service hours shall
26 be valued at the statewide average wage rate as calculated from data compiled by the Division of
27 Employment Security of the Department of Commerce in the Employment and Wages in North
28 Carolina Annual Report for the most recent period for which data are available. Expenses,
29 including both those paid by cash and in-kind contributions, incurred by other participating
30 non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local
31 partnerships also may be considered resources available to meet the required private match. In
32 order to qualify to meet the required private match, the expenses shall:

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

47 Failure to obtain a nineteen-percent (19%) match by June 30 of each year of the
48 2019-2021 fiscal biennium shall result in a dollar-for-dollar reduction in the appropriation for the
49 Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be
50 responsible for compiling information on the private cash and in-kind contributions into a report
51 that is submitted to the Joint Legislative Oversight Committee on Health and Human Services in

1 a format that allows verification by the Department of Revenue. The same match requirements
2 shall apply to any expansion funds appropriated by the General Assembly.

3 **SECTION 11B.4.(e) Bidding.** – The North Carolina Partnership for Children, Inc.,
4 and all local partnerships shall use competitive bidding practices in contracting for goods and
5 services on contract amounts as follows:

6 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures specified
7 by a written policy as developed by the Board of Directors of the North
8 Carolina Partnership for Children, Inc.

9 (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen
10 thousand dollars (\$15,000), three written quotes.

11 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than forty
12 thousand dollars (\$40,000), a request for proposal process.

13 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
14 proposal process and advertising in a major newspaper.

15 **SECTION 11B.4.(f) Allocations.** – The North Carolina Partnership for Children,
16 Inc., shall not reduce the allocation for counties with less than 35,000 in population below the
17 2012-2013 funding level.

18 **SECTION 11B.4.(g) Performance-Based Evaluation.** – The Department of Health
19 and Human Services shall continue to implement the performance-based evaluation system.

20 **SECTION 11B.4.(h) Expenditure Restrictions.** – The Department of Health and
21 Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the
22 allocation of funds for Early Childhood Education and Development Initiatives for the
23 2019-2021 fiscal biennium shall be administered and distributed in the following manner:

24 (1) Capital expenditures are prohibited for the 2019-2021 fiscal biennium. For the
25 purposes of this section, "capital expenditures" means expenditures for capital
26 improvements as defined in G.S. 143C-1-1(d)(5).

27 (2) Expenditures of State funds for advertising and promotional activities are
28 prohibited for the 2019-2021 fiscal biennium.

29 For the 2019-2021 fiscal biennium, local partnerships shall not spend any State funds
30 on marketing campaigns, advertising, or any associated materials. Local partnerships may spend
31 any private funds the local partnerships receive on those activities.

32 **SMART START HOME VISITING PROGRAMS**

33 **SECTION 11B.5.** Funds allocated to the North Carolina Partnership for Children,
34 Inc., from the Department of Health and Human Services, shall be used for evidence-based,
35 family strengthening and home visiting programs and other early childhood initiatives. Funds
36 appropriated under this section shall not be subject to the child care services funding requirements
37 under G.S. 143B-168.15(b), child care subsidy expansion requirements under
38 G.S. 143B-168.15(g), or the match requirements under Section 11B.4(d) of this act.

39 **SUBPART XI-C. DIVISION OF SOCIAL SERVICES**

40 **FINGERPRINT BACKGROUND CHECKS**

41 **SECTION 11C.1.(a)** G.S. 122C-80 reads as rewritten:

42 **"§ 122C-80. Criminal history record check required for certain applicants for employment.**

43 (a) Definition. – As used in this section, the term "provider" applies to an area
44 authority/county program and any provider of mental health, developmental disability, and
45 substance abuse services that is licensable under Article 2 of this Chapter.

46 (b) Requirement. – An offer of employment by a provider licensed under this Chapter to
47 an applicant to fill a position that does not require the applicant to have an occupational license
48 is conditioned on consent to a State and national criminal history record check of the applicant.
49
50
51

1 If the applicant has been a resident of this State for less than five years, then the offer of
2 employment is conditioned on consent to a State and national criminal history record check of
3 the applicant. If the provider licensed under this Chapter is a child-care institution, as defined by
4 42 U.S.C. § 672(c), then the offer of employment is conditioned on consent to a State and national
5 criminal history record check of the applicant. The national criminal history record check shall
6 include a check of the applicant's fingerprints. If the applicant has been a resident of this State
7 for five years or more, then the offer is conditioned on consent to a State criminal history record
8 check of the applicant. A provider shall not employ an applicant who refuses to consent to a
9 criminal history record check required by this section. Except as otherwise provided in this
10 subsection, within five business days of making the conditional offer of employment, a provider
11 shall submit a request to the Department of Public Safety under G.S. 143B-939 to conduct a
12 criminal history record check required by this section or shall submit a request to a private entity
13 to conduct a State criminal history record check required by this section. Notwithstanding
14 G.S. 143B-939, the Department of Public Safety shall return the results of national criminal
15 history record checks for employment positions not covered by Public Law 105-277 to the
16 Department of Health and Human Services, Criminal Records Check Unit. Within five business
17 days of receipt of the national criminal history of the person, the Department of Health and
18 Human Services, Criminal Records Check Unit, shall notify the provider as to whether the
19 information received may affect the employability of the applicant. In no case shall the results of
20 the national criminal history record check be shared with the provider. Providers shall make
21 available to the Department of Health and Human Services upon request verification that a
22 criminal history check has been completed on any staff covered by this section. A county that
23 has adopted an appropriate local ordinance and has access to the Department of Public Safety
24 data bank may conduct on behalf of a provider a State criminal history record check required by
25 this section without the provider having to submit a request to the Department of Justice. In such
26 a case, the county shall commence with the State criminal history record check required by this
27 section within five business days of the conditional offer of employment by the provider. All
28 criminal history information received by the provider is confidential and may not be disclosed,
29 except to the applicant as provided in subsection (c) of this section. For purposes of this
30 subsection, the term "private entity" means a business regularly engaged in conducting criminal
31 history record checks utilizing public records obtained from a State agency.

32 (b1) Sex Offender and Responsible Individuals List Checks. – If the provider licensed
33 under this Chapter is a child care institution, as defined by Title IV-E of the Social Security Act,
34 then the offer of employment by the provider to an applicant to fill a position that does not require
35 the applicant to have an occupational license is conditioned on a check of the North Carolina Sex
36 Offender Registry and consent to a check of the North Carolina Responsible Individuals List. If
37 the applicant has been a resident of this State for less than five years, then the offer of employment
38 is conditioned on consent to a check of the North Carolina Responsible Individuals List and the
39 abuse and neglect registry of any other state where the applicant has resided for the preceding
40 five years.

41"

42 **SECTION 11C.1.(b)** G.S. 131D-10.3A reads as rewritten:

43 **"§ 131D-10.3A. Mandatory criminal checks.**

44 (a) Effective January 1, 1996, in order to ensure the safety and well-being of any child
45 placed for foster care in a home, the Department shall ensure that the criminal histories of all
46 foster parents, individuals applying for licensure as foster parents, and individuals 18 years of
47 age or older who reside in a family foster home, are checked and, based on the criminal history
48 check, a determination is made as to whether the foster parents, and other individuals required to
49 be checked, are fit for a foster child to reside with them in the home. The Department shall ensure
50 that, as of the effective date of this Article, all individuals required to be checked by this
51 subsection are checked for county, state, and federal criminal histories.

1 ...

2 (i) The Department of Public Safety shall perform the State and national criminal history
3 checks on individuals required by subsection (a) of this section and shall charge the Department
4 a reasonable fee only for conducting the checks of the national criminal history records
5 authorized by this section. The Division of Social Services, Department of Health and Human
6 Services, shall bear the costs of implementing subsection (a) of this section.

7 (j) All child-caring institutions, as defined by Title IV-E of the Social Security Act, shall
8 request a criminal history pursuant to G.S. 143B-932(d) and conduct a check of the North
9 Carolina sex offender registry and the North Carolina Responsible Individuals List on any
10 individual prior to the individual working in the child-caring institution. The child-caring
11 institution may share the results of the criminal history check with the Department of Health and
12 Human Services, but otherwise shall keep the results confidential.

13 (k) Child-caring institutions, as defined by Title IV-E of the Social Security Act, shall
14 prohibit an individual from working in a child-care institution if the individual has a criminal
15 history, as defined by G.S. 131D-10.2.

16 (l) The Department may take licensure action, including denial, revocation, suspension,
17 or placing in provision status, against a child-caring institution for a violation of subsection (k)."

18 **SECTION 11C.1.(c)** G.S. 131D-10.6 reads as rewritten:

19 **"§ 131D-10.6. Powers and duties of the Department.**

20 In addition to other powers and duties prescribed by law, the Department shall exercise the
21 following powers and duties:

22 ...

23 (7) Grant, deny, suspend or revoke a license or a provisional license, in
24 accordance with this Article and the Commission rules."

25 **SECTION 11C.1.(d)** G.S. 143B-932 reads as rewritten:

26 **"§ 143B-932. Criminal record checks of providers of treatment for or services to children,**
27 **the elderly, mental health patients, the sick, and the disabled.**

28 (a) Authority. – The Department of Public Safety may provide to any of the following
29 entities a criminal record check of an individual who is employed by that entity, has applied for
30 employment with that entity, or has volunteered to provide direct care on behalf of that entity:

31 (1) Hospitals licensed under Chapter 131E of the General Statutes.

32 (2) Hospices licensed under Chapter 131E of the General Statutes.

33 (3) Child placing agencies licensed under Chapter 131D of the General Statutes.

34 (4) Residential child care facilities licensed under Chapter 131D of the General
35 Statutes.

36 (5) Hospitals licensed under Chapter 122C of the General Statutes.

37 (6) Licensed child care facilities and nonlicensed child care homes regulated by
38 the State.

39 (7) Any other organization or corporation, whether for profit or nonprofit, that
40 provides direct care or services to children, the sick, the disabled, or the
41 elderly.

42 (8) Any child-care institution as defined by Title IV-E of the Social Security Act.

43 ...

44 (c1) Child-Caring Institutions. – Upon request, the Department of Public Safety shall
45 provide any child-caring institution, as defined by Title IV-E of the Social Security Act, with the
46 criminal history from the State and National Repositories of Criminal Histories, as defined in
47 G.S. 131D-10.2(6a), for any person working or seeking to work at the child-caring institution.
48 The child-caring institution shall provide to the Department of Public Safety, along with the
49 request, the fingerprints of the individual to be checked, any additional information required by
50 the Department of Public Safety, and a form consenting to the check of the criminal record and
51 to the use of fingerprints and other identifying information required by the State or National

1 Repositories of Criminal Histories signed by the individual to be checked. The fingerprints of the
2 individual shall be forwarded to the State Bureau of Investigation for a search of the State's
3 criminal history record file, and the State Bureau of Investigation shall forward a set of
4 fingerprints to the Federal Bureau of Investigation for a national criminal history record check.
5 The child-caring institution shall keep all information pursuant to this section confidential, except
6 that a child-caring institution shall share any information requested by the Department of Health
7 and Human Services. The information that the Department of Health and Human Services obtains
8 pursuant to this section is not a public record and the Department shall keep all information
9 confidential. The Department of Public Safety shall charge a reasonable fee only for conducting
10 the checks of the national criminal history records authorized by this section.

11 (d) Fee. – The Department may charge a fee to offset the cost incurred by it to conduct a
12 criminal record check under this section. The fee may not exceed fourteen dollars (\$14.00)."
13

14 **TANF BENEFIT IMPLEMENTATION**

15 **SECTION 11C.2.(a)** Beginning October 1, 2019, the General Assembly approves
16 the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY
17 2019-2022," prepared by the Department of Health and Human Services and presented to the
18 General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan
19 covers the period October 1, 2019, through September 30, 2022. The Department shall submit
20 the State Plan, as revised in accordance with subsection (b) of this section, to the United States
21 Department of Health and Human Services.

22 **SECTION 11C.2.(b)** The counties approved as Electing Counties in the North
23 Carolina Temporary Assistance for Needy Families State Plan FY 2019-2022, as approved by
24 this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

25 **SECTION 11C.2.(c)** Counties that submitted the letter of intent to remain as an
26 Electing County or to be redesignated as an Electing County and the accompanying county plan
27 for years 2019 through 2022, pursuant to G.S. 108A-27(e), shall operate under the Electing
28 County budget requirements effective July 1, 2019. For programmatic purposes, all counties
29 referred to in this subsection shall remain under their current county designation through
30 September 30, 2022.

31 **SECTION 11C.2.(d)** For each year of the 2019-2021 fiscal biennium, Electing
32 Counties shall be held harmless to their Work First Family Assistance allocations for the
33 2018-2019 fiscal year, provided that remaining funds allocated for Work First Family Assistance
34 and Work First Diversion Assistance are sufficient for payments made by the Department on
35 behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

36 **SECTION 11C.2.(e)** In the event that departmental projections of Work First Family
37 Assistance and Work First Diversion Assistance for the 2019-2020 fiscal year or the 2020-2021
38 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and
39 Work First Diversion Assistance payments to be made on behalf of Standard Counties, the
40 Department is authorized to deallocate funds, of those allocated to Electing Counties for Work
41 First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite
42 amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain
43 approval by the Office of State Budget and Management. If the Department adjusts the allocation
44 set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative
45 Oversight Committee on Health and Human Services and the Fiscal Research Division.
46

47 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE** 48 **ENHANCEMENTS**

49 **SECTION 11C.3.(a)** Notwithstanding the provisions of G.S. 143B-150.6, the
50 Intensive Family Preservation Services (IFPS) Program shall provide intensive services to
51 children and families in cases of abuse, neglect, and dependency where a child is at imminent

1 risk of removal from the home and to children and families in cases of abuse where a child is not
2 at imminent risk of removal. The Program shall be developed and implemented statewide on a
3 regional basis. The IFPS shall ensure the application of standardized assessment criteria for
4 determining imminent risk and clear criteria for determining out-of-home placement.

5 **SECTION 11C.3.(b)** The Department of Health and Human Services shall require
6 that any program or entity that receives State, federal, or other funding for the purpose of IFPS
7 shall provide information and data that allows for the following:

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

20 **SECTION 11C.3.(c)** The Department shall establish a performance-based funding
21 protocol and shall only provide funding to those programs and entities providing the required
22 information specified in subsection (b) of this section. The amount of funding shall be based on
23 the individual performance of each program.

24 **CHILD CARING INSTITUTIONS**

25 **SECTION 11C.4.** The maximum reimbursement for each fiscal year of the 2019-
26 2021 fiscal biennium for child caring institutions shall not exceed the rate established for the
27 specific child caring institution by the Department of Health and Human Services, Office of the
28 Controller. In determining the maximum reimbursement, the State shall include county and IV-E
29 reimbursements.
30

31 **USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM**

32 **SECTION 11C.5.** Of the funds available for the provision of foster care services,
33 the Department of Health and Human Services, Division of Social Services, may continue to
34 provide for the financial support of children who are deemed to be (i) in a permanent family
35 placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive
36 permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care
37 for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program (GAP)
38 shall include provisions for extending guardianship services for individuals who have attained
39 the age of 18 years and opt to continue to receive guardianship services until reaching 21 years
40 of age if the individual is (i) completing secondary education or a program leading to an
41 equivalent credential, (ii) enrolled in an institution that provides postsecondary or vocational
42 education, (iii) participating in a program or activity designed to promote, or remove barriers to,
43 employment, (iv) employed for at least 80 hours per month, or (v) incapable of completing the
44 educational or employment requirements of this section due to a medical condition or disability.
45 The Guardianship Assistance Program rates shall reimburse the legal guardian for room and
46 board and be set at the same rate as the foster care room and board rates in accordance with rates
47 established under G.S. 108A-49.1.
48

49 **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)**

1 **SECTION 11C.6.(a)** Funds appropriated from the General Fund to the Department
2 of Health and Human Services for the child welfare postsecondary support program shall be used
3 to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C.
4 § 108711 for the educational needs of foster youth aging out of the foster care system and special
5 needs children adopted from foster care after age 12. These funds shall be allocated by the State
6 Education Assistance Authority.

7 **SECTION 11C.6.(b)** Of the funds appropriated from the General Fund to the
8 Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the
9 2019-2020 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2020-2021 fiscal
10 year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The
11 SEAA shall use these funds only to perform administrative functions necessary to manage and
12 distribute scholarship funds under the child welfare postsecondary support program.

13 **SECTION 11C.6.(c)** Of the funds appropriated from the General Fund to the
14 Department of Health and Human Services, the sum of three hundred thirty-nine thousand four
15 hundred ninety-three dollars (\$339,493) for the 2019-2020 fiscal year and the sum of three
16 hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2020-2021
17 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary
18 support program described under subsection (a) of this section, which administration shall
19 include the performance of case management services.

20 **SECTION 11C.6.(d)** Funds appropriated to the Department of Health and Human
21 Services for the child welfare postsecondary support program shall be used only for students
22 attending public institutions of higher education in this State.

23 24 **FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS**

25 **SECTION 11C.7.(a)** Centralized Services. – The North Carolina Child Support
26 Services Section (NCCSS) of the Department of Health and Human Services, Division of Social
27 Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it
28 receives from the federal government to enhance centralized child support services. To
29 accomplish this requirement, NCCSS shall do the following:

- 30 (1) In consultation with representatives from county child support services
31 programs, identify how federal incentive funding could improve centralized
32 services.
- 33 (2) Use federal incentive funds to improve the effectiveness of the State's
34 centralized child support services by supplementing and not supplanting State
35 expenditures for those services.
- 36 (3) Develop and implement rules that explain the State process for calculating and
37 distributing federal incentive funding to county child support services
38 programs.

39 **SECTION 11C.7.(b)** County Child Support Services Programs. – NCCSS shall
40 allocate no less than eighty-five percent (85%) of the annual federal incentive payments it
41 receives from the federal government to county child support services programs to improve
42 effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall
43 do the following:

- 44 (1) In consultation with representatives from county child support services
45 programs, examine the current methodology for distributing federal incentive
46 funding to the county programs and determine whether an alternative formula
47 would be appropriate. NCCSS shall use its current formula for distributing
48 federal incentive funding until an alternative formula is adopted.
- 49 (2) Upon adopting an alternative formula, develop a process to phase in the
50 alternative formula for distributing federal incentive funding over a four-year
51 period.

1 **SECTION 11C.7.(c)** Reporting by County Child Support Services Programs. –
2 NCCSS shall continue implementing guidelines that identify appropriate uses for federal
3 incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county
4 child support services programs to comply with each of the following:

- 5 (1) Submit an annual plan describing how federal incentive funding would
6 improve program effectiveness and efficiency as a condition of receiving
7 federal incentive funding.
- 8 (2) Report annually on the following: (i) how federal incentive funding has
9 improved program effectiveness and efficiency and been reinvested into their
10 programs, (ii) provide documentation that the funds were spent according to
11 their annual plans, and (iii) explain any deviations from their plans.

12 **SECTION 11C.7.(d)** Reporting by NCCSS. – NCCSS shall submit a report on
13 federal child support incentive funding to the Joint Legislative Oversight Committee on Health
14 and Human Services and the Fiscal Research Division by November 1 of each year. The report
15 shall describe how federal incentive funds enhanced centralized child support services to benefit
16 county child support services programs and improved the effectiveness and efficiency of county
17 child support services programs. The report shall further include any changes to the State process
18 the NCCSS used in calculating and distributing federal incentive funding to county child support
19 services programs and any recommendations for further changes.

20 **SUBPART XI-D. DIVISION OF AGING AND ADULT SERVICES**

21 **STATE-COUNTY SPECIAL ASSISTANCE**

22 **SECTION 11D.1.(a)** For each year of the 2019-2021 fiscal biennium, the maximum
23 monthly rate for residents in adult care home facilities shall be one thousand one hundred
24 eighty-two dollars (\$1,182) per month per resident.

25 **SECTION 11D.1.(b)** For each year of the 2019-2021 fiscal biennium, the maximum
26 monthly rate for residents in Alzheimer's/Dementia special care units shall be one thousand five
27 hundred fifteen dollars (\$1,515) per month per resident.

28 **SUBPART XI-E. DIVISION OF PUBLIC HEALTH [RESERVED]**

29 **SUBPART XI-F. DIVISION OF MH/DD/SAS AND STATE-OPERATED HEALTH 30 CARE FACILITIES**

31 **SINGLE-STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES**

32 **SECTION 11F.1.(a)** For the purpose of mitigating cash flow problems that many
33 local management entities/managed care organizations (LME/MCOs) experience at the
34 beginning of each fiscal year relative to single-stream funding, the Department of Health and
35 Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
36 Services (DMH/DD/SAS), shall distribute not less than one-twelfth of each LME/MCO's base
37 budget allocation at the beginning of the fiscal year and subtract the amount of that distribution
38 from the LME/MCO's total reimbursements for the fiscal year. For each month of the fiscal year
39 after July, the DMH/DD/SAS shall distribute, on the third working day of the month,
40 one-eleventh of the amount of each LME/MCO's single-stream allocation that remains after
41 subtracting the amount of the distribution that was made to the LME/MCO in July of the fiscal
42 year.

43 During each year of the 2019-2021 fiscal biennium, each LME/MCO shall offer at
44 least the same level of service utilization as during the 2014-2015 fiscal year across the
45 LME/MCO's catchment area. This requirement shall not be construed to require LME/MCOs to
46 authorize or maintain the same level of services for any specific individual whose services were
47

1 paid for with single-stream funding. Further, this requirement shall not be construed to create a
2 private right of action for any person or entity against the State of North Carolina or the
3 Department of Health and Human Services or any of its divisions, agents, or contractors and shall
4 not be used as authority in any contested case brought pursuant to Chapter 108C or 108D of the
5 General Statutes.

6 **SECTION 11F.1.(b)** The Department of Health and Human Services shall continue
7 to use the monthly reporting package submitted by the LME/MCOs to the Department, as
8 modified pursuant to Section 12F.2(c) of S.L. 2015-241, to include revenues and expenditures
9 for the State funding sources for single-stream, intellectual and developmental disability, and
10 substance abuse services on Schedule D2. Additionally, the Department shall continue to use
11 appropriate schedules in the LME/MCO monthly reporting package, as modified pursuant to
12 Section 12F.2(c) of S.L. 2015-241, to include unduplicated recipients and encounters in the same
13 level of detail included in each D schedule for each source of funding for the reporting for the
14 current and previous year's month and year-to-date periods. The Department shall continue to
15 submit these reports to the Joint Legislative Oversight Committee on Health and Human Services
16 and the Fiscal Research Division on a quarterly basis.

17 **SECTION 11F.1.(c)** If, on or after June 1, 2020, the Office of State Budget and
18 Management (OSBM) certifies a Medicaid budget surplus in funds 1310, 1311, and 1312 and
19 sufficient cash in Budget Code 14445 to meet total obligations for the 2019-2020 fiscal year,
20 then the Department of Health and Human Services, Division of Health Benefits (DHB), may
21 transfer to the DMH/DD/SAS funds not to exceed the amount of the certified surplus or thirty
22 million dollars (\$30,000,000), whichever is less.

23 If, on or after June 1, 2021, the OSBM certifies a Medicaid budget surplus in funds
24 1310, 1311, and 1312 and sufficient cash in Budget Code 14445 to meet total obligations for
25 fiscal year 2020-2021, then the DHB may transfer to the DMH/DD/SAS funds not to exceed the
26 amount of the certified surplus or thirty million dollars (\$30,000,000), whichever is less.

27 The DMH/DD/SAS shall allocate funds transferred pursuant to this subsection among
28 the LME/MCOs based on a formula to identify unmet need determined by the Department of
29 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
30 Substance Abuse Services (DMH/DD/SAS).

31 **SECTION 11F.1.(d)** The Department of Health and Human Services shall develop
32 a maintenance of effort (MOE) spending requirement for all mental health and substance abuse
33 services which must be maintained using nonfederal, State appropriations on an annual basis in
34 order to meet MOE requirements for federal block grant awards. LME/MCOs shall ensure the
35 MOE spending requirement is met using State appropriations.

36 37 **FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS**

38 **SECTION 11F.2.(a)** Use of Funds. – Of the funds appropriated to the Department
39 of Health and Human Services, Division of Mental Health, Developmental Disabilities, and
40 Substance Abuse Services, for crisis services, the sum of forty million six hundred twenty-one
41 thousand six hundred forty-four dollars (\$40,621,644) in recurring funds for the 2019-2020 fiscal
42 year and the sum of forty million six hundred twenty-one thousand six hundred forty-four dollars
43 (40,621,644) in recurring funds for the 2020-2021 fiscal year shall be used to purchase additional
44 new or existing local inpatient psychiatric beds or bed days not currently funded by or through
45 LME/MCOs. The Department shall continue to implement a two-tiered system of payment for
46 purchasing these local inpatient psychiatric beds or bed days based on acuity level with an
47 enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher
48 acuity levels, as defined by the Department. The enhanced rate of payment for inpatient
49 psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the lowest
50 average cost per patient bed day among the State psychiatric hospitals. In addition, at the
51 discretion of the Secretary of Health and Human Services, existing funds allocated to

1 LME/MCOs for community-based mental health, developmental disabilities, and substance
2 abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.
3 Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed
4 days shall not be used to supplant other funds appropriated or otherwise available to the
5 Department for the purchase of inpatient psychiatric services through contracts with local
6 hospitals.

7 **SECTION 11F.2.(b)** Distribution and Management of Beds or Bed Days. – Except
8 as provided in this subsection, the Department shall work to ensure that any local inpatient
9 psychiatric beds or bed days purchased in accordance with this section are utilized solely for
10 individuals who are medically indigent, as defined in this subsection. In addition, the Department
11 shall work to ensure that any local inpatient psychiatric beds or bed days purchased in accordance
12 with this section are distributed across the State in LME/MCO catchment areas and according to
13 need as determined by the Department. The Department shall ensure that beds or bed days for
14 individuals with higher acuity levels are distributed across the State in LME catchment areas,
15 including any catchment areas served by managed care organizations, and according to greatest
16 need based on hospital bed utilization data. The Department shall enter into contracts with
17 LME/MCOs and local hospitals for the management of these beds or bed days. The Department
18 shall work to ensure that these contracts are awarded equitably around all regions of the State.
19 LME/MCOs shall manage and control these local inpatient psychiatric beds or bed days,
20 including the determination of the specific local hospital or State psychiatric hospital to which
21 an individual should be admitted pursuant to an involuntary commitment order.

22 The Department may use up to ten percent (10%) of the funds allocated in this section
23 for each year of the 2019-2021 fiscal biennium to pay for facility-based crisis services and
24 nonhospital detoxification services for individuals in need of these services, regardless if the
25 individuals are medically indigent, defined as uninsured persons who (i) are financially unable
26 to obtain private insurance coverage as determined by the Department and (ii) are not eligible for
27 government-funded health coverage such as Medicare or Medicaid.

28 **SECTION 11F.2.(c)** Funds to Be Held in Statewide Reserve. – Funds appropriated
29 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be
30 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental Health,
31 Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the
32 LME/MCOs and billed by the hospitals through the LME/MCOs. LME/MCOs shall remit claims
33 for payment to the Department within 15 working days after receipt of a clean claim from the
34 hospital and shall pay the hospital within 30 working days after receipt of payment from the
35 Department.

36 **SECTION 11F.2.(d)** Ineffective LME/MCO Management of Beds or Bed Days. –
37 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed
38 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not
39 being utilized while demand for services at the State psychiatric hospitals has not decreased, or
40 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c) of
41 this section, the Department may contract with another LME/MCO to manage the beds or bed
42 days or, notwithstanding any other provision of law to the contrary, may pay the hospital directly.

43 **SECTION 11F.2.(e)** Reporting by LME/MCOs. – The Department shall establish
44 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

45 **SECTION 11F.2.(f)** Reporting by Department. – By no later than December 1, 2020,
46 and by no later than December 1, 2021, the Department shall report to the Joint Legislative
47 Oversight Committee on Health and Human Services and the Fiscal Research Division on all of
48 the following:

- 49 (1) A uniform system for beds or bed days purchased during the preceding fiscal
50 year from (i) funds appropriated in this act that are designated for this purpose

in subsection (a) of this section, (ii) existing State appropriations, and (iii) local funds.

- (2) An explanation of the process used by the Department to ensure that, except as otherwise provided in subsection (a) of this section, local inpatient psychiatric beds or bed days purchased in accordance with this section are utilized solely for individuals who are medically indigent, along with the number of medically indigent individuals served by the purchase of these beds or bed days.
- (3) The amount of funds used to pay for facility-based crisis services, along with the number of individuals who received these services and the outcomes for each individual.
- (4) The amount of funds used to pay for nonhospital detoxification services, along with the number of individuals who received these services and the outcomes for each individual.
- (5) Other Department initiatives funded by State appropriations to reduce State psychiatric hospital use.

CHANGE TO STATUTORY DEFINITION OF TRAUMATIC BRAIN INJURY

SECTION 11F.3. G.S. 122C-3 reads as rewritten:

"§ 122C-3. Definitions.

The following definitions apply in this Chapter:

- ...
- (38a) "Traumatic brain injury" or "TBI" means an insult to the brain from an outside physical force that may or may not have produced a diminished or altered state of consciousness as long as it meets all of the following criteria:
 - a. Is an open or closed head injury resulting in an impairment of cognitive ability, physical functions, or both.
 - b. The resulting impairment occurs in one or more of the following areas: cognition; language; memory; attention; reasoning; abstract thinking; judgment; problem solving; sensory, perceptual, and motor abilities; psychosocial behavior; physical function; information process; or speech.
 - c. The resulting impairment is either temporary or permanent and causes partial or total functional disability, psychosocial disorientation, or a combination of these.

...."

TRAUMATIC BRAIN INJURY FUNDING

SECTION 11F.4. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for traumatic brain injury (TBI) services, the sum of two million three hundred seventy-three thousand eighty-six dollars (\$2,373,086) in recurring funds for the 2019-2020 fiscal year and the sum of two million three hundred seventy-three thousand eighty-six dollars (\$2,373,086) in recurring funds for the 2020-2021 fiscal year shall be used exclusively to support TBI services as follows:

- (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars (\$359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina, Carolinas Rehabilitation, or appropriate service providers to assist families in accessing the continuum of care and to provide educational programs on brain injury prevention, intervention, and care.

- 1 (2) The sum of two million thirteen thousand eight hundred sixty-eight dollars
2 (\$2,013,868) shall be used to provide services and supports such as, but not
3 limited to, residential day program, transportation, respite and home
4 modification to individuals with TBI statewide. The program will be
5 administered in accordance with the program operating policies established
6 by the Division of Mental Health, Developmental Disabilities and Substance
7 Abuse.
8

9 FUNDS FOR NEW BROUGHTON HOSPITAL

10 **SECTION 11F.5.** Of the funds appropriated in this act to the Department of Health
11 and Human Services, Division of Mental Health, Developmental Disabilities, and Substance
12 Abuse Services, for the new Broughton Hospital for the 2020-2021 fiscal year, the sum of up to
13 eight million seven hundred sixty-nine thousand six hundred fifty-five dollars (\$8,769,655) in
14 recurring funds shall not be used for any other purposes except the following: (1) The creation
15 of no more than 60 full-time equivalent positions assigned to the new Broughton Hospital. (2)
16 Costs directly related to planning for and transitioning patients from the old Broughton Hospital
17 to the new Broughton Hospital. (3) Operational costs for new beds at the new Broughton
18 Hospital.
19

20 DOROTHEA DIX HOSPITAL PROPERTY FUNDS

21 **SECTION 11F.6.** Any funds allocated to the Department of Health and Human
22 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
23 from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) pursuant to
24 Section 12F.4 of S.L. 2016-94 and Section 11F.5 of S.L. 2017-57, as amended, that are not
25 expended or encumbered as of June 30, 2020, shall remain in the Dorothea Dix Hospital Property
26 Fund.
27

28 SUBPART XI-G. DIVISION OF HEALTH SERVICE REGULATION

29 MORATORIUM ON SPECIAL CARE UNIT LICENSES

30 **SECTION 11G.1.** For the period beginning July 1, 2019, and ending June 30, 2021,
31 the Department of Health and Human Services, Division of Health Service Regulation, shall not
32 issue any licenses for special care units, as defined in G.S. 131D-4.6 and G.S. 131E-114. This
33 prohibition does not restrict the Department of Health and Human Services from doing any of
34 the following:
35

- 36 (1) Issuing a license to a facility that is acquiring an existing special care unit.
37 (2) Issuing a license for a special care unit in any area of the State upon a
38 determination by the Secretary of the Department of Health and Human
39 Services that increased access to this type of care is necessary in that area
40 during the moratorium imposed by this section.
41 (3) Processing all completed applications for special care unit licenses received
42 by the Division of Health Service Regulation along with the applicable license
43 fee prior to June 1, 2013.
44 (4) Issuing a license to a facility that was in possession of a certificate of need as
45 of July 31, 2013, that included authorization to operate special care unit beds.
46

47 MORATORIUM ON HOME CARE LICENSES FOR IN-HOME AIDE SERVICES

48 **SECTION 11G.2.** For the period beginning July 1, 2019, and ending June 30, 2021,
49 and notwithstanding the provisions of the Home Care Agency Licensure Act set forth in Part 3
50 of Article 6 of Chapter 131E of the General Statutes or any rules adopted pursuant to that Part,
51 the Department of Health and Human Services shall not issue any licenses for home care

1 agencies, as defined in G.S. 131E-136(2), that intend to offer in-home aide services. This
 2 prohibition does not apply to companion, sitter, or respite services, and does not restrict the
 3 Department from doing any of the following:

- 4 (1) Issuing a license to a certified home health agency as defined in
 5 G.S. 131E-176(12) that intends to offer in-home aide services.
- 6 (2) Issuing a license to an agency that needs a new license for an existing home
 7 care agency being acquired.
- 8 (3) Issuing a license for a new home care agency in any area of the State upon a
 9 determination by the Secretary of the Department of Health and Human
 10 Services that increased access to care is necessary in that area.

11
 12 **SUBPART XI-H. DIVISION OF HEALTH BENEFITS (MEDICAID)**

13
 14 **MEDICAID ELIGIBILITY**

15 **SECTION 11H.1.(a)** Families and children who are categorically and medically
 16 needy are eligible for Medicaid, subject to the following annual income levels:

17		Categorically	Medically
18	Family	Needy	Needy
19	Size	Income Level	Income Level
20	1	\$5,208	\$2,904
21	2	6,828	3,804
22	3	8,004	4,404
23	4	8,928	4,800
24	5	9,888	5,196
25	6	10,812	5,604
26	7	11,700	6,000
27	8	12,432	6,300

28 The Department of Health and Human Services shall provide Medicaid coverage to
 29 19- and 20-year-olds under this subsection in accordance with federal rules and regulations.
 30 Medicaid enrollment of categorically needy families with children shall be continuous for one
 31 year without regard to changes in income or assets.

32 **SECTION 11H.1.(b)** For the following Medicaid eligibility classifications for which
 33 the federal poverty guidelines are used as income limits for eligibility determinations, the income
 34 limits will be updated each April 1 immediately following publication of federal poverty
 35 guidelines. The Department of Health and Human Services, Division of Health Benefits, shall
 36 provide Medicaid coverage to the following:

- 37 (1) All elderly, blind, and disabled people who have incomes equal to or less than
 38 one hundred percent (100%) of the federal poverty guidelines.
- 39 (2) Pregnant women with incomes equal to or less than one hundred ninety-six
 40 percent (196%) of the federal poverty guidelines and without regard to
 41 resources. Services to pregnant women eligible under this subsection continue
 42 throughout the pregnancy but include only those related to pregnancy and to
 43 those other conditions determined by the Department as conditions that may
 44 complicate pregnancy.
- 45 (3) Infants under the age of one with family incomes equal to or less than two
 46 hundred ten percent (210%) of the federal poverty guidelines and without
 47 regard to resources.
- 48 (4) Children aged one through five with family incomes equal to or less than two
 49 hundred ten percent (210%) of the federal poverty guidelines and without
 50 regard to resources.

- 1 (5) Children aged six through 18 with family incomes equal to or less than one
2 hundred thirty-three percent (133%) of the federal poverty guidelines and
3 without regard to resources.

4 The Department of Health and Human Services, Division of Health Benefits, shall
5 also provide family planning services to men and women of childbearing age with family
6 incomes equal to or less than one hundred ninety-five percent (195%) of the federal poverty
7 guidelines and without regard to resources.

8 **SECTION 11H.1.(c)** The Department of Health and Human Services, Division of
9 Health Benefits, shall provide Medicaid coverage to adoptive children with special or
10 rehabilitative needs, regardless of the adoptive family's income.

11 **SECTION 11H.1.(d)** The Department of Health and Human Services, Division of
12 Health Benefits, shall provide Medicaid coverage to "independent foster care adolescents," ages
13 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. §
14 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

15 **SECTION 11H.1.(e)** The Department of Health and Human Services, Division of
16 Health Benefits, shall provide Medicaid coverage to women who need treatment for breast or
17 cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

18 19 **MEDICAID ANNUAL REPORT**

20 **SECTION 11H.2.** The Department of Health and Human Services, Division of
21 Health Benefits (Division), shall continue the publication of the Medicaid Annual Report and
22 accompanying tables. The Division shall publish the report and tables on its Web site no later
23 than December 31 following each State fiscal year.

24 25 **ADMINISTRATIVE HEARINGS FUNDING**

26 **SECTION 11H.3.** Of the funds appropriated to the Department of Health and Human
27 Services, Division of Health Benefits, for administrative contracts and interagency transfers, the
28 Department of Health and Human Services (Department) shall transfer the sum of one million
29 dollars (\$1,000,000) for the 2019-2020 fiscal year and the sum of one million dollars
30 (\$1,000,000) for the 2020-2121 fiscal year to the Office of Administrative Hearings (OAH).
31 These funds shall be allocated by the OAH for mediation services provided for Medicaid
32 applicant and recipient appeals and to contract for other services necessary to conduct the appeals
33 process. The OAH shall continue the Memorandum of Agreement (MOA) with the Department
34 for mediation services provided for Medicaid recipient appeals and contracted services necessary
35 to conduct the appeals process. The MOA will facilitate the Department's ability to draw down
36 federal Medicaid funds to support this administrative function. Upon receipt of invoices from the
37 OAH for covered services rendered in accordance with the MOA, the Department shall transfer
38 the federal share of Medicaid funds drawn down for this purpose.

39 40 **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

41 **SECTION 11H.4.(a)** Receivables reserved at the end of the 2019-2020 and
42 2020-2021 fiscal years shall, when received, be accounted for as nontax revenue for each of those
43 fiscal years.

44 **SECTION 11H.4.(b)** For the 2019-2020 fiscal year, the Department of Health and
45 Human Services shall deposit from its revenues one hundred sixty-four million seven hundred
46 thousand dollars (\$164,700,000) with the Department of State Treasurer to be accounted for as
47 nontax revenue. For the 2020-2021 fiscal year, the Department of Health and Human Services
48 shall deposit from its revenues one hundred forty-nine million six hundred thousand dollars
49 (\$142,100,000) with the Department of State Treasurer to be accounted for as nontax revenue.
50 These deposits shall represent the return of General Fund appropriations, nonfederal revenue,
51 fund balances, or other resources from State-owned and State-operated hospitals that are used to

1 provide indigent and nonindigent care services. The return from State-owned and State-operated
2 hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of
3 the payments from the Division of Health Benefits for uncompensated care. The treatment of any
4 revenue derived from federal programs shall be in accordance with the requirements specified in
5 the Code of Federal Regulations, Title 2, Part 225.

6 7 **LME/MCO OUT-OF-NETWORK AGREEMENTS**

8 **SECTION 11H.5.(a)** The Department of Health and Human Services (Department)
9 shall continue to ensure that local management entities/managed care organizations
10 (LME/MCOs) utilize an out-of-network agreement that contains standardized elements
11 developed in consultation with LME/MCOs. The out-of-network agreement shall be a
12 streamlined agreement between a single provider of behavioral health or
13 intellectual/developmental disability (IDD) services and an LME/MCO to ensure access to care
14 in accordance with 42 C.F.R. § 438.206(b)(4), reduce administrative burden on the provider, and
15 comply with all requirements of State and federal laws and regulations. LME/MCOs shall use
16 the out-of-network agreement in lieu of a comprehensive provider contract when all of the
17 following conditions are met:

- 18 (1) The services requested are medically necessary and cannot be provided by an
19 in-network provider.
- 20 (2) The behavioral health or IDD provider's site of service delivery is located
21 outside of the geographical catchment area of the LME/MCO, and the
22 LME/MCO is not accepting applications or the provider does not wish to
23 apply for membership in the LME/MCO closed network.
- 24 (3) The behavioral health or IDD provider is not excluded from participation in
25 the Medicaid program, the NC Health Choice program, or other State or
26 federal health care program.
- 27 (4) The behavioral health or IDD provider is serving no more than two enrollees
28 of the LME/MCO, unless the agreement is for inpatient hospitalization, in
29 which case the LME/MCO may, but shall not be required to, enter into more
30 than five such out-of-network agreements with a single hospital or health
31 system in any 12-month period.

32 **SECTION 11H.5.(b)** Medicaid providers providing services pursuant to an
33 out-of-network agreement shall be considered a network provider for purposes of Chapter 108D
34 of the General Statutes only as it relates to enrollee grievances and appeals.

35 36 **MEDICAID CONTINGENCY RESERVE**

37 **SECTION 11H.6.(a)** Funds in the Medicaid Contingency Reserve established by
38 Section 12H.38 of S.L. 2014-100 shall be used only for budget shortfalls in the Medicaid
39 Program. These funds shall be available for expenditure only upon an appropriation by act of the
40 General Assembly. It is the intent of the General Assembly to appropriate funds from the
41 Medicaid Contingency Reserve only if:

- 42 (1) The Director of the Budget, after the State Controller has verified that receipts
43 are being used appropriately, has found that additional funds are needed to
44 cover a shortfall in the Medicaid budget for the State fiscal year.
- 45 (2) The Director of the Budget has reported immediately to the Fiscal Research
46 Division on the amount of the shortfall found in accordance with subdivision
47 (1) of this subsection. This report shall include an analysis of the causes of the
48 shortfall, such as (i) unanticipated enrollment and mix of enrollment, (ii)
49 unanticipated growth or utilization within particular service areas, (iii) errors
50 in the data or analysis used to project the Medicaid budget, (iv) the failure of
51 the program to achieve budgeted savings, (v) other factors and market trends

1 that have impacted the price of or spending for services, (vi) variations in
2 receipts from prior years or from assumptions used to prepare the Medicaid
3 budget for the current fiscal year, or (vii) other factors. The report shall also
4 include data in an electronic format that is adequate for the Fiscal Research
5 Division to confirm the amount of the shortfall and its causes.

6 **SECTION 11H.6.(b)** Nothing in this section shall be construed to limit the authority
7 of the Governor to carry out his duties under the Constitution.

8 9 **LME/MCO INTERGOVERNMENTAL TRANSFERS**

10 **SECTION 11H.7.** The local management entities/managed care organizations
11 (LME/MCOs) shall make intergovernmental transfers to the Department of Health and Human
12 Services, Division of Health Benefits (DHB), in an aggregate amount of seventeen million seven
13 hundred forty-two thousand three hundred twenty-two dollars (\$17,742,322) in the 2019-2020
14 fiscal year and the 2020-2021 fiscal year. The due date and frequency of the intergovernmental
15 transfer required by this section shall be determined by DHB. The amount of the
16 intergovernmental transfer that each individual LME/MCO is required to make in each fiscal
17 year shall be determined by DHB.

18 In the event that any county disengages from an LME/MCO and realigns with another
19 LME/MCO during the 2019-2021 fiscal biennium, DHB shall have the authority to reallocate the
20 amount of the intergovernmental transfer that each affected LME/MCO is required to make,
21 taking into consideration the change in catchment area and covered population, provided that the
22 aggregate amount of the transfers received from all LME/MCOs in each year of the fiscal
23 biennium are achieved.

24 25 **EXPAND NORTH CAROLINA INNOVATIONS WAIVER SLOTS**

26 **SECTION 11H.8.** The Department of Health and Human Services, Division of
27 Health Benefits, shall amend the North Carolina Innovations waiver to increase the number of
28 slots available under the waiver. These additional slots shall be reserved for individuals with less
29 acute needs who may benefit from the program but do not need the full range or intensity of
30 services offered under the current Innovations waiver. These additional slots shall be made
31 available on January 1, 2020.

32 33 **MEDICAID TRANSFORMATION TECHNICAL AND CLARIFYING CHANGES** 34 **AMENDMENTS FOR MEDICAID TRANSFORMATION IMPLEMENTATION**

35 **SECTION 11H.9.(a)** G.S. 105-259 reads as rewritten:

36 "**§ 105-259. Secrecy required of officials; penalty for violation.**

37 ...

38 (b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has
39 access to tax information in the course of service to or employment by the State may not disclose
40 the information to any other person except as provided in this subsection. Standards used or to
41 be used for the selection of returns for examination and data used or to be used for determining
42 the standards may not be disclosed for any purpose. All other tax information may be disclosed
43 only if the disclosure is made for one of the following purposes:

44 ...

45 (49) To exchange information concerning a tax imposed by Article 8B of this
46 Chapter with the North Carolina Department of Insurance or the North
47 Carolina Department of Health and Human Services when the information is
48 needed to fulfill a duty imposed on the Department.

49"

50 **SECTION 11H.9.(b)** Section 4 of S.L. 2015-245, as amended by Section 2(b) of
51 S.L. 2016-121, Section 11H.17(a) of S.L. 2017-57, Section 4 of S.L. 2017-186, Section

1 11H.10(d) of S.L. 2018-5, S.L. 2018-48, and Sections 5 and 6(a) of S.L. 2018-49, reads as
2 rewritten:

3 **"SECTION 4.** Structure of Delivery System. – The transformed Medicaid and NC Health
4 Choice programs described in Section 1 of this act shall be organized according to the following
5 principles and parameters:

6 ...
7 (4) Services covered by PHPs. – Capitated PHP contracts shall cover all Medicaid
8 and NC Health Choice services, including physical health services,
9 prescription drugs, long-term services and supports, and behavioral health
10 services, except as otherwise provided in this subdivision. The capitated
11 contracts required by this subdivision shall not cover:

12 a. Medicaid services currently covered by the local management
13 entities/managed care organizations (LME/MCOs) shall not be
14 covered under any capitated PHP contract other than a BH IDD
15 Tailored Plan, except that all capitated PHP contracts shall cover the
16 following services: inpatient behavioral health services, outpatient
17 behavioral health emergency room services, outpatient behavioral
18 health services provided by direct-enrolled providers, mobile crisis
19 management services, facility-based crisis services for children and
20 adolescents, professional treatment services in a facility-based crisis
21 program, outpatient opioid treatment services, ambulatory
22 detoxification services, nonhospital medical detoxification services,
23 partial hospitalization, medically supervised or alcohol and drug abuse
24 treatment center detoxification crisis stabilization, research-based
25 intensive behavioral health treatment, diagnostic assessment services,
26 and Early and Periodic Screening, Diagnosis, and Treatment ~~services.~~
27 services, substance abuse intensive outpatient program, psychosocial
28 rehabilitation, and, upon CMS approval of any necessary State Plan
29 amendments or waivers, social setting detoxification. In accordance
30 with this sub-subdivision, 1915(b)(3) services shall not be covered
31 under any capitated PHP contract other than a BH IDD Tailored Plan.

32 ...
33 g. The fitting, dispensing, and fabrication of eyeglasses, including
34 complete eyeglasses, eyeglass lenses, and ophthalmic frames.

35 (5) Populations covered by PHPs. – Capitated PHP contracts shall cover all
36 Medicaid and NC Health Choice program aid categories except for the
37 following categories:

38 ...
39 e. ~~Members-Eligible recipients who enroll in a DHHS-contracted Indian~~
40 ~~managed care entity, as defined in 42 C.F.R. § 438.14(a), and members~~
41 ~~of federally recognized tribes. Members-Eligible recipients who enroll~~
42 ~~in a DHHS-contracted Indian Managed Care Entity and all members~~
43 ~~of federally recognized tribes shall have the option to enroll~~
44 ~~voluntarily in PHPs.~~

45 ...
46 (9) LME/MCOs. – Beginning on the date that capitated contracts begin,
47 LME/MCOs shall cease managing Medicaid services for all Medicaid
48 recipients other than recipients described in sub-subdivisions a., d., e., f., g.,
49 j., k., ~~and l., and m.~~ of subdivision (5) of this section. Until BH IDD Tailored
50 Plans become operational, all of the following shall occur:

a. LME/MCOs shall continue to manage the Medicaid services that are currently covered by the LME/MCOs for Medicaid recipients described in sub-subdivisions a., d., e., f., g., j., k., l., and m. of subdivision (5) of this section.

...
 (10) BH IDD Tailored Plans. – DHHS shall not begin any application process to implement, establish rules for, or begin any contracting or procurement process with respect to BH IDD Tailored Plans, as defined in this subdivision, until August 31, 2018, or until authorized to do so in a subsequent act of the General Assembly, whichever comes first. BH IDD Tailored Plans shall be defined as capitated PHP contracts that meet all requirements in this act pertaining to capitated PHP contracts, except as specifically provided in this subdivision. Capitated PHP contracts that are not BH IDD Tailored Plans shall be referred to as Standard Benefit Plans. With regard to BH IDD Tailored Plans, the following shall occur:

a. DHHS shall create a detailed plan for implementation of BH IDD Tailored Plans under the 1115 Waiver in accordance with the following requirements:

...
 6. Entities operating BH IDD Tailored Plans shall utilize closed provider networks only for the provision of behavioral health, intellectual and developmental disability, and traumatic brain injury services, notwithstanding the second sentence of sub-subdivision d. of subdivision (6) of Section 5 of this act. The last sentence of sub-subdivision d. of subdivision (6) of Section 5 of this section shall apply for those essential providers providing behavioral health, intellectual and developmental disability, and traumatic brain injury services.

...
 10. Recipients described in sub-subdivision l. of subdivision (5) of this section shall be automatically ~~enrolled-eligible to enroll~~ with an entity operating a BH IDD Tailored Plan and shall have the option to enroll with a PHP operating a Standard Benefit Plan, provided that a recipient electing to enroll with a PHP operating a Standard Benefit Plan would only have access to the behavioral health services covered by the Standard Benefit Plans and would no longer have access to the behavioral health services excluded from Standard Benefit Plan coverage under sub-subdivision a. of subdivision (4) of this section, and provided that the recipient's informed consent shall be required prior to the recipient's enrollment with a PHP operating a Standard Benefit Plan.

...."
SECTION 11H.9.(c) Chapter 108D of the General Statutes is retitled to read: "Medicaid and NC Health Choice Managed Care program."

SECTION 11H.9.(d) Section 108D-1 of the General Statutes reads as rewritten:

"§ 108D-1. Definitions.

The following definitions apply in this Chapter, unless the context clearly requires otherwise:

(1) Adverse benefit determination. – As defined in 42 C.F.R. § 438.400(b) or any NC Health Choice recipient health services decisions as described in G.S. 108D-11A.

- 1 (1a) Adverse disenrollment determination. – A determination by the Department
- 2 or the enrollment broker to (i) deny a request made by an enrollee, or an
- 3 authorized representative, to disenroll from a Prepaid Health Plan or (ii)
- 4 approve a request made by a PHP to disenroll an enrollee from a Prepaid
- 5 Health Plan.
- 6 ~~(1b)~~(1b) Applicant. – A provider of mental health, intellectual or developmental
- 7 ~~disabilities, and substance abuse services~~ who is seeking to participate in the
- 8 ~~closed~~ network of one or more local management entity/managed care
- 9 organizations.
- 10 (1c) Authorized representative. – An individual or organization authorized under
- 11 State law to act on behalf of an enrollee, including but not limited to a provider
- 12 or legal guardian.
- 13 ...
- 14 (3) Contested case hearing. – The hearing or hearings conducted at the Office of
- 15 Administrative Hearings under G.S. 108D-15 to resolve a dispute between an
- 16 enrollee and a local management entity/managed care organization or a
- 17 Prepaid Health Plan about a managed care action.~~an adverse benefit~~
- 18 determination.
- 19 ...
- 20 (7) Enrollee. – A Medicaid beneficiary who is currently enrolled with a local
- 21 management entity/managed care organization.~~organization or Prepaid Health~~
- 22 Plan.
- 23 (7a) Enrollment Broker or EB. – As defined in 42 C.F.R. § 438.810(a).
- 24 (7b) Fee-for-Service Program. – A payment model for the Medicaid and NC Health
- 25 Choice program operated by the Department pursuant to its authority under
- 26 Parts 6 and 8 of Article 2 of Chapter 108A of the General Statutes in which
- 27 providers are paid by the Department, or its legally authorized contractors, for
- 28 each service performed.
- 29 ...
- 30 ~~(10)~~ Managed care action. – An action, as defined in 42 C.F.R. § 438.400(b).
- 31 (10a) Mail. – United States mail and electronic mail, if the enrollee or authorized
- 32 representative has given written consent to receive electronic
- 33 communications.
- 34 (11) Managed Care Organization or MCO. – As defined in 42 C.F.R. § 438.2.
- 35 (11a) Managed Care Program. – As defined in 42 C.F.R. § 438.2.
- 36 ...
- 37 (13) Network provider. – An appropriately credentialed provider of mental health,
- 38 ~~intellectual or developmental disabilities, and substance abuse services~~ that
- 39 has entered into a contract for participation in the closed network of one or
- 40 more local management entity/managed care organizations.
- 41 (14) Notice of managed care action.~~adverse benefit determination.~~ – The notice
- 42 required by 42 C.F.R. § 438.404.
- 43 ...
- 44 (16a) Prepaid Health Plan or PHP. – As defined under Session Law 2015-245, s.
- 45 4(2) as amended.

...."

SECTION 11H.9.(e) G.S. 108D-2 reads as rewritten:

"§ 108D-2. Scope; applicability of this Chapter.

This Chapter applies to every LME/MCO and PHP and to every applicant, enrollee, provider of emergency services, and network provider of an LME/MCO ~~a LME/MCO~~ or a PHP."

SECTION 11H.9.(f) G.S. 108D-3 reads as rewritten:

1 **"§ 108D-3. Conflicts; severability.**

2 ...

3 (b) To the extent that this Chapter conflicts with any other provision of State law that is
4 contrary to the principles of managed care that will ensure successful containment of costs for
5 behavioral health care services, this Chapter prevails and applies.

6"

7 **SECTION 11H.9.(g)** Chapter 108D of the General Statutes is amended by adding a
8 new section to read:

9 **"§ 108D-4. Disenrollment from Prepaid Health Plans.**

10 (a) Generally. – An enrollee, or authorized representative, may submit an oral or written
11 request for disenrollment from the PHP to the enrollment broker. A PHP may submit a written
12 request for disenrollment of an enrollee from the PHP in accordance with subsection (d) of this
13 section. Nothing in this section shall be construed to exclude a Medicaid or NC Health Choice
14 beneficiary who is otherwise required to enroll in the Managed Care program pursuant to Session
15 Law 2015-245, as amended, from enrolling in a PHP or to require a beneficiary who is otherwise
16 exempt from enrollment in the Managed Care program from disenrolling from a PHP and
17 receiving services through the Fee-For-Service program.

18 (b) Without Cause Requests for Disenrollment. – Enrollees who are (i) enrolled in the
19 foster care system, (ii) enrolled in Medicaid under the former foster care eligibility category, (iii)
20 receiving Title IV-E Adoption Assistance, (iv) members of federally recognized tribes, or (v)
21 receiving long-term services and supports in institutional or community-based settings may
22 disenroll from a PHP without cause at any time. All other enrollees may only disenroll from a
23 PHP without cause at the following times:

24 (1) As specified in 42 C.F.R. § 438.56(c)(2).

25 (2) If an enrollee does not receive a timely eligibility decision at annual
26 redetermination, during the period when the redetermination decision is
27 delayed.

28 (c) With Cause Requests for Disenrollment. – An enrollee, or authorized representative,
29 may submit a with cause request to disenroll from a PHP at any time. The following shall
30 constitute with cause reasons for disenrollment from a PHP:

31 (1) The enrollee moves out of the PHP's service region.

32 (2) The PHP does not, because of moral or religious objections, cover the service
33 the enrollee seeks.

34 (3) The enrollee needs concurrent, related services that are not all available within
35 the PHP's provider network, and the enrollee's provider determines receiving
36 services separately would subject the enrollee to unnecessary risk.

37 (4) For enrollees that use long-term services and supports, the enrollee would
38 have to change their residential, institutional, or employment supports
39 provider based on that provider's change in status from an in-network to an
40 out-of-network provider with the PHP and, as a result, would experience a
41 disruption in their residence or employment.

42 (5) The enrollee's complex medical conditions would be better served under a
43 different PHP or different Medicaid delivery system. For purposes of this
44 section, an enrollee is considered to have a "complex medical condition" if the
45 condition could seriously jeopardize the enrollee's life or health or ability to
46 attain, maintain, or regain maximum function.

47 (6) A family member becomes newly eligible or redetermined eligible and is
48 enrolled in or chooses a different PHP.

49 (7) Poor performance by the PHP, as determined by the Department, after
50 evaluation of PHP performance.

1 (8) Other reasons, including poor quality of care, lack of access to covered
2 services, or lack of access to providers experienced in dealing with the
3 enrollee's health care needs.

4 (d) PHP Requests for Disenrollment. – A PHP shall not request disenrollment of an
5 enrollee for any reason prohibited by 42 C.F.R. § 438.56(b)(2). PHPs may request disenrollment
6 of an enrollee only if:

7 (1) The enrollee's behavior seriously hinders the PHP's ability to care for the
8 enrollee or other enrollees of the PHP; and

9 (2) The PHP has documented efforts to resolve the issues that form the basis of
10 the request for disenrollment with the enrollee.

11 (e) Expedited Requests for Disenrollment. – Enrollees, or authorized representatives,
12 may submit an expedited request for disenrollment when the enrollee has an urgent medical need
13 that requires disenrollment from the PHP. For purposes of this subsection, an urgent medical
14 need means that continued enrollment in the PHP could jeopardize the enrollee's life, physical or
15 mental health, or ability to attain, maintain, or regain maximum function. The Department shall
16 issue a written notice approving or denying an expedited request within three days of receipt of
17 the request.

18 (f) Notice. – Within seven days of filing the disenrollment request, the enrollee and all
19 other affected parties shall receive a written notice of resolution approving or denying the request,
20 except for expedited disenrollment requests which shall be governed by subsection (e) of this
21 section. In the same mailing as the notice of resolution, the enrollee will be provided an appeal
22 request form that complies with G.S. 108D-15(f), except that the timeframe for an enrollee to file
23 an appeal shall be governed by subsection (g) of this section.

24 (g) Appeals. – Enrollees, or authorized representatives, dissatisfied with an adverse
25 disenrollment decision may file an appeal for a hearing with the Office of Administrative
26 Hearings within 30 days of the date on the notice of resolution. A request for a hearing to appeal
27 an adverse disenrollment determination of the Department under this section is a contested case
28 subject to the provisions of Article 3 of Chapter 150B of the General Statutes. Notwithstanding
29 any other provision of law to the contrary, an appeal by a Medicaid or NC Health Choice enrollee
30 of an adverse disenrollment determination shall be governed by the provisions of this section and
31 G.S. 108A-70.9B.

32 (h) Jurisdiction of the Office of Administrative Hearings. – The Office of Administrative
33 Hearings does not have jurisdiction over a dispute concerning an adverse disenrollment
34 determination, except as expressly set forth in this section and G.S. 108A-70.9B.

35 (i) Parties. – The Department shall be the respondent for purposes of this appeal.

36 (j) Nothing in this section shall be construed to limit or prevent the Department from
37 disenrolling an enrollee from a PHP."

38 **SECTION 11H.9.(h)** Chapter 108D of the General Statutes is amended by adding a
39 new section to read:

40 **"§ 108D-11A. Review of NC Health Choice enrollee health services decisions.**

41 (a) Review of Health Services Decisions Made by a PHP. – In accordance with 42 C.F.R.
42 §§ 457.1260 and 457.1130(b), a NC Health Choice beneficiary enrolled in a PHP may seek
43 review of any delay, denial, reduction, suspension, or termination of health services, in whole or
44 in part, including a determination about the type or level of services in accordance with the
45 provisions of this Chapter or any decision under NC Health Choice that meets the definition of
46 an adverse benefit determination as defined by 42 C.F.R. § 438.400(b). Nothing in this Chapter
47 shall be construed to grant a NC Health Choice enrollee benefits in excess of what is required by
48 G.S. 108A-70.21.

49 (b) Review of Health Services Decisions Pursuant to Programmatic Changes. –
50 Notwithstanding subsection (a) of this section and in accordance with 42 C.F.R. § 457.1130(c),
51 the appeals process set forth in this Chapter shall not apply to instances in which the sole basis

1 for the PHP's decision is a provision in the State plan or in federal or State law requiring an
2 automatic change in coverage under the health benefits package that affects all enrollees or a
3 group of enrollees without regard to their individual circumstances."

4 **SECTION 11H.9.(i)** G.S. 108D-11 is recodified as G.S. 108D-11B and reads as
5 rewritten:

6 "**§ 108D-11B. LME/MCO and PHP grievance and appeal procedures, generally.**

7 (a) Each LME/MCO shall establish and maintain internal grievance and appeal
8 procedures that (i) comply with the Social Security Act and 42 C.F.R. Part 438, Subpart F, and
9 (ii) afford enrollees, and network providers authorized in writing to act on behalf of enrollees,
10 constitutional rights to due process and a fair hearing.

11 (b) Enrollees, or ~~network providers authorized in writing to act on behalf of enrollees,~~
12 authorized representatives, may file requests for grievances and LME/MCO level appeals or PHP
13 level appeals, orally or in writing. However, unless the enrollee or ~~network provider authorized~~
14 representative requests an expedited appeal, the oral filing must be followed by a written, signed
15 grievance or appeal.

16 (c) An LME/MCO or PHP shall not attempt to influence, limit, or interfere with an
17 enrollee's right or decision to file a grievance, request for an LME/MCO level appeal, or a PHP
18 level appeal, contested case hearing. However, nothing in this Chapter shall be construed to
19 prevent an LME/MCO from doing any of the following:

- 20 (1) Offering an enrollee alternative services.
- 21 (2) Engaging in clinical or educational discussions with enrollees or providers.
- 22 (3) Engaging in informal attempts to resolve enrollee concerns prior to the
23 issuance of a notice of grievance disposition or notice of resolution.

24 (d) An LME/MCO shall not take punitive action against a provider for any of the
25 following:

- 26 (1) Filing a grievance on behalf of an enrollee or supporting an enrollee's
27 grievance.
- 28 (2) Requesting ~~an a~~ LME/MCO level appeal or a PHP level appeal on behalf of
29 an enrollee or supporting an enrollee's request for ~~an a~~ LME/MCO level
30 appeal or PHP level appeal.
- 31 (3) Requesting an expedited LME/MCO level appeal or PHP level appeal on
32 behalf of an enrollee or supporting an enrollee's request for ~~an a~~ LME/MCO
33 level or PHP level expedited appeal.
- 34 (4) Requesting a contested case hearing on behalf of an enrollee or supporting an
35 enrollee's request for a contested case hearing."

36 **SECTION 11H.9.(j)** G.S. 108D-12 reads as rewritten:

37 "**§ 108D-12. LME/MCO and PHP grievances.**

38 (a) Filing of Grievance. – An enrollee, or ~~a network provider authorized in writing to act~~
39 ~~on behalf of an enrollee, authorized representative~~ has the right to file a grievance with an
40 LME/MCO or a PHP at any time to express dissatisfaction about any matter other than ~~a managed~~
41 ~~care action, an adverse benefit determination.~~ Upon receipt of a grievance, an LME/MCO or a
42 PHP shall cause a written acknowledgment of receipt of the grievance to be sent by ~~United States~~
43 mail.

44 (b) Notice of Grievance Disposition. – The LME/MCO or the PHP shall resolve the
45 grievance and cause a notice of grievance disposition to be sent by ~~United States~~ mail to the
46 enrollee and all other affected parties as expeditiously as the enrollee's health condition requires,
47 but no later than ~~90~~ 30 days after receipt of the ~~grievance~~ grievance, provided that the LME/MCO
48 or the PHP may extend such time frame to the extent permitted under 42 C.F.R. § 438.408(c).

49 (c) Right to LME/MCO or PHP Level Appeal. – There is no right to appeal the resolution
50 of a grievance to OAH or any other forum."

51 **SECTION 11H.9.(k)** G.S. 108D-13 reads as rewritten:

1 **"§ 108D-13. Standard LME/MCO and PHP level appeals.**

2 (a) Notice of ~~Managed Care Action~~ Adverse Benefit Determination – An LME/MCO or
3 a PHP shall provide an enrollee with written notice of ~~a managed care action~~ an adverse benefit
4 determination by ~~United States~~ mail as required under 42 C.F.R. § 438.404. The notice ~~of action~~
5 will employ a standardized form included as a provision in the contracts between the LME/MCOs
6 and the Department of Health and Human ~~Services~~ Services, or in the contracts between the PHPs
7 and the Department.

8 (b) Request for Appeal. – An enrollee, ~~or a network provider authorized in writing to act~~
9 ~~on behalf of the enrollee,~~ an authorized representative has the right to file a request for an
10 LME/MCO level appeal or a PHP level appeal of a notice of ~~managed care action~~ adverse benefit
11 determination no later than ~~30~~ 60 days after the mailing date of the ~~grievance disposition~~ or notice
12 of managed care action adverse benefit determination. Upon receipt of a request for an
13 LME/MCO level ~~appeal,~~ an appeal or a PHP level appeal, an LME/MCO or a PHP shall
14 acknowledge receipt of the request for appeal in writing by ~~United States~~ mail.

15 (c) Continuation of Benefits. – An LME/MCO or a PHP shall continue the enrollee's
16 benefits during the pendency of an LME/MCO level appeal or a PHP level appeal to the same
17 extent required under ~~42 C.F.R. § 438.420~~ 42 C.F.R. § 438.420, except that NC Health Choice
18 enrollees shall not be entitled to continuation of benefits.

19 (c1) Reinstatement of Benefits for PHP Enrollees. – Notwithstanding G.S. 108D-13(c), a
20 PHP shall reinstate the enrollee's benefits if all the following occur:

21 (1) The enrollee files the appeal within required time frames;

22 (2) The enrollee files for continuation of benefits after the time frame to request
23 expires under G.S. 108D-13(c) but within 30 days of the PHP sending the
24 notice of adverse benefit determination or the notice of resolution;

25 (3) The appeal involves the termination, suspension, or reduction of previously
26 authorized services; and

27 (4) The services were ordered by an authorized provider.

28 Nothing in this subsection shall be construed to grant NC Health Choice enrollees the right
29 to receive reinstatement of benefits during the pendency of the enrollee's appeal of an adverse
30 benefit determination.

31 (d) Notice of Resolution. – The LME/MCO or the PHP shall resolve the appeal as
32 expeditiously as the enrollee's health condition requires, but no later than ~~45~~ 30 days after
33 receiving the request for ~~appeal~~ appeal, provided that the LME/MCO or the PHP may extend
34 such time frame to the extent permitted under 42 C.F.R. § 438.408(c). The LME/MCO or the
35 PHP shall provide the enrollee and all other affected parties with a written notice of resolution
36 by ~~United States~~ mail within this ~~45-day~~ 30-day period.

37 (e) Right to Request Contested Case Hearing. – An enrollee, ~~or a network provider~~
38 ~~authorized in writing to act on behalf of an enrollee,~~ an authorized representative, may file a
39 request for a contested case hearing under G.S. 108D-15 as long as the enrollee or ~~network~~
40 ~~provider~~ authorized representative has exhausted the appeal procedures described in this section
41 or G.S. 108D-14. G.S. 108D-14 or (ii) the enrollee has been deemed to have exhausted the
42 LME/MCO level appeals process or the PHP level appeals process under 42 C.F.R. §
43 438.408(c)(3).

44 (f) Request Form for Contested Case Hearing. – In the same mailing as the notice of
45 resolution, the LME/MCO or the PHP shall also provide the enrollee with an appeal request form
46 for a contested case hearing that meets the requirements of G.S. 108D-15(f)."

47 **SECTION 11H.9.(I)** G.S. 108D-14 reads as rewritten:

48 **"§ 108D-14. Expedited LME/MCO and PHP level appeals.**

49 (a) Request for Expedited Appeal. – When the time limits for completing a standard
50 appeal could seriously jeopardize the enrollee's life or health or ability to attain, maintain, or
51 regain maximum function, an enrollee, ~~or a network provider authorized in writing to act on~~

1 ~~behalf of an enrollee, an authorized representative,~~ has the right to file a request for an expedited
2 appeal of ~~a managed care action~~ adverse benefit determination no later than ~~30-60~~ days after the
3 mailing date of the notice of ~~managed care action,~~ an adverse benefit determination. For
4 expedited appeal requests made by enrollees, or authorized representatives that are not providers,
5 the LME/MCO or the PHP shall determine if the enrollee qualifies for an expedited appeal. For
6 expedited appeal requests made by network providers on behalf of enrollees, the LME/MCO or
7 the PHP shall presume an expedited appeal is necessary.

8 (b) Notice of Denial for Expedited Appeal. – If the LME/MCO or the PHP denies a
9 request for an expedited LME/MCO level ~~appeal,~~ appeal or PHP level appeal, the LME/MCO or
10 the PHP shall make reasonable efforts to give the enrollee and all other affected parties oral notice
11 of the denial and follow up with written notice of denial by ~~United States~~-mail by no later than
12 ~~two calendar days~~ 72 hours after receiving the request for an expedited appeal. In addition, the
13 LME/MCO or the PHP shall resolve the appeal within the time limits established for standard
14 LME/MCO level appeals and PHP level appeals in G.S. 108D-13.

15 (c) Continuation of Benefits. – An LME/MCO or a PHP shall continue the enrollee's
16 benefits during the pendency of an expedited LME/MCO level appeal or PHP level appeal to the
17 extent required under ~~42 C.F.R. § 438.420~~ 42 C.F.R. § 438.420, except that NC Health Choice
18 enrollees shall not be entitled to continuation of benefits under this subsection.

19 (c1) Reinstatement of Benefits for PHP Enrollees. – Notwithstanding G.S. 108D-14(c), a
20 PHP shall reinstate an enrollee's benefits in accordance with G.S. 108D-13(c1).

21 (d) Notice of Resolution. – If the LME/MCO or the PHP grants a request for an expedited
22 LME/MCO level ~~appeal,~~ appeal or PHP level appeal, the LME/MCO or the PHP shall resolve
23 the appeal as expeditiously as the enrollee's health condition requires, and no later than ~~three~~
24 ~~working days~~ 72 hours after receiving the request for an expedited ~~appeal.~~ appeal, provided that
25 the LME/MCO or the PHP may extend such time frame to the extent permitted under 42 C.F.R.
26 § 438.408(c). The LME/MCO or the PHP shall provide the enrollee and all other affected parties
27 with a written notice of resolution by ~~United States~~-mail within this ~~three day~~ 72-hour period.

28 (e) Right to Request Contested Case Hearing. – An enrollee, or a network provider
29 ~~authorized in writing to act on behalf of an enrollee,~~ an authorized representative may file a
30 request for a contested case hearing under G.S. 108D-15 as long as (i) the enrollee or ~~network~~
31 ~~provider~~ authorized representative has exhausted the appeal procedures described in
32 G.S. 108D-13 or this ~~section~~ or (ii) the enrollee has been deemed to have exhausted the
33 LME/MCO level appeals process or the PHP level appeals process under 42 C.F.R. §
34 438.408(c)(3).

35 (f) Reasonable Assistance. – An LME/MCO or a PHP shall provide the enrollee with
36 reasonable assistance in completing forms and taking other procedural steps necessary to file an
37 appeal, including providing interpreter services and toll-free numbers that have adequate
38 teletypewriter/telecommunications devices for the deaf (TTY/TDD) and interpreter capability.

39 (g) Request Form for Contested Case Hearing. – In the same mailing as the notice of
40 resolution, the LME/MCO or the PHP shall also provide the enrollee with an appeal request form
41 for a contested case hearing that meets the requirements of G.S. 108D-15(f)."

42 **SECTION 11H.9.(m)** G.S. 108D-15 reads a rewritten:

43 **"§ 108D-15. Contested case hearings on disputed ~~managed care actions.~~ adverse benefit**
44 **determinations.**

45 (a) Jurisdiction of the Office of Administrative Hearings. – The Office of Administrative
46 Hearings does not have jurisdiction over a dispute concerning ~~a managed care action,~~ an adverse
47 benefit determination, except as expressly set forth in this Chapter.

48 (b) Exclusive Administrative Remedy. – Notwithstanding any provision of State law or
49 rules to the contrary, this section is the exclusive method for an enrollee to contest a notice of
50 resolution issued by an ~~LME/MCO.~~ LME/MCO or a PHP. G.S. 108A-70.9A, 108A-70.9B, and
51 108A-70.9C do not apply to enrollees contesting an adverse benefit determination.

1 (c) Request for Contested Case Hearing. – A request for an administrative hearing to
2 appeal a notice of resolution issued by ~~an~~ a LME/MCO or a PHP is a contested case subject to
3 the provisions of Article 3 of Chapter 150B of the General Statutes. An ~~enrollee, enrollee~~ or a
4 ~~network provider authorized in writing to act on behalf of an enrollee,~~ authorized representative
5 has the right to file a request for appeal to contest a notice of resolution as long as (i) the enrollee
6 or ~~network provider~~ authorized representative has exhausted the appeal procedures described in
7 G.S. 108D-13 or ~~G.S. 108D-14.~~ G.S. 108D-14 or (ii) the enrollee has been deemed to have
8 exhausted the LME/MCO level appeals process or the PHP level appeals process under 42 C.F.R.
9 § 438.408(c)(3).

10 (d) Filing Procedure. – An enrollee, or ~~a network provider authorized in writing to act on~~
11 ~~behalf of an enrollee,~~ authorized representative, may file a request for an appeal by sending an
12 appeal request form that meets the requirements of subsection ~~(e)~~ (f) of this section to OAH and
13 the affected LME/MCO or PHP by no later than ~~30~~ 120 days after the mailing date of the notice
14 of resolution. A request for appeal is deemed filed when a completed and signed appeal request
15 form has been both submitted into the care and custody of the chief hearings clerk of OAH and
16 accepted by the chief hearings clerk. Upon receipt of a timely filed appeal request form,
17 information contained in the notice of resolution is no longer confidential, and the LME/MCO
18 or the PHP shall immediately forward a copy of the notice of resolution to OAH electronically.
19 OAH may dispose of these records after one year.

20 (e) Parties. – The LME/MCO or the PHP shall be the respondent for purposes of this
21 appeal. The ~~LME/MCO~~ LME/MCO, the PHP, or enrollee may move for the permissive joinder
22 of the Department under Rule 20 of the North Carolina Rules of Civil Procedure. The Department
23 may move to intervene as a necessary party under Rules 19 and 24 of the North Carolina Rules
24 of Civil Procedure.

25 (f) Appeal Request Form. – In the same mailing as the notice of resolution, the
26 LME/MCO shall also provide the enrollee with an appeal request form for a contested case
27 hearing which shall be no more than one side of one page. The form shall include at least all of
28 the following:

- 29 (1) A statement that in order to request an appeal, the enrollee must file the form
30 in accordance with OAH rules, by mail or fax to the address or fax number
31 listed on the form, by no later than ~~30~~ 120 days after the mailing date of the
32 notice of resolution.
- 33 (2) The enrollee's name, address, telephone number, and Medicaid or NC Health
34 Choice identification number.
- 35 (3) A preprinted statement that indicates that the enrollee would like to appeal a
36 specific ~~managed care action~~ adverse benefit determination identified in the
37 notice of resolution.

38 ...

39 (g) Continuation of Benefits. – An LME/MCO or a PHP shall continue the enrollee's
40 benefits during the pendency of an appeal to the same extent required under ~~42 C.F.R. § 438.420.~~
41 42 C.F.R. § 438.420, 108D-13(c1), and 108D-14(c1), provided that this subsection shall not
42 apply to NC Health Choice enrollees. Notwithstanding any other provision of State law, the
43 administrative law judge does not have the power to order and shall not order an LME/MCO or
44 a PHP to continue benefits in excess of what is required by ~~42 C.F.R. § 438.420.~~ 42 C.F.R. §
45 438.420, except to the extent of what is allowed by G.S. 108D-13(c1) and G.S. 108D-14(c1).

46 (h) Simple Procedures. – Notwithstanding any other provision of Article 3 of Chapter
47 150B of the General Statutes, the chief administrative law judge of OAH may limit and simplify
48 the administrative hearing procedures that apply to contested case hearings conducted under this
49 section in order to complete these cases as expeditiously as possible. Any simplified hearing
50 procedures approved by the chief administrative law judge under this subsection must comply
51 with all of the following requirements:

- 1 ...
- 2 (2) OAH shall conduct all contested case hearings telephonically or by video
3 technology with all parties, unless the enrollee requests that the hearing be
4 conducted in person before the administrative law judge. An in-person hearing
5 shall be conducted in the county that contains the headquarters of the
6 LME/MCO or PHP unless the enrollee's impairments limit travel. For
7 enrollees with impairments that limit travel, an in-person hearing shall be
8 conducted in the enrollee's county of residence. OAH shall provide written
9 notice to the enrollee of the use of telephonic hearings, hearings by video
10 conference, and in-person hearings before the administrative law judge, as
11 well as written instructions on how to request a hearing in the enrollee's county
12 of residence.
- 13 ...
- 14 (5) OAH shall include information on at least all of the following in its notice of
15 hearing to an enrollee:
- 16 a. The enrollee's right to examine at a reasonable time before and during
17 the hearing the contents of the enrollee's case file and any documents
18 to be used by the LME/MCO or the PHP in the hearing before the
19 administrative law judge.
- 20 ...
- 21 c. The circumstances in which a medical assessment may be obtained at
22 the LME/MCO's or the PHP's expense and made part of the record,
23 including all of the following:
- 24 ...
- 25 (i) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108D-15(f)
26 or other clear request for a hearing by an enrollee, OAH shall immediately notify the Mediation
27 Network of North Carolina, which shall contact the enrollee within five days to offer mediation
28 in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed
29 within 25 days of submission of the request for appeal. Upon completion of the mediation, the
30 mediator shall inform OAH and the LME/MCO or the PHP within 24 hours of the resolution by
31 facsimile or electronic messaging. If the parties have resolved matters in the mediation, OAH
32 shall dismiss the case. OAH shall not conduct a hearing of any contested case involving a dispute
33 of a ~~managed care action~~ an adverse benefit determination until it has received notice from the
34 mediator assigned that either (i) the mediation was unsuccessful, (ii) the petitioner has rejected
35 the offer of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. If the
36 enrollee accepts an offer of mediation and then fails to attend mediation without good cause,
37 OAH shall dismiss the contested case.
- 38 (j) Burden of Proof. – The enrollee has the burden of proof on all issues submitted to
39 OAH for a contested case hearing under this section and has the burden of going forward. The
40 administrative law judge shall not make any ruling on the preponderance of evidence until the
41 close of all evidence in the case.
- 42 (k) New Evidence. – The enrollee shall be permitted to submit evidence regardless of
43 whether it was obtained before or after the LME/MCO's ~~managed care action~~ or the PHP's
44 adverse benefit determination and regardless of whether the LME/MCO or PHP had an
45 opportunity to consider the evidence in resolving the LME/MCO level ~~appeal~~ appeal or the PHP
46 level appeal. Upon the receipt of new evidence and at the request of the ~~LME/MCO, LME/MCO~~
47 or the PHP, the administrative law judge shall continue the hearing for a minimum of 15 days
48 and a maximum of 30 days in order to allow the LME/MCO or the PHP to review the evidence.
49 Upon reviewing the evidence, if the LME/MCO or the PHP decides to reverse the ~~managed care~~
50 action adverse benefit determination taken against the enrollee, it shall immediately inform the
51 administrative law judge of its decision.

1 (l) Issue for Hearing. – For each ~~managed care action~~, adverse benefit determination, the
 2 administrative law judge shall determine whether the LME/MCO or the PHP substantially
 3 prejudiced the rights of the enrollee and whether the ~~LME/MCO, LME/MCO or the PHP~~, based
 4 upon evidence at the hearing:

5 ...

6 (m) To the extent that anything in this Part, Chapter 150B of the General Statutes, or any
 7 rules or policies adopted under these Chapters is inconsistent with the Social Security Act or 42
 8 C.F.R. Part 438, Subpart F, federal law prevails and applies to the extent of the conflict. All rules,
 9 rights, and procedures for contested case hearings concerning ~~managed care actions~~ adverse
 10 benefit determinations shall be construed so as to be consistent with federal law and shall provide
 11 the enrollee with no ~~lesser and no greater~~ less rights than those provided under federal law."

12 **SECTION 11H.9.(n)** G.S. 108D-16 reads as rewritten:

13 "**§ 108D-16. Notice of final decision and right to seek judicial review.**

14 The administrative law judge assigned to conduct a contested case hearing under
 15 G.S. 108D-15 shall hear and decide the case without unnecessary delay. The judge shall prepare
 16 a written decision that includes findings of fact and conclusions of law and send it to the parties
 17 in accordance with G.S. 150B-37. The written decision shall notify the parties of the final
 18 decision and of the right of the enrollee and the LME/MCO or the PHP to seek judicial review
 19 of the decision under Article 4 of Chapter 150B of the General Statutes."

20 **SECTION 11H.9.(o)** G.S. 108C-2 reads as rewritten:

21 "**§ 108C-2. Definitions.**

22 The following definitions apply in this Chapter:

23 ...

24 (4) Division. – The Division of ~~Medical Assistance~~ Health Benefits of the
 25 Department.

26"

27 **SECTION 11H.9.(p)** G.S. 108C-14 reads as rewritten:

28 "**§ 108C-14. Provider performance bonds.**

29 (a) Subject to the provisions of this section, the Department may require
 30 Medicaid-enrolled providers to purchase a performance bond in an amount not to exceed one
 31 hundred thousand dollars (\$100,000) naming as beneficiary the Department of Health and
 32 Human Services, Division of ~~Medical Assistance~~, Health Benefits, or provide to the Department
 33 a validly executed letter of credit or other financial instrument issued by a financial institution or
 34 agency honoring a demand for payment in an equivalent amount. The Department may require
 35 the purchase of a performance bond or the submission of an executed letter of credit or financial
 36 instrument as a condition of initial enrollment, reenrollment, recredentialing, or reinstatement if
 37 any of the following are true:

38"

39 **SECTION 11H.9.(q)** G.S. 108A-24 reads as rewritten:

40 "**§ 108A-24. Definitions.**

41 As used in Chapter 108A:

42 ...

43 (3h) "Fee-for-Service Program" means a payment model for the Medicaid and NC
 44 Health Choice program operated by the Department of Health and Human
 45 Services pursuant to its authority under Parts 6 and 8 of Article 2 of this
 46 Chapter in which providers are paid for each service performed.

47 ...

48 (4c) "Prepaid Health Plan" or "PHP" as defined in S.L. 2015-245, s. 4(2), as
 49 amended.

50"

51 **SECTION 11H.9.(r)** G.S. 108A-55 reads as rewritten:

1 **"§ 108A-55. Payments.**

2 ...
3 (f) For payments made in fiscal year 2013-2014 and for subsequent fiscal years, the
4 Department of Health and Human Services, Division of ~~Medical Assistance,~~ Health Benefits,
5 shall publish on its Web site comprehensive information on Medicaid payments made to
6 providers. The information shall be updated annually within three months of the close of a State
7 fiscal year to include payments for that fiscal year. The information published shall include all
8 of the following for each individual providing Medicaid services:

9"

10 **SECTION 11H.9.(s)** G.S. 108A-55.3 reads as rewritten:

11 **"§ 108A-55.3. Verification of State residency required for medical assistance.**

12 (d) The Division of ~~Medical Assistance-Health Benefits~~ shall not provide payment for
13 medical assistance provided to an applicant unless or until the applicant has met the proof of
14 residency requirements of this section.

15"

16 **SECTION 11H.9.(t)** G.S. 108A-55.4 reads as rewritten:

17 **"§ 108A-55.4. Insurers to provide certain information to Department of Health and Human
18 Services.**

19 (a) As used in this section, the terms:

20 ...

21 (2) "Division" means the Division of ~~Medical Assistance-Health Benefits~~ of the
22 Department of Health and Human Services.

23 ...

24 (b) Health insurers, and pharmacy benefit managers regulated as third-party
25 administrators under Article 56 of Chapter 58 of the General Statutes, shall provide, with respect
26 to a subscriber upon request of the Division or its authorized contractor, information to determine
27 during what period the individual or the individual's spouse or dependents may be (or may have
28 been) covered by a health insurer and the nature of the coverage that is or was provided by the
29 health insurer (including the subscriber's name, address, identification number, social security
30 number, date of birth and identifying number of the plan) in a manner prescribed by the Division
31 or its authorized contractor. Notwithstanding any other provision of law, every health insurer
32 shall provide, not more frequently than twelve times in a year and at no cost, to the ~~Department
33 of Health and Human Services, Division of Medical Assistance, Division,~~ or the Department's or
34 Division's authorized contractor, upon its request, information as necessary so that the Division
35 may (i) identify applicants or recipients who may also be subscribers covered under the benefit
36 plans of the health insurer; (ii) determine the period during which the individual, the individual's
37 spouse, or the individual's dependents may be or may have been covered by the health benefit
38 plan; and (iii) determine the nature of the coverage. To facilitate the Division or its authorized
39 contractor in obtaining this and other related information, every health insurer shall:

40"

41 **SECTION 11H.9.(u)** G.S. 108A-56 reads as rewritten:

42 **"§ 108A-56. Acceptance of federal grants.**

43 All of the provisions of the federal Social Security Act providing grants to the states for
44 medical assistance are accepted and adopted, and the provisions of this Part shall be liberally
45 construed in relation to such act so that the intent to comply with it shall be made effectual.
46 Nothing in this Part or the regulations made under its authority shall be construed to deprive a
47 recipient of assistance of the right to choose the licensed provider of the care or service made
48 available under this Part within the provisions of the federal Social Security Act. Act, provided
49 that this restriction shall not prohibit a PHP from requiring its enrollees to obtain services from
50 providers that are under contract with the PHP or imposing utilization management criteria to a

1 request for services to the extent not otherwise prohibited by State or federal law or regulation or
2 by the Department."

3 **SECTION 11H.9.(v)** G.S. 108A-61.1 reads as rewritten:

4 "**§ 108A-61.1. Financial responsibility of a parent for a child under age 21 in a medical**
5 **institution.**

6 Notwithstanding any other provisions of the law, for the purpose of determining eligibility
7 for medical assistance under Title XIX of the Social Security Act, 42 U.S.C. § 1396 et seq., the
8 income and financial resources of the natural or adoptive parents of a person who is under the
9 age of 21 and who requires Medicaid covered services in a medical institution shall not be
10 counted if the patient's physician certifies, and the Division of ~~Medical Assistance-Health~~
11 ~~Benefits~~ or its agents approve, that continuous care and treatment are expected to exceed 12
12 months. For purposes of this subsection, "medical institution" means licensed acute care inpatient
13 medical facilities providing medical, surgical, and psychiatric or substance abuse treatment, or
14 facilities providing skilled or intermediate care, including intermediate care for the mentally
15 retarded."

16 **SECTION 11H.9.(w)** G.S. 108A-62 reads as rewritten:

17 "**§ 108A-62. Therapeutic leave for medical assistance patients.**

18 Patients at an intermediate care facility or skilled nursing facility may take up to 60 days of
19 therapeutic leave in any one calendar year without the facility losing reimbursement under the
20 medical assistance program, provided, however, no more than 15 consecutive days may be taken
21 without approval of the Department of Health and Human Services, Division of ~~Medical~~
22 ~~Assistance-Health Benefits~~ or the PHP. Under no circumstances shall the number of
23 Medicaid-covered therapeutic leave days exceed 60 days per patient per calendar year."

24 **SECTION 11H.9.(x)** G.S. 108A-64.1 reads as rewritten:

25 "**§ 108A-64.1. Incentives to counties to recover fraudulent Medicaid expenditures.**

26 The Department of Health and Human Services, Division of ~~Medical Assistance-Health~~
27 ~~Benefits~~, shall provide incentives to counties that successfully recover fraudulently spent
28 Medicaid funds by sharing State savings with counties responsible for the recovery of the
29 fraudulently spent funds."

30 **SECTION 11H.9.(y)** G.S. 108A-68 reads as rewritten:

31 "**§ 108A-68. Drug Use Review Program; rules.**

32 Notwithstanding the provisions of Chapter 90 of the General Statutes or of any other
33 provision of law, the Division of ~~Medical Assistance-Health Benefits~~ Department of Health and
34 Human Services, shall adopt rules implementing the drug use review provisions of the Omnibus
35 Budget Reconciliation Act of 1990, as amended."

36 **SECTION 11H.9.(z)** G.S. 108A-70 reads as rewritten:

37 "**§ 108A-70. Recoupment of amounts spent on medical care.**

38 (a) The Department may garnish the wages, salary, or other employment income of, and
39 the Secretary of Revenue shall withhold amounts from State tax refunds to, any person who:

40 ...

41 (3) Has not used such payments to reimburse, as appropriate, either the other
42 parent or guardian of the child or the provider of the services;

43 to the extent necessary to reimburse the Department or the PHP for expenditures for such costs
44 under this Part; provided, however, claims for current and past due child support shall take
45 priority over any such claims for the costs of such services.

46 ..."

47 **SECTION 11H.9.(aa)** G.S. 108A-70.4 reads as rewritten:

48 "**§ 108A-70.4. Long-Term Care Partnership Program.**

49 (a) The following definitions apply in this section:

50 ...

51 (3) Division. – The Division of ~~Medical Assistance-Health Benefits~~.

1"

2 SECTION 11H.9.(bb) G.S. 108A-70.9B reads as rewritten:

3 "**§ 108A-70.9B. Contested Medicaid cases or adverse disenrollment determination cases.**

4 (a) Application. – This section applies only to contested Medicaid cases commenced by
5 Medicaid recipients under ~~G.S. 108A-70.9A~~. G.S. 108A-70.9A and contested adverse
6 disenrollment determination cases commenced by Medicaid or NC Health Choice recipients
7 under G.S. 108D-4. Except as otherwise provided by ~~G.S. 108A-70.9A~~ G.S. 108A-70.9A,
8 G.S. 108D-4, and this section governing time lines and procedural steps, a contested Medicaid
9 case commenced by a Medicaid recipient and a contested adverse disenrollment determination
10 case commenced by a Medicaid or NC Health Choice recipient is subject to the provisions of
11 Article 3 of Chapter 150B of the General Statutes. To the extent any provision in this ~~section~~
12 section or G.S. 108A-70.9A conflicts with another provision in Article 3 of Chapter 150B of the
13 General Statutes, this ~~section and G.S. 108A-70.9A~~ section, G.S. 108A-70.9A, and G.S. 108D-4
14 control.

15 (b) Simple Procedures. – Notwithstanding any other provision of Article 3 of Chapter
16 150B of the General Statutes, the chief administrative law judge may limit and simplify the
17 procedures that apply to a contested Medicaid case involving a Medicaid recipient or a contested
18 adverse disenrollment determination case involving a Medicaid or NC Health Choice recipient
19 in order to complete the case as quickly as possible.

20 (1) To the extent possible, OAH shall schedule and hear contested Medicaid and
21 adverse disenrollment determination cases within 55 days of submission of a
22 request for appeal.

23 ...

24 (3) The simplified procedure may include requiring that all prehearing motions
25 be considered and ruled on by the administrative law judge in the course of
26 the hearing of the case on the merits. An administrative law judge assigned to
27 a contested Medicaid or adverse disenrollment determination case shall make
28 reasonable efforts in a case involving a ~~Medicaid~~-recipient who is not
29 represented by an attorney to assure a fair hearing and to maintain a complete
30 record of the hearing.

31 ...

32 (c) Mediation. – Upon receipt of an appeal request form as provided by ~~G.S.~~
33 ~~108A-70.9A(e)~~ G.S. 108A-70.9A(e), G.S. 108D-15(f), or other clear request for a hearing by a
34 ~~Medicaid~~-recipient, OAH shall immediately notify the Mediation Network of North Carolina,
35 which shall contact the recipient within five days to offer mediation in an attempt to resolve the
36 dispute. If mediation is accepted, the mediation must be completed within 25 days of submission
37 of the request for appeal. Upon completion of the mediation, the mediator shall inform OAH and
38 the Department within 24 hours of the resolution by facsimile or electronic messaging. If the
39 parties have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not
40 conduct a hearing of any contested Medicaid or adverse disenrollment determination case until
41 it has received notice from the mediator assigned that either: (i) the mediation was unsuccessful,
42 or (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear
43 at a scheduled mediation. If the recipient accepts an offer of mediation and then fails to attend
44 mediation without good cause, OAH shall dismiss the contested case.

45 (d) Burden of Proof. – The recipient has the burden of proof on all issues submitted to
46 OAH for a Medicaid or adverse disenrollment determination contested case hearing and has the
47 burden of going forward. The administrative law judge shall not make any ruling on the
48 preponderance of evidence until the close of all evidence.

49 ...

50 (g) Decision. – The administrative law judge assigned to a contested Medicaid or an
51 adverse disenrollment determination case shall hear and decide the case without unnecessary

1 delay. The judge shall prepare a written decision and send it to the parties in accordance with
2 G.S. 150B-37."

3 **SECTION 11H.9 (cc)** G.S. 108A-70.27 reads as rewritten:

4 "**§ 108A-70.27. Data collection; reporting.**

5 ...

6 (c) The Division of ~~Medical Assistance-Health Benefits~~ shall provide to the Department
7 data required under this section that are collected by this Division. Data shall be reported by the
8 Division of ~~Medical Assistance-Health Benefits~~ in sufficient detail to meet federal reporting
9 requirements under Title XXI."

10 **SECTION 11H.9.(dd)** G.S. 108A-70.29 reads as rewritten:

11 "**§ 108A-70.29. Program review process.**

12 (a) Review of Eligibility and Program Enrollment Decisions. – Eligibility and program
13 enrollment decisions for Program applicants or recipients shall be reviewable pursuant to
14 G.S. 108A-79. Program recipients shall remain enrolled in the NC Health Choice program during
15 the review of a decision to terminate or suspend enrollment.

16 (b) Review of Fee-for-Service Program Health Services Decisions. – In accordance with
17 42 C.F.R. § 457.1130 and 42 C.F.R. § 457.1150, a Program recipient may seek review of any
18 delay, denial, reduction, suspension, or termination of health services, in whole or in part,
19 including a determination about the type or level of services, through a two-level review process.

20 (1) Internal review. – Within 30 days from the date of the decision subject to
21 review under this subsection, a recipient may request a first-level internal
22 review, which shall be conducted by the Clinical Medical Director of the
23 Division of ~~Medical Assistance-Health Benefits~~ or the Director's clinical
24 designee.

25"

26 **SECTION 11H.9.(ee)** G.S. 150B-23 reads as rewritten:

27 "**§ 150B-23. Commencement; assignment of administrative law judge; hearing required;
28 notice; intervention.**

29 ...

30 (a3) A Medicaid enrollee, or ~~network provider authorized in writing to act on behalf of the~~
31 ~~enrollee, authorized representative,~~ who appeals a notice of resolution issued by an LME/MCO
32 under Chapter 108D of the General Statutes may commence a contested case under this Article
33 in the same manner as any other petitioner. The case shall be conducted in the same manner as
34 other contested cases under this Article. Solely and only for the purposes of contested cases
35 commenced as Medicaid managed care enrollee appeals under Chapter 108D of the General
36 Statutes, an LME/MCO is considered an agency as defined in G.S. 150B-2(1a). The LME/MCO
37 shall not be considered an agency for any other purpose.

38 ...

39 (a6) A Medicaid or NC Health Choice enrollee, or authorized representative, who appeals
40 a notice of resolution issued by a Prepaid Health Plan under Chapter 108D of the General
41 Statutes, may commence a contested case under this Article in the same manner as any other
42 petitioner. The case shall be conducted in the same manner as other contested cases under this
43 Article. Solely and only for the purposes of contested cases commenced as Medicaid or NC Health
44 Choice managed care enrollee appeals under Chapter 108D of the General Statutes, a Prepaid
45 Health Plan is considered an agency as defined in G.S. 150B-2(1a). The PHP shall not be
46 considered an agency for any other purpose."

47 **SECTION 11H.9.(ff)** G.S. 108C-5 reads as rewritten:

48 "**§ 108C-5. Payment suspension and audits utilizing extrapolation.**

49 ...

50 (b) In addition to the procedures for suspending payment set forth at 42 C.F.R. § 455.23,
51 the Department may also suspend payment to any provider that (i) owes a final overpayment,

1 assessment, ~~or fine~~ fine, or any other collectible debt owed to the Department or which the
2 Department is otherwise obligated to collect, and has not entered into an approved payment plan
3 with the Department or (ii) has had its participation in the Medicaid or Health Choice programs
4 suspended or terminated by the Department. For purposes of this section, a suspension or
5 termination of participation does not become final until all administrative appeal rights have been
6 exhausted and shall not include any agency decision that is being contested at the Department or
7 the Office of Administrative Hearings or in Superior Court provided that the Superior Court has
8 entered a stay pursuant to the provisions of G.S. 150B-48. If the provider has joined one or more
9 MCO/PIHP/PLE, and in the event the Department provides written notice to the MCO/PIHP/PLE
10 that a provider owes a final overpayment, assessment, fine, or other collectible debt to the
11 Department in accordance with this section, or the Department is otherwise obligated to collect,
12 the MCO/PIHP/PLE shall remit to the Department all reimbursement amounts otherwise due to
13 that provider until the provider's final overpayment, assessment, or fine to the Department,
14 including any penalty and interest, has been satisfied. In the event that the Provider has entered
15 into a payment plan with the Department in order to pay the aforementioned funds to the
16 Department, the MCO/PIHP/PLE shall only collect the agreed upon monthly payment from the
17 reimbursement amounts otherwise due to that provider and shall remit that payment to the
18 Department. This statutory requirement supersedes any contractual obligation on the part of the
19 MCO/PIHP/PLE to remit payment to the provider. The MCO/PIHP/PLE shall notify the provider
20 that the Department has mandated recovery of the funds from any reimbursement due to the
21 provider by MCO/PIHP/PLE and shall include a copy of the written notice from the Department
22 to the MCO/PIHP/PLE mandating such recovery.

23 (b1) For purposes of this section, a suspension or termination of participation does not
24 become final until all administrative appeal rights have been exhausted and shall not include any
25 agency decision that is being contested at the Department or the Office of Administrative
26 Hearings or in Superior Court provided that the Superior Court has entered a stay pursuant to the
27 provisions of G.S. 150B-48.

28 (c) For providers who owe a final overpayment, assessment, ~~or fine~~ fine, or any other
29 collectible debt to the Department, or which the Department is otherwise obligated to collect, the
30 payment suspension shall begin the thirty-first day after the overpayment, assessment, ~~or fine~~
31 fine, or other collectible debt becomes final. final by virtue of a settlement or final decision by a
32 Department Hearing Officer or the Office of Administrative Hearings, which decision has not
33 been appealed. The payment suspension shall not exceed the amount owed to the Department,
34 including any applicable penalty and interest charges.

35 ...

36 (h1) The Department may collect payments for delinquent provider health care
37 assessments as defined in 42 C.F.R. § 433.55(a). In addition to all other methods of collection
38 allowed by law, the Department may collect such assessments in the same manner as set forth in
39 G.S. 105-242 and G.S. 105-242.1. The collection of delinquent assessments from a
40 MCO/PIHP/PLE for money owed by a provider and on behalf of the provider to the State agency
41 shall not constitute a donation as defined in 42 C.F.R. § 433.52.

42 (i) Prior to extrapolating the results of any audits, In the notification of an overpayment
43 to the provider, the Department shall ~~demonstrate~~ and inform the provider that (i) the provider
44 failed to substantially comply with the requirements of State or federal law or ~~regulation~~
45 regulation, including Clinical Coverage Policies adopted by the Department; or (ii) the
46 Department has a credible allegation of fraud concerning the provider. Nothing in the subsection
47 shall be construed to prohibit the Department from identifying the extrapolated overpayment
48 amount in the same notice that meets the requirements of this subsection.

49 (j) Audits that result in the extrapolation of results must be performed and reviewed by
50 individuals ~~who shall be credentialed by the Department, as applicable, in the matters to be~~

1 ~~audited, including, but not limited to, coding or specific clinical issues, qualified in the matters to~~
2 ~~be audited.~~

3 (k) The Department, in the request for medical records and prior to conducting audits that
4 result in the extrapolation of results shall identify to the provider the matters to be reviewed and
5 specifically list the clinical, including, but not limited to, assessment of medical necessity,
6 coding, authorization, or other matters reviewed and the time periods reviewed.

7 ...

8 (n) The results of audits that result in the extrapolation of results may be challenged by a
9 provider within the limited or moderate risk categories, pursuant to G.S. 108C-3.

10 (1) The provider shall notify the Department within ~~45~~ 30 days of receipt of the
11 tentative audit results of the provider's challenge of the Department's results
12 under this subsection. The provider's notification shall select the means of
13 challenging the error rate found by the Department.

14 (2) The provider may challenge the error rate found by the Department by doing
15 one of the following:

16 a. Conducting a one hundred percent (100%) file review of those matters
17 and time periods identified in subsection (k) of this section and
18 providing the results to the Department within 60 days from the date
19 of the receipt of the Department's notice of tentative audit results.

20 b. Conducting a second audit upon a sample identified and produced by
21 the Department utilizing the same statistical and sampling
22 methodology to produce a sample twice the size of the original sample
23 to review those matters and time periods identified in subsection (k)
24 of this section. The Department shall provide a new sample to the
25 provider within 30 days from the date of receipt of a provider's request.
26 The provider shall have 60 days from receipt of the new sample to
27 conduct the audit and provide the results to the Department. A
28 provider's failure to provide the results of the second audit within the
29 specified time frame will result in the dismissal of the provider's
30 challenge, and the provider shall not have any further right to appeal
31 to the Office of Administrative Hearings or any other court.

32 (3) The results of an audit conducted by the provider pursuant to this subsection
33 shall be binding upon the provider. The Department has the authority to
34 review the provider's audit for compliance with the requirements of State and
35 federal law and regulation and may reject any audit conducted by a provider
36 pursuant to this subsection found not in compliance.

37 (4) Nothing in this subsection shall limit a provider from challenging the accuracy
38 of the Department's audit, the statistical methodology of the Department's
39 original sample, or the ~~credentials~~ qualifications of the individuals who
40 performed and reviewed the audit.

41 (o) The Department shall permit limited correction of clerical, typographical, scrivener's,
42 and computer errors by the provider prior to final determination of any audit.

43 (p) ~~The provider shall have no less than 30 days. If the provider requests a reconsideration~~
44 review, the provider shall have 45 days from the date of the receipt of the Department's notice of
45 tentative audit results to provide additional documentation not provided to the Department during
46 any audit.

47 (p1) If the provider elects to appeal the Department's decision to the Office of
48 Administrative Hearings, the provider shall have 45 days from the date the appeal is filed to
49 submit any additional documentation, records, or other information that addresses or challenges
50 the findings of the audit. The Department shall not review, and the Office of Administrative
51 Hearings shall not admit into evidence, any materials submitted after the 45-day deadline.

1 (q) Except as required by federal agency, law, or regulation, or instances of credible
2 allegation of fraud, the provider shall be subject to audits which result in the extrapolation of
3 ~~results for a time period of up to 36 months from date of payment of a provider's claim results.~~
4 An audit that results in extrapolation must be initiated via notice of the audit to the provider
5 within 36 months after the date of payment of the provider's claim. No extrapolated audit shall
6 include claims that were paid more than 36 months prior to the date of the notice of the audit.

7 (r) At least annually, the Department shall publish notice of the intention to use audits
8 that result in the extrapolation of results upon its Web site. Such notice shall include the services,
9 provider types, audit elements, and the time periods subject to audit.

10 (s) Nothing in this Chapter shall be construed to prevent the Department from conducting
11 unannounced or targeted audits of providers.

12 (t) Nothing in this Chapter shall be construed to prohibit the Department from utilizing
13 a contractor to send notices to providers on behalf of the Department."
14

15 USE OF MEDICAID TRANSFORMATION FUND FOR MEDICAID 16 TRANSFORMATION NEEDS

17 **SECTION 11H.10.(a)** The funds appropriated by this Act for Medicaid and Health
18 Choice Transformation and Fee-for-Service Claims Runout shall be appropriated from the
19 Medicaid Transformation Reserve in the General Fund to the Medicaid Transformation Fund,
20 established under Section 12H.29 of S.L. 2015-241.

21 **SECTION 11H.10.(b)** Subject to the fulfillment of conditions specified in
22 subsection (d) of this section, the sum of up to two hundred six million one hundred forty-five
23 thousand six hundred and eleven dollars (\$206,145,611) in nonrecurring funds in the 2019-2020
24 fiscal year and sixty-two million five hundred eleven thousand six hundred and ninety-two
25 dollars (\$62,511,692) in nonrecurring funds in the 2020-2021 fiscal year from the Medicaid
26 Transformation Fund may be transferred to the Department of Health and Human Services,
27 Division of Health Benefits (DHB), for the sole purpose of providing the State share for
28 qualifying needs directly related to Medicaid Transformation, as required by S.L. 2015-241, as
29 amended. Funds may be transferred to DHB as qualifying needs arise during the 2019-2021
30 biennium and need not be transferred in one lump sum.

31 For the purposes of this section, the term "qualifying need" shall be limited to
32 information technology, staffing, including time-limited staffing, claims payment, and contracts
33 related to the following Medicaid Transformation needs:

- 34 (1) Enrollment broker services
- 35 (2) An Electronic Data Interchange and Information Exchange Portal.
- 36 (3) Ombudsman programs.
- 37 (4) Enrollment broker services.
- 38 (5) Finance and program integrity capabilities.
- 39 (6) Provider credentialing verification.
- 40 (8) Provider data management.
- 41 (9) Payment of claims incurred under the fee-for-service model.
- 42 (10) Other needs identified by DHB as determined in consultation with the Office
43 of State Budget and Management (OSBM).

44 **SECTION 11H.10.(c)** A request by the Department of Health and Human Services,
45 Division of Health Benefits (DHB), for the transfer of funds pursuant to subsection (c) of this
46 section shall be made to OSBM and shall include the amount requested and the specific
47 qualifying need for which the funds are to be used. No funds shall be transferred to DHB until
48 OSBM verifies the following information:

- 49 (1) The amount requested is to be used for a qualifying need in the 2019-2021
50 biennium.

- 1 (2) The amount requested provides a State share that will not result in total
2 requirements that exceed seven hundred five million six hundred eight-six
3 thousand and eleven dollars (\$705,686,011) in the 2019-2020 fiscal year and
4 two hundred thirty-four million seven hundred eighty-six thousand five
5 hundred and sixty-nine dollars (\$234,786,569) in the 2020-2021 fiscal year.

6 **SECTION 11H.10.(d)** Any federal funds received in any fiscal year by the
7 Department of Health and Human Services, Division of Health Benefits (DHB), that represent a
8 return of State share already expended on a qualifying need related to the funds received by the
9 DHB under this section shall be deposited into the Medicaid Transformation Fund.

10 11 **TRIBAL OPTION**

12 **SECTION 11H.11.(a)** The Department of Health and Human Services may contract
13 with an Indian Managed Care Entity (IMCE) or an Indian Health Care Provider (IHCP) as
14 defined under 42 C.F.R. § 438.14(a) to assist in the provision of health care or related services to
15 Medicaid and NC Health Choice beneficiaries who are members of federally recognized tribes
16 or beneficiaries eligible to enroll in an IMCE. Contracts may include such health care or related
17 services as agreed upon with the IMCE or IHCP, approved by the Secretary of the Department
18 of Health and Human Services, and as allowed by the Centers for Medicaid and Medicaid
19 Services (CMS), including but not limited to:

- 20 1. Primary care case management as a primary care case managed system or
21 entity as described in 42 C.F.R. § 438.2;
- 22 2. Utilization management and referrals;
- 23 3. The management of or provision of home and community-based services
24 under a 1915(c) waiver;
- 25 4. The management of or provision of other specialized services otherwise
26 covered by a BH IDD Tailored Plan in accordance with S.L. 2015-245, as
27 amended by S.L. 2018-48;

28 **SECTION 11H.11.(b)** The IMCE or IHCP may be more permissive, but no more
29 restrictive, than Medicaid or NC Health Choice medical coverage policy adopted or amended by
30 the Department of Health and Human Services in accordance with G.S. 108A-54.2.

31 **SECTION 11H.11.(c)** The Department of Health and Human Services is authorized
32 to seek approval from CMS and submit any necessary State Plan Amendments and waivers, or
33 any amendments thereto, to implement the provisions of this section.

34 35 **MEDICAID EXPANSION/CLOSING THE COVERAGE GAP**

36 **SECTION 11H.12.** The Department of Health and Human Services, Division of
37 Health Benefits, shall provide Medicaid coverage to individuals at or below 138% of the federal
38 poverty level. This section is effective November 1, 2019.

39 40 **MEDICAID SPECIAL FUND TRANSFER**

41 **SECTION 11H.13.** Of the funds transferred to the Department of Health and Human
42 Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the
43 Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three
44 million dollars (\$43,000,000) for the 2019-2020 fiscal year and the sum of forty-three million
45 dollars (\$43,000,000) for the 2020-2021 fiscal year. These funds shall be allocated as prescribed
46 by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in
47 G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall
48 replace the reduction in general revenue funding effected in this act.

49 50 **MISCELLANEOUS MEDICAID PROVISIONS**

1 **SECTION 11H.14.(a)** Volume Purchase Plans and Single Source Procurement. –
2 The Department of Health and Human Services, Division of Health Benefits, may, subject to the
3 approval of a change in the State Medicaid Plan, contract for services, medical equipment,
4 supplies, and appliances by implementation of volume purchase plans, single source
5 procurement, or other contracting processes in order to improve cost containment.

6 **SECTION 11H.14.(b)** Cost Containment Programs. – The Department of Health
7 and Human Services, Division of Health Benefits, may undertake cost containment programs,
8 including contracting for services, preadmissions to hospitals, and prior approval for certain
9 outpatient surgeries before they may be performed in an inpatient setting.

10 **SECTION 11H.14.(c)** Medicaid Identification Cards. – The Department shall issue
11 Medicaid identification cards to recipients on an annual basis with updates as needed.
12

13 **MOBILE DENTAL PROVIDER ENROLLMENT**

14 **SECTION 11H.15.** For mobile dental providers seeking enrollment as a Medicaid
15 provider, and upon reenrollment of current Medicaid mobile dental providers, the Department of
16 Health and Human Services, Division of Medicaid Assistance, shall require as a condition of
17 enrollment or reenrollment that the mobile dental provider show proof of a contractual affiliation
18 with a dental practice that is not mobile, and the Department shall require the mobile dental
19 provider to use the National Provider Identifier (NPI) of the nonmobile dental practice for
20 purposes of filing claims.
21

22 **REDUCTION OF MEDCIAD FRAUD, WASTE, AND ABUSE THROUGH COST** 23 **CONTAINMENT**

24 **SECTION 11H.16.(a)** The Department of Health and Human Services may use up
25 to five million dollars (\$2,500,000) in the 2019-2020 fiscal year and up to five million dollars
26 (\$5,000,000) in the 2020-2021 fiscal year in Medicaid funds budgeted for program services to
27 support the cost of program integrity activities when cost effectiveness and documentable savings
28 are demonstrated. The funds shall be used to support program integrity activities that contain the
29 costs of the Medicaid Program through post payment recoveries and activities that prevent
30 payments of fraudulent, wasteful or abusive claiming. Program Integrity will reinvest funding to
31 implement technology solutions and increase investigative and compliance monitoring staffing
32 and throughput. Investments will also include funding to support enhanced case management and
33 reporting capabilities to assist in reporting and targeting the most cost effective approaches in
34 addressing fraud, waste, and abuse. Funds may also be used to add up to 24.00 time-limited FTE
35 to expand prepayment and post-payment solutions within existing Medicaid payment systems
36 and through other prepayment reviews completed by contractors. Expenditures for these
37 activities will be targeted to exceed a minimum return on investment of no less than 2:1 when
38 considering the increased recoupments and reductions in improper payments versus overall costs
39 for the activities as defined in the section.

40 **SECTION 11H.16.(b)** The Department shall report annually on the expenditures
41 under this section. The report shall include the methods used to achieve savings and the amount
42 saved by these methods. No later than October 1 of each year, the Department of Health and
43 Human Services, Division of Health Benefits, shall report to the Joint House Appropriations
44 Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health
45 and Human Services, and the Fiscal Research Division on the activities of the previous State
46 fiscal year.
47

48 **FUNDS FOR ADDITIONAL HOSPITAL ACCESS PAYMENTS**

49 **SECTION 11H.17.** Nonrecurring funds appropriated by this Act for Hospital Access
50 Payments for the 2019-2021 biennium shall be appropriated to the Department of Health and
51 Human Services, Division of Health Benefits, for additional Medicaid payments beyond those

1 included in base capitation payments, made in accordance with 42 C.F.R. § 438.6(c), to help
2 ensure financial stability for North Carolina hospitals during the transition of Medicaid to a
3 managed care system.

4
5 **SUBJECT PREPAID HEALTH PLANS LICENSED BY THE DEPARTMENT OF**
6 **INSURANCE TO THE GROSS PREMIUM TAX**

7 **SECTION 11H.18.(a)** The title of Article 8B of Chapter 105 of the General Statutes
8 reads as rewritten:

9 "Article 8B.

10 "Taxes Upon Insurance ~~Companies~~ Companies and Prepaid Health Plans."

11 **SECTION 11H.18.(b)** G.S. 105-228.3 reads as rewritten:

12 **"§ 105-228.3. Definitions.**

13 The following definitions apply in this Article:

14 (1) Article 65 corporation. – A corporation subject to Article 65 of Chapter 58 of
15 the General Statutes, regulating hospital, medical, and dental service
16 corporations.

17 (1a) Capitation payment. – As defined in 42 C.F.R. § 438.2, including payments
18 allowable under 42 C.F.R. § 438.6.

19 (1b) Captive insurance company. – Defined in G.S. 58-10-340.

20 ~~(1b)~~(1c) Foreign captive insurance company. – A captive insurance company as
21 defined in G.S. 58-10-340(9), except that such company is not formed or
22 licensed under the laws of this State but is formed and licensed under the laws
23 of any jurisdiction within the United States other than this State.

24 (2) Insurer. – An insurer as defined in G.S. 58-1-5 or a group of employers who
25 have pooled their liabilities pursuant to G.S. 97-93 of the Workers'
26 Compensation Act.

27 (2a) Prepaid Health Plan. – As defined in Section 4(2) of S.L. 2015-245, as
28 amended.

29 (3) Self-insurer. – An employer that carries its own risk pursuant to G.S. 97-93 of
30 the Workers' Compensation Act."

31 **SECTION 11H.18.(c)** G.S. 105-228.5 reads as rewritten:

32 **"§ 105-228.5. Taxes measured by gross premiums.**

33 (a) Tax Levied. – A tax is levied in this section on insurers, Article 65 corporations, health
34 maintenance organizations, Prepaid Health Plans, and self-insurers. An insurer, health
35 maintenance organization, Prepaid Health Plan, or Article 65 corporation that is subject to the
36 tax levied by this section is not subject to franchise or income taxes imposed by Articles 3 and 4,
37 respectively, of this Chapter.

38 (b) Tax Base. –

39 (1) Insurers. – The tax imposed by this section on an insurer or a health
40 maintenance organization shall be measured by gross premiums from business
41 done in this State during the preceding calendar year.

42 (2) Repealed by Session Laws 2006-196, effective for taxable years beginning on
43 or after January 1, 2008.

44 (3) Article 65 Corporations. – The tax imposed by this section on an Article 65
45 corporation shall be measured by gross collections from membership dues,
46 exclusive of receipts from cost plus plans, received by the corporation during
47 the preceding calendar year.

48 (4) Self-insurers. – The tax imposed by this section on a self-insurer shall be
49 measured by the gross premiums that would be charged against the same or
50 most similar industry or business, taken from the manual insurance rate then
51 in force in this State, applied to the self-insurer's payroll for the previous

1 calendar year as determined under Article 36 of Chapter 58 of the General
2 Statutes modified by the self-insurer's approved experience modifier.

3 (5) Prepaid Health Plans. – The tax imposed by this section on a Prepaid Health
4 Plan shall be measured by gross capitation payments received by the Prepaid
5 Health Plan from the Department of Health and Human Services for services
6 provided to enrollees in the State Medicaid program or NC Health Choice
7 program in the preceding calendar year.

8 (b1) Calculation of Tax Base. – In determining the amount of gross premiums from
9 business in this State, all gross premiums received in this State, credited to policies written or
10 procured in this State, or derived from business written in this State shall be deemed to be for
11 contracts covering persons, property, or risks resident or located in this State unless one of the
12 following applies:

- 13 (1) The premiums are properly reported and properly allocated as being received
14 from business done in some other nation, territory, state, or states.
15 (2) The premiums are from policies written in federal areas for persons in military
16 service who pay premiums by assignment of service pay.

17 Gross premiums from business done in this State in the case of life insurance contracts,
18 including supplemental contracts providing for disability benefits, accidental death benefits, or
19 other special benefits that are not annuities, means all premiums collected in the calendar year,
20 other than for contracts of reinsurance, for policies the premiums on which are paid by or credited
21 to persons, firms, or corporations resident in this State, or in the case of group policies, for
22 contracts of insurance covering persons resident within this State. The only deductions allowed
23 shall be for premiums refunded on policies rescinded for fraud or other breach of contract and
24 premiums that were paid in advance on life insurance contracts and subsequently refunded to the
25 insured, premium payer, beneficiary or estate. Gross premiums shall be deemed to have been
26 collected for the amounts as provided in the policy contracts for the time in force during the year,
27 whether satisfied by cash payment, notes, loans, automatic premium loans, applied dividend, or
28 by any other means except waiver of premiums by companies under a contract for waiver of
29 premium in case of disability.

30 Gross premiums from business done in this State in the case of Prepaid Health Plans means
31 all capitation payments received by a Prepaid Health Plan from the Department of Health and
32 Human Services for services provided to enrollees in the State Medicaid program or NC Health
33 Choice program in the calendar year. Capitation payments refunded by a Prepaid Health Plan to
34 the State are the only allowable deductions.

35 Gross premiums from business done in this State for all other health care plans and contracts
36 of insurance, including contracts of insurance required to be carried by the Workers'
37 Compensation Act, means all premiums written during the calendar year, or the equivalent
38 thereof in the case of self-insurers under the Workers' Compensation Act, for contracts covering
39 property or risks in this State, other than for contracts of reinsurance, whether the premiums are
40 designated as premiums, deposits, premium deposits, policy fees, membership fees, or
41 assessments. Gross premiums shall be deemed to have been written for the amounts as provided
42 in the policy contracts, new and renewal, becoming effective during the year irrespective of the
43 time or method of making payment or settlement for the premiums, and with no deduction for
44 dividends whether returned in cash or allowed in payment or reduction of premiums or for
45 additional insurance, and without any other deduction except for return of premiums, deposits,
46 fees, or assessments for adjustment of policy rates or for cancellation or surrender of policies.

47 (c) Exclusions. – Every insurer, in computing the premium tax, shall exclude all of the
48 following from the gross amount of premiums, and the gross amount of excluded premiums is
49 exempt from the tax imposed by this section:

- 50 (1) All premiums received on or after July 1, 1973, from policies or contracts
51 issued in connection with the funding of a pension, annuity, or profit-sharing

- 1 plan qualified or exempt under section 401, 403, 404, 408, 457 or 501 of the
2 Code as defined in G.S. 105-228.90.
- 3 (2) Premiums or considerations received from annuities, as defined in
4 G.S. 58-7-15.
- 5 (3) Funds or considerations received in connection with funding agreements, as
6 defined in G.S. 58-7-16.
- 7 (4) The following premiums, to the extent federal law prohibits their taxation
8 under this Article:
- 9 a. Federal Employees Health Benefits Plan premiums.
- 10 b. ~~Medicaid or Medicare~~ premiums.
- 11 c. Medicaid or NC Health Choice premiums, other than capitation
12 payments, paid by or on behalf of a Medicaid or NC Health Choice
13 beneficiary.
- 14 (d) Tax Rates; Disposition. –
- 15 (1) Workers' Compensation. – The tax rate to be applied to gross premiums, or
16 the equivalent thereof in the case of self-insurers, on contracts applicable to
17 liabilities under the Workers' Compensation Act is two and five-tenths percent
18 (2.5%). The net proceeds shall be credited to the General Fund.
- 19 (2) Other Insurance Contracts. – The tax rate to be applied to gross premiums on
20 all other taxable contracts issued by insurers or health maintenance
21 organizations and to be applied to gross premiums and gross collections from
22 membership dues, exclusive of receipts from cost plus plans, received by
23 Article 65 corporations is one and nine-tenths percent (1.9%). The net
24 proceeds shall be credited to the General Fund.
- 25 (2a) Prepaid Health Plans. – The tax rate to be applied to gross premiums is one
26 and nine-tenths percent (1.9%). The net proceeds shall be credited to the
27 General Fund.
- 28 (3) Additional Rate on Property Coverage Contracts. – An additional tax at the
29 rate of seventy-four hundredths percent (0.74%) applies to gross premiums on
30 insurance contracts for property coverage. The tax is imposed on ten percent
31 (10%) of the gross premiums from insurance contracts for automobile
32 physical damage coverage and on one hundred percent (100%) of the gross
33 premiums from all other contracts for property coverage. Twenty percent
34 (20%) of the net proceeds of this additional tax must be credited to the
35 Volunteer Fire Department Fund established in Article 87 of Chapter 58 of
36 the General Statutes. Twenty percent (20%) of the net proceeds must be
37 credited to the Department of Insurance for disbursement pursuant to
38 G.S. 58-84-25. Up to twenty percent (20%), as determined in accordance with
39 G.S. 58-87-10(f), must be credited to the Workers' Compensation Fund. The
40 remaining net proceeds must be credited to the General Fund. The additional
41 tax imposed on property coverage contracts under this subdivision is a special
42 purpose assessment based on gross premiums and not a gross premiums tax.
43 The following definitions apply in this subdivision:
- 44 a. Automobile physical damage. – The following lines of business
45 identified by the NAIC: private passenger automobile physical
46 damage and commercial automobile physical damage.
- 47 b. Property coverage. – The following lines of business identified by the
48 NAIC: fire, farm owners multiple peril, homeowners multiple peril,
49 nonliability portion of commercial multiple peril, ocean marine, inland
50 marine, earthquake, private passenger automobile physical damage,
51 commercial automobile physical damage, aircraft, and boiler and

1 machinery. The term also includes insurance contracts for wind
2 damage.

3 c. NAIC. – National Association of Insurance Commissioners.

4 (4) Repealed by Session Laws 2006-196, effective for taxable years beginning on
5 or after January 1, 2008.

6 (5) Repealed by Session Laws 2003-284, s. 43.1, effective for taxable years
7 beginning on or after January 1, 2004.

8 (6) Repealed by Session Laws 2005-276, s. 38.4(a), effective for taxable years
9 beginning on or after January 1, 2007.

10 (e) Report and Payment. – Each taxpayer doing business in this State shall, within the
11 first 15 days of March, file with the Secretary of Revenue a full and accurate report of the total
12 gross premiums as defined in this section, the payroll and other information required by the
13 Secretary in the case of a self-insurer, or the total gross collections from membership dues
14 exclusive of receipts from cost plus plans collected in this State during the preceding calendar
15 year. The taxes imposed by this section shall be remitted to the Secretary with the report.

16 (f) Installment Payments Required. – Taxpayers that are subject to the tax imposed by
17 this section and have a premium tax liability of ten thousand dollars (\$10,000) or more for
18 business done in North Carolina during the immediately preceding year shall remit three equal
19 quarterly installments with each installment equal to at least thirty-three and one-third percent
20 (33 1/3%) of the premium tax liability incurred in the immediately preceding taxable year. The
21 quarterly installment payments shall be made on or before April 15, June 15, and October 15 of
22 each taxable year. The ~~company~~ taxpayer shall remit the balance by the following March 15 in
23 the same manner provided in this section for annual returns.

24 The Secretary may permit an insurance company or Prepaid Health Plan to pay less than the
25 required estimated payment when the insurer or Prepaid Health Plan reasonably believes that the
26 total estimated payments made for the current year will exceed the total anticipated tax liability
27 for the year.

28 An underpayment or an overpayment of an installment payment required by this subsection
29 accrues interest in accordance with G.S. 105-241.21. An overpayment of tax shall be credited to
30 the company taxpayer and applied against the taxes imposed upon the company taxpayer under
31 this Article.

32 (g) Exemptions. – This section does not apply to farmers' mutual assessment fire
33 insurance companies or to fraternal orders or societies that do not operate for a profit and do not
34 issue policies on any person except members. This section does not apply to a captive insurance
35 company taxed under G.S. 105-228.4A.

36 **SECTION 11H.18.(d)** In accordance with Section 8.(d) of S.L. 2018-49, the
37 provisions of G.S. 143C-5-2 do not apply to this section.

38 **SECTION 11H.18.(e)** This section is effective October 1, 2019 and applies to
39 capitation payments received by prepaid health plans on or after that date.

40 **AMEND SUPPLEMENTAL PAYMENTS TO HOSPITALS AND PROVIDERS**

41 **SECTION 11H.19.(a)** Article 7 of Chapter 108A of the General Statutes reads as
42 rewritten:

43 "Article 7.

44 "Hospital Provider Assessment Act.

45 **"§ 108A-120. Short title and purpose.**

46 This Article shall be known as the "Hospital Provider Assessment Act." The assessments
47 imposed by this Article are to provide revenue to improve funding for payments for hospital
48 services provided to Medicaid and uninsured patients. All assessment proceeds and
49 corresponding matching federal funds must be used to make the payments required under
50

1 G.S. 108A-124. This Article does not authorize a political subdivision of the State to license a
2 hospital for revenue or impose a tax or assessment on a hospital.

3 **"§ 108A-121. Definitions.**

4 ...

5 (4) ~~Equity—Supplemental~~ assessment. – The assessment payable under
6 G.S. 108A-123.

7 (5) ~~Medicaid equity payment.~~—~~The amount required to be paid under G.S.~~
8 ~~108A-124.~~

9 (5) Prepaid Health Plan. – As defined in Session Law 2015-245, s. 4(2), as
10 amended.

11 ...

12 (8) ~~State's annual Medicaid payment. – For an assessment collected under this~~
13 ~~Article, an amount equal to twenty eight and eighty five one hundredths~~
14 ~~percent (28.85%) of the total amount collected under the assessment.~~An
15 amount equal to one hundred ten million dollars (\$110,000,000) for State
16 fiscal year 2019, increased each year over the prior year's payment by the
17 percentage specified as the Medicare Market Basket Index less productivity
18 most recently published in the Federal Register. The State's annual Medicaid
19 payment will be made out of the base assessment.

20 ...

21 (10) ~~Upper pay limit (UPL).~~—~~The maximum ceiling imposed by federal regulation~~
22 ~~on hospital Medicaid payments under 42 C.F.R. § 447.272 for inpatient~~
23 ~~services.~~

24 (11) ~~UPL assessment.~~—~~The assessment payable under G.S. 108A-123.~~

25 (12) ~~UPL gap.~~—~~The difference between the UPL attributable to hospital inpatient~~
26 ~~services and the reasonable costs of inpatient hospital services as defined in~~
27 ~~Section (f)(2)(A) on page 11 of Attachment 4.19 A of the State Medicaid Plan~~
28 ~~as approved on December 15, 2005.~~

29 (13) ~~UPL payment.~~—~~The amount required to be paid under G.S. 108A-124.~~

30 (10) Base assessment. – The assessment payable under G.S. 108A-123.

31 (11) Coverage gap assessment. – The assessment payable under G.S. 108A-123(a).

32 (12) Base year. – Federal Fiscal Year 2018.

33 **"§ 108A-122. Assessment.**

34 (a) Assessment Imposed. – Except as provided in this section, the assessments authorized
35 under this Article are imposed as a percentage of total hospital costs on all licensed North
36 Carolina hospitals. The assessments are due quarterly in the time and on the first business day of
37 each quarter in the manner prescribed by the Secretary. Payment of an assessment is considered
38 delinquent if not paid within seven days of the due date. With respect to any past-due assessment,
39 the Department may withhold the unpaid amount from Medicaid payments otherwise due or
40 impose a late-payment penalty. The Secretary may waive a penalty for good cause shown.

41 ...

42 (c) ~~Full—Exemption.~~ – The following hospitals are exempt from both the ~~equity~~
43 supplemental assessment and the ~~UPL—base~~ assessment:

44 (1) State-owned and State-operated hospitals.

45 (2) The primary affiliated teaching hospital for each University of North Carolina
46 medical school.

47 (3) Critical access hospitals.

48 (4) Long-term care hospitals.

49 (5) Freestanding psychiatric hospitals.

50 (6) Freestanding rehabilitation hospitals.

1 (d) Partial Exemption. – A public hospital is exempt from the equity-supplemental
2 assessment."

3 **"§ 108A-123. Assessment amount.**

4 (a) Annual Calculation. – The Secretary must annually calculate the equity-supplemental
5 assessment amount and the UPL-base assessment amount for each hospital subject to the
6 respective assessment. Each assessment must comply with applicable federal regulations and
7 may be prorated for any partial year. The Secretary must notify each hospital that is assessed the
8 amount of its UPL-base assessment and, if applicable, its equity-supplemental assessment. The
9 notice must include all of the following:

10 (1) The applicable assessment rates.

11 (2) The hospital costs on which the hospital's assessments are based.

12 (3) The elements of the calculation of the hospital's UPL-quarterly amounts of the
13 calculated annual payments.

14 (b) Equity-Supplemental Assessment. – The equity-supplemental assessment consists of
15 both inpatient and outpatient components. The equity assessment percentage rate must be
16 calculated to produce an aggregate annual amount equal to the following: shall be a percentage
17 of total hospital cost for both inpatient and outpatient components. The rate of the supplemental
18 assessment shall be published on the Department's Web site at least thirty calendar days prior to
19 its intended effective date.

20 (1) The amount needed to make the Medicaid equity payments under G.S.
21 108-124. Initial assessment. – For the first fiscal year, or remaining portion
22 thereof, after the amendments to this Section become effective, the initial
23 assessment shall be the percentage of total costs as calculated by the
24 Department and approved by CMS for the base year's equity payments
25 pursuant to the version of this Article in effect immediately prior to the
26 effective date of the amendments to this Section.

27 (2) The applicable portion of the State's annual Medicaid payment, as provided in
28 subsection (d) of this section. Future assessments. – For future fiscal years, the
29 Department shall update the supplemental assessment rate no more than
30 quarterly and no less than annually to take into account the following factors:

31 (a) The change in aggregate payments for Medicaid and NC Health
32 Choice enrollees to hospitals subject to the supplemental assessment
33 excluding hospital access payments made under 42 C.F.R. § 438.6, as
34 demonstrated in data from Prepaid Health Plans and the State; and

35 (b) Any changes in the federal matching rate applicable to the Medicaid
36 or NC Health Choice programs.

37 (c) UPL-Base Assessment. – The UPL-base assessment consists of both inpatient and
38 outpatient components. The UPL assessment percentage rate must be calculated to produce an
39 aggregate annual amount equal to the following: shall be a percentage of total hospital costs for
40 both inpatient and outpatient components. The rate of the base assessment shall be published on
41 the Department's website at least thirty calendar days prior to its intended effective date.

42 (1) The amount needed to make the UPL payments under G.S. 108A-124. Initial
43 assessment. – For the first fiscal year, or remaining portion thereof, after the
44 amendments to this Section become effective, the initial assessment shall be
45 the percentage of total costs as calculated by the Department and approved by
46 CMS for the base year's UPL payments pursuant to the version of this Article
47 in effect immediately prior to the effective date of the amendments to this
48 Section. The assessment amount shall be adjusted to account for any changes
49 in reimbursement under the State Plan, managed care payments authorized
50 under 42 C.F.R. § 438.6 of which the nonfederal share is not funded by

1 General Fund appropriations, the NC Health Choice Program, and the annual
 2 State Medicaid payment.

3 (2) The applicable portion of the State's annual Medicaid payment, as provided in
 4 subsection (d) of this section. Future assessment. – Beginning the second fiscal
 5 year that Prepaid Health Plans provide coverage to Medicaid and NC Health
 6 Choice recipients and for all subsequent fiscal years, the base assessment rate
 7 will be updated no more than quarterly and no less than annually to take into
 8 account the following factors:

9 (a) The amount of the State Medicaid payment for the applicable year;

10 (b) The change in aggregate payments for Medicaid and NC Health
 11 Choice enrollees to hospitals subject to the base assessment, excluding
 12 hospital access payments made under 42 C.F.R. § 438.6, as
 13 demonstrated in data from Prepaid Health Plans and the State;

14 (c) Any changes in the federal matching rate applicable to the Medicaid
 15 or NC Health Choice programs; and

16 (d) Any changes in reimbursement under the State Plan, managed care
 17 payments authorized under 42 C.F.R. § 438.6 of which the nonfederal
 18 share is not funded by General Fund appropriations, the NC Health
 19 Choice Program, and the annual State Medicaid payment.

20 ...
 21 **§ 108A-123.1. Coverage gap assessment.**

22 (a) Assessment imposed. – All hospitals licensed in the State of North Carolina are
 23 subject to an additional assessment under this Section.

24 (b) Calculation and Notice. – The Department of Health and Human Services shall
 25 calculate quarterly the rate of the assessment by dividing the total nonfederal share of service and
 26 administrative costs of expanding Medicaid coverage to individuals at or below one hundred
 27 thirty-eight percent (138%) of the federal poverty level, minus any revenue collected from
 28 premium taxes on prepaid health plan coverage for individuals in the coverage gap by the
 29 aggregate hospital inpatient and outpatient costs of all hospitals licensed in the State of North
 30 Carolina. Such rate shall apply equally to inpatient and outpatient costs. The Secretary shall
 31 notify each hospital that is assessed of the following:

32 (1) The total nonfederal share of service and administrative costs of expanding
 33 Medicaid coverage to individuals at or below one hundred thirty-eight percent
 34 (138%) of the federal poverty level for the applicable time period.

35 (2) The rate of the assessment.

36 (3) The amount assessed to the hospital.

37 (c) Appeal. – A hospital may appeal an assessment determination through a
 38 reconsideration review. The pendency of an appeal does not relieve a hospital from its obligation
 39 to pay an assessment amount when due.

40 (d) Adjustments to assessment. – To the extent that the amount collected under this
 41 section is above or below the amounts needed to fund the service and administrative costs of
 42 expanding Medicaid coverage to individuals at or below one hundred thirty-eight percent (138%)
 43 of the federal poverty level, the assessment for the future quarter shall be adjusted to account for
 44 any overage or shortfall.

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 payment
 48 to the State and the Medicaid equity payments and UPL payments to hospitals to fund payments
 49 to hospitals made directly by the Department and to fund a portion of capitation payments to
 50 Prepaid Health Plans attributable to hospital care and to fund the nonfederal share of any
 51 expenditures associated with expanding Medicaid coverage to individuals at or below one

1 hundred thirty-eight (138%) of the federal poverty level and to fund the nonfederal share of
2 Graduate Medical Education payments.

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

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

11 (2) ~~Pay to the primary affiliated teaching hospital for the East Carolina University~~
12 ~~Brody School of Medicine, to the critical access hospitals, and to each hospital~~
13 ~~that has paid its UPL assessment for the respective quarter twenty five percent~~
14 ~~(25%) of its UPL payment amount, as determined under subsection (c) of this~~
15 ~~section.~~

16 (3) ~~Pay to the primary affiliated teaching hospital for the East Carolina University~~
17 ~~Brody School of Medicine, to the critical access hospitals, and to each hospital~~
18 ~~that has paid its UPL assessment for the respective quarter twenty five percent~~
19 ~~(25%) of its UPL payment amount, as determined under subsection (c) of this~~
20 ~~section.~~

21 (c) ~~UPL Payment Amount.—The aggregate UPL payments made to eligible hospitals~~
22 ~~that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL~~
23 ~~payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for~~
24 ~~these hospitals. UPL payments are payable to the individual hospitals in the ratio of each~~
25 ~~hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.~~

26 (d) ~~Refund of Assessment.—If all or any part of a payment required to be made under~~
27 ~~this section is not made to one or more hospitals when due, the Secretary must promptly refund~~
28 ~~to each such hospital the corresponding assessment proceeds collected in proportion to the~~
29 ~~amount of assessment paid by that hospital.~~

30 ...

31 **"§ 108A-126. Approval of assessment program.**

32 The Department must file a State plan amendment or other necessary documents with the
33 CMS that incorporates the ~~assessment~~ payments and distributions consistent with the provisions
34 of this Article. Upon CMS approval, the Secretary may impose the initial assessment retroactive
35 to the ~~first day of the quarter in which the State Plan amended was filed, provided the Secretary~~
36 ~~remits the corresponding payments to hospitals required under G.S. 108A-124 for that quarter.~~
37 ~~effective date of the State plan amendment or waiver. If CMS approves only one component of~~
38 ~~the equity assessment, assessments imposed under this Article, the Secretary may adjust the~~
39 ~~percentage rate on the approved component to produce the required aggregate Medicaid equity~~
40 ~~payment amounts under G.S. 108A-124. If CMS approves only one component of the UPL~~
41 ~~assessment, the Secretary may adjust the percentage rate on the approved component to produce~~
42 ~~the required aggregate UPL payment amounts under G.S. 108A-124. The Secretary may adopt~~
43 ~~rules as necessary to implement the assessment program under this Article.~~

44 **"§ 108A-127. Repeal.**

45 The authority to impose an assessment under this Article is repealed in the event that CMS
46 determines that the assessment or payment methodologies described in this Article are
47 impermissible or CMS revokes approval of any portion of the State Plan amendment or waiver
48 authorizing the payments required under G.S. 108A-124.

49 **"§ 108A-128. Payment for providers formerly subject to this Article.**

50 If a hospital provider (i) is exempt from both the equity base and UPL supplement
51 assessments under this Article, (ii) makes an intergovernmental transfer (IGT) to the Department

1 of Health and Human Services to be used to draw down matching federal funds, and (iii) has
2 acquired, merged, leased, or managed another provider on or after March 25, 2011, then the
3 hospital provider shall transfer to the State an additional amount, which shall be retained by the
4 State. The additional amount shall be a percentage of the amount of funds that (i) would be
5 transferred to the State through such an IGT and (ii) are to be used to match additional federal
6 funds that the hospital provider is able to receive because of the acquired, merged, leased, or
7 managed provider. That percentage shall be ~~the same percentage provided in the definition of~~
8 "State's annual Medicaid payment" under G.S. 108A-121, calculated by dividing the amount of
9 the State's annual Medicaid payment by the total amount collected under the base assessment
10 program authorized by this Article."

11 **SECTION 11H.19.(b)** The amendments to Sections 108A-121, 108A-122,
12 108A-123, 108A-124, 108A-126, 108A-127, and 108A-128 of Article 7 of the General Statutes
13 are effective on October 1, 2019.

14 **SECTION 11H.19.(c)** The addition of Section 108A-123.1 to Article 7 of the
15 General Statutes is effective July 1, 2019.

16 **SECTION 11H.19.(d)** Effective October 1, 2019, Section 12H.12.(b) of S.L.
17 2014-100 is repealed for dates of service occurring on or after October 1, 2019.

18 **AMEND METHODOLOGY FOR DETERMINING HOSPITAL ASSESSMENTS**

19 **SECTION 11H.20.** Article 7 of Chapter 108A of the General Statutes is amended
20 by adding a new section to read:

21 **"§ 108A-129. Supplemental and Directed Payments to Eligible Medical Professional**
22 **Providers.**

23 (a) The following definitions apply in this section:

24 (1) Supplemental payments. – Medicaid Fee-for-Service payments that increase
25 reimbursement to the average commercial rate for eligible providers under the
26 Medicaid State Plan, Attachment 4.19-B, Section 5, Pages 2 and 3.

27 (2) Directed payments. – Medicaid managed care payments authorized under 42
28 C.F.R. § 438.6(c) that increase reimbursement to the average commercial rate
29 for eligible providers under the Medicaid State Plan, Attachment 4.19-B,
30 Section 5, Pages 2 and 3.

31 (b) Effective October 1, 2019, supplemental payments and directed payments that
32 increase reimbursement to the average commercial rate for certain eligible medical providers
33 shall be modified as follows:

34 (1) Total annual supplemental and directed payments to eligible medical
35 providers shall be subject to the following restrictions:

36 a. Between October 1, 2019, and June 30, 2020, payments shall not
37 exceed seventy-five percent (75%) of the gross supplemental
38 payments made during the 2018-2019 State fiscal year.

39 b. From July 1, 2020, onward, payments shall not exceed one hundred
40 percent (100%) of the supplemental payments made during the
41 2018-2019 State fiscal year, increased at the start of each State fiscal
42 year by an inflation factor determined by the Department.

43 (2) Supplemental and directed payments shall not be made for services provided
44 in Wake County.

45 (3) The Department may set separate restrictions on supplemental and directed
46 payments to eligible providers affiliated with East Carolina University (ECU)
47 Brody School of Medicine and UNC Health Care, as long as total
48 supplemental and directed payments to eligible medical providers do not
49 exceed the aggregate caps described in G.S. 108A-129(b)(1).
50

- 1 (4) Should the State expand Medicaid eligibility to individuals in the coverage
2 gap, the Department of Health and Human Services may adjust the payment
3 cap described in G.S. 108A-129(b)(1) to account for individuals newly
4 eligible for Medicaid. Any adjustments to the cap will be proportional to the
5 increase in Medicaid enrollment and shall be documented in the Medicaid
6 State Plan.
- 7 (5) The Department of Health and Human Services shall not make any other
8 modifications to the portion of the Medicaid State Plan referenced in this
9 section, except as provided herein.
- 10 (c) Beginning on December 31, 2014, and annually thereafter, UNC and ECU shall
11 submit an annual report based on their preceding fiscal year to the Joint Legislative Oversight
12 Committee on Health and Human Services containing all of the following information for each
13 individual provider for whom this supplemental payment is received:
- 14 (1) For each service provided by the provider and for which the supplemental and
15 directed payments are received, the location where the service was provided,
16 including county, municipality, and zip code.
- 17 (2) The percentage of the provider's total time spent serving Medicaid recipients
18 annually that is for services provided at locations other than the ECU Brody
19 School of Medicine, the Firetower Medical Office, or the UNC School of
20 Medicine.
- 21 (3) The amount of Medicaid reimbursement for each service for which a
22 supplemental or directed payment was made for services provided by the
23 provider.
- 24 (4) On an annual basis, the percentage of the provider's time spent engaging in
25 the following:
- 26 a. Clinical patient care.
- 27 b. Teaching.
- 28 c. Research.
- 29 d. Other activities.
- 30 (d) Any State plan amendments required to implement this section shall not be subject to
31 the 90-day prior submission requirement of G.S. 108A-54.1A(e)."

33 **SUBPART XI-I. MISCELLANEOUS [RESERVED]**

35 **SUBPART XI-J. DIVISION OF VOCATIONAL REHABILITATION, SERVICES FOR** 36 **THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF HEARING**

38 **VOCATIONAL REHABILITATION COUNCIL**

39 **SECTION 11J.1.** G.S. 143-548 reads as rewritten:

40 "**§ 143-548. Vocational State Rehabilitation Council.**

41 (a) There is established the ~~Vocational State~~ Rehabilitation Council ~~within~~ affiliated with
42 the Division of Vocational Rehabilitation Services to be composed of not more than 18 appointed
43 members. Appointed members shall be voting members except where prohibited by federal law
44 or regulations. The Director of the Division of Vocational Rehabilitation Services and one
45 vocational rehabilitation counselor who is an employee of the Division shall serve ex officio as
46 nonvoting members. The President Pro Tempore of the Senate shall appoint six members, the
47 Speaker of the House of Representatives shall appoint six members, and the Governor shall
48 appoint five or six members. The appointing authorities shall appoint members of the Council
49 after soliciting recommendations from representatives of organizations representing a broad
50 range of individuals with disabilities. Terms of appointment shall be as specified in subsection
51 (d1) of this section. Appointments shall be made as follows:

1	14. Office of the Secretary	34,042	34,042
2			
3	15. Eligibility Systems – Operations and		
4	Maintenance	653,815	711,349
5			
6	16. NC FAST Implementation	1,817,362	0
7			
8	Transfers to Other Block Grants		
9			
10	Division of Child Development and Early Education		
11			
12	17. Transfer to the Child Care and		
13	Development Fund	21,773,001	21,773,001
14			
15	Division of Social Services		
16			
17	18. Transfer to Social Services Block		
18	Grant for Child Protective Services –		
19	Training	1,300,000	1,300,000
20			
21	19. Transfer to Social Services Block		
22	Grant for Child Protective Services	5,040,000	5,040,000
23			
24	20. Transfer to Social Services Block		
25	Grant for County Departments of		
26	Social Services for Children's Services	13,097,783	13,097,783
27			
28	21. Transfer to Social Services Block		
29	Grant – Foster Care Services	1,385,152	1,385,152
30			
31	22. Transfer to Social Services Block	1,582,000	1,582,000
32	Grant – Child Advocacy Centers		
33			
34	23. Transfer to Social Services Block	737,067	737,067
35	Grant – Child Protective Services,		
36	Child Welfare Training for Counties		
37			
38	24. Division of Social Services – Workforce	93,216	93,216
39	Investment Opportunities Act (WIOA)		
40			
41	TOTAL TEMPORARY ASSISTANCE FOR		
42	NEEDY FAMILIES (TANF) FUNDS	\$312,392,996	\$310,435,701
43			
44	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)		
45	EMERGENCY CONTINGENCY FUNDS		
46			
47	Local Program Expenditures		
48			
49	Division of Child Development and Early Education		
50			
51	01. Subsidized Child Care	\$33,439,988	\$33,439,988

1			
2	TOTAL TEMPORARY ASSISTANCE FOR		
3	NEEDY FAMILIES (TANF) EMERGENCY		
4	CONTINGENCY FUNDS	\$33,439,988	\$33,439,988
5			
6	SOCIAL SERVICES BLOCK GRANT		
7			
8	Local Program Expenditures		
9			
10	Divisions of Social Services and Aging and Adult Services		
11			
12	01. County Departments of Social Services		
13	(Transfer From TANF \$13,097,783)	\$33,003,632	\$33,003,632
14			
15	02. EBCI Tribal Public Health and Human Services	244,740	244,740
16			
17	03. Child Protective Services		
18	(Transfer From TANF)	5,040,000	5,040,000
19			
20	04. State In-Home Services Fund	1,943,950	1,943,950
21			
22	05. Adult Protective Services	2,138,404	2,138,404
23			
24	06. State Adult Day Care Fund	1,994,084	1,994,084
25			
26	07. Child Protective Services/CPS		
27	Investigative Services – Child Medical		
28	Evaluation Program	901,868	901,868
29			
30	08. Special Children Adoption Incentive Fund	462,600	462,600
31			
32	09. Child Protective Services – Child		
33	Welfare Training for Counties		
34	(Transfer From TANF)	1,300,000	1,300,000
35			
36	10. Child Protective Services – Child		
37	Welfare Training for Counties		
38	(Transfer From TANF)	737,067	737,067
39			
40	11. Home and Community Care Block		
41	Grant (HCCBG)	2,696,888	2,696,888
42			
43	12. Child Advocacy Centers		
44	(Transfer from TANF)	1,582,000	1,582,000
45			
46	13. Guardianship – Division of Social Services	1,802,671	1,802,671
47			
48	14. Foster Care Services		
49	(Transfer From TANF)	1,385,152	1,385,152
50			
51	Division of Central Management and Support		

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15. DHHS Competitive Block Grants for Nonprofits	4,774,525	4,774,525
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
16. Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,149,595	4,149,595
DHHS Program Expenditures		
Division of Services for the Blind		
17. Independent Living Program	3,603,793	3,603,793
Division of Health Service Regulation		
18. Adult Care Licensure Program	402,951	402,951
19. Mental Health Licensure and Certification Program	200,880	200,880
Division of Aging and Adult Services		
20. Guardianship	3,825,443	3,825,443
DHHS Administration		
21. Division of Aging and Adult Services	679,541	679,541
22. Division of Social Services	654,220	654,220
23. Office of the Secretary/Controller's Office	132,047	132,047
24. Legislative Increases/Fringe Benefits	236,278	236,278
25. Division of Child Development and Early Education	13,878	13,878
26. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	27,446	27,446
27. Division of Health Service Regulation	121,719	121,719
TOTAL SOCIAL SERVICES BLOCK GRANT	\$74,055,372	\$74,055,372
LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT		
Local Program Expenditures		

1	Division of Social Services		
2			
3	01. Low-Income Energy Assistance		
4	Program (LIEAP)	\$40,298,638	\$40,298,638
5			
6	02. Crisis Intervention Program (CIP)	40,298,638	40,298,638
7			
8	Local Administration		
9			
10	Division of Social Services		
11			
12	03. County DSS Administration	6,618,366	6,618,366
13			
14	DHHS Administration		
15			
16	Division of Central Management and Support		
17			
18	04. Division of Social Services	10,000	10,000
19			
20	05. Office of the Secretary/DIRM	128,954	128,954
21			
22	06. Office of the Secretary/Controller's Office	18,378	18,378
23			
24	07. NC FAST Development	2,287,188	2,287,188
25			
26	08. NC FAST Operations and Maintenance	2,539,033	2,539,033
27			
28	Transfers to Other State Agencies		
29			
30	Department of Environmental Quality		
31			
32	09. Weatherization Program	8,692,641	8,552,641
33			
34	10. Heating Air Repair and Replacement		
35	Program (HARRP)	5,881,761	5,701,761
36			
37	11. Local Residential Energy Efficiency Service		
38	Providers – Weatherization	544,742	514,742
39			
40	12. Local Residential Energy Efficiency Service		
41	Providers – HARRP	327,169	277,169
42			
43	13. DEQ – Weatherization Administration	544,742	514,742
44			
45	14. DEQ – HARRP Administration	277,169	277,169
46			
47	Department of Administration		
48			
49	15. N.C. Commission on Indian Affairs	87,736	87,736
50			
51	TOTAL LOW-INCOME ENERGY		

1	ASSISTANCE BLOCK GRANT	\$108,555,155	\$108,125,155
2			
3	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
4			
5	Local Program Expenditures		
6			
7	Division of Child Development and Early Education		
8			
9	01. Child Care Services		
10	(Smart Start \$7,000,000)	\$242,808,573	\$242,800,688
11			
12	02. Transfer from TANF Block Grant		
13	for Child Care Subsidies	21,773,001	21,773,001
14			
15	03. Quality and Availability Initiatives		
16	(TEACH Program \$3,800,000)	55,217,124	55,217,124
17			
18	DHHS Administration		
19			
20	Division of Child Development and Early Education		
21			
22	04. DCDEE Administrative Expenses	9,710,886	9,710,886
23			
24	Division of Social Services		
25			
26	05. Local Subsidized Child Care		
27	Services Support	18,533,357	18,533,357
28			
29	06. Direct Deposit for Child Care Payments	505,100	505,100
30			
31	Division of Central Management and Support		
32			
33	07. NC FAST Development	464,290	0
34			
35	08. NC FAST Operations and Maintenance	1,104,504	1,201,697
36			
37	09. DHHS Central Administration – DIRM		
38	Technical Services	645,162	645,162
39			
40	10. DHHS Central Administration	400,000	400,000
41			
42	Division of Public Health		
43			
44	11. Child Care Health Consultation Contracts	62,205	62,205
45			
46	TOTAL CHILD CARE AND DEVELOPMENT		
47	FUND BLOCK GRANT	\$351,224,202	\$350,849,220
48			
49	MENTAL HEALTH SERVICES BLOCK GRANT		
50			
51	Local Program Expenditures		

1			
2	01. Mental Health Services – Child	\$4,779,087	\$4,779,087
3			
4	02. Mental Health Services – Adult/Child	21,297,514	15,190,524
5			
6	03. Mental Health Services – First		
7	Psychotic Symptom Treatment	1,976,970	1,976,970
8			
9	DHHS Administration		
10			
11	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
12			
13	04. Adult/Child Mental Health Services	287,342	287,341
14			
15	05. Administration	200,000	200,000
16			
17	TOTAL MENTAL HEALTH SERVICES		
18	BLOCK GRANT	\$28,540,913	\$22,433,922
19			
20	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
21			
22	Local Program Expenditures		
23			
24	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
25			
26	01. Substance Abuse – HIV and IV Drug	\$2,550,915	\$2,550,915
27			
28	02. Substance Abuse Prevention	9,110,422	9,110,422
29			
30	03. Substance Abuse Services – Treatment for		
31	Children/Adults	31,050,650	30,097,910
32			
33	05. Crisis Solutions Initiatives – Collegiate		
34	Wellness/Addiction Recovery	1,085,000	1,085,000
35			
36	06. Crisis Solutions Initiatives – Community		
37	Paramedic Mobile Crisis Management	20,000	20,000
38			
39	DHHS Administration		
40			
41	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
42			
43	07. Administration	454,000	454,000
44			
45	08. Substance Abuse Prevention	112,040	112,039
46			
47	09. Substance Abuse Treatment	890,874	890,874
48			
49	10. Controlled Substance Reporting System		
50	Enhancement	427,655	427,655
51			

1	11. Veteran's Initiatives	250,000	250,000
2			
3	TOTAL SUBSTANCE ABUSE PREVENTION		
4	AND TREATMENT BLOCK GRANT	\$45,951,556	\$44,998,815
5			
6	MATERNAL AND CHILD HEALTH BLOCK GRANT		
7			
8	Local Program Expenditures		
9			
10	Division of Public Health		
11			
12	01. Women and Children's Health Services	\$14,719,224	\$14,719,224
13			
14	02. Oral Health	48,227	48,227
15			
16	03. Evidence-Based Programs in Counties		
17	With Highest Infant Mortality Rates	1,575,000	1,575,000
18			
19	DHHS Program Expenditures		
20			
21	04. Children's Health Services	1,427,323	1,427,323
22			
23	05. Women's Health – Maternal Health	169,864	169,864
24			
25	06. Women and Children's Health – Perinatal		
26	Strategic Plan Support Position	68,245	68,245
27			
28	07. State Center for Health Statistics	158,583	158,583
29			
30	08. Health Promotion – Injury and		
31	Violence Prevention	87,271	87,271
32			
33	DHHS Administration		
34			
35	09. Division of Public Health Administration	552,571	552,571
36			
37	TOTAL MATERNAL AND CHILD		
38	HEALTH BLOCK GRANT	\$18,806,308	\$18,806,308
39			
40	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
41			
42	Local Program Expenditures		
43			
44	01. Physical Activity and Prevention	\$3,474,191	\$3,474,191
45			
46	02. Injury and Violence Prevention		
47	(Services to Rape Victims – Set-Aside)	160,000	160,000
48			
49	DHHS Program Expenditures		
50			
51	Division of Public Health		

1			
2	03. HIV/STD Prevention and		
3	Community Planning	137,648	137,648
4			
5	04. Oral Health Preventive Services	150,000	150,000
6			
7	05. Laboratory Services – Testing,		
8	Training, and Consultation	21,000	21,000
9			
10	06. Injury and Violence Prevention		
11	(Services to Rape Victims – Set-Aside)	53,206	53,206
12			
13	07. Performance Improvement and		
14	Accountability	592,123	592,123
15			
16	08. State Center for Health Statistics	82,505	82,505
17			
18	DHHS Administration		
19			
20	Division of Public Health		
21			
22	09. Division of Public Health	65,000	65,000
23			
24	TOTAL PREVENTIVE HEALTH		
25	SERVICES BLOCK GRANT	\$4,735,673	\$4,735,673
26			
27	COMMUNITY SERVICES BLOCK GRANT		
28			
29	01. Community Action Agencies	\$24,170,204	\$20,539,214
30			
31	02. Discretionary Funding	921,096	921,096
32			
33	03. Office of Economic Opportunity	981,096	981,096
34			
35	04. Office of Economic Opportunity – Workforce		
36	Investment Opportunities Act (WIOA)	60,000	60,000
37			
38	TOTAL COMMUNITY SERVICES		
39	BLOCK GRANT	\$26,132,396	\$22,501,406
40			
41	GENERAL PROVISIONS		
42	SECTION 11K.1.(b) Information to Be Included in Block Grant Plans. – The		
43	Department of Health and Human Services shall submit a separate plan for each Block Grant		
44	received and administered by the Department, and each plan shall include the following:		
45	(1) A delineation of the proposed allocations by program or activity, including		
46	State and federal match requirements.		
47	(2) A delineation of the proposed State and local administrative expenditures.		
48	(3) An identification of all new positions to be established through the Block		
49	Grant, including permanent, temporary, and time-limited positions.		

- 1 (4) A comparison of the proposed allocations by program or activity with two
2 prior years' program and activity budgets and two prior years' actual program
3 or activity expenditures.
4 (5) A projection of current year expenditures by program or activity.
5 (6) A projection of federal Block Grant funds available, including unspent federal
6 funds from the current and prior fiscal years.

7 **SECTION 11K.1.(c)** Changes in Federal Fund Availability. – If the Congress of the
8 United States increases the federal fund availability for any of the Block Grants or contingency
9 funds and other grants related to existing Block Grants administered by the Department of Health
10 and Human Services from the amounts appropriated in this section, the Department shall allocate
11 the increase proportionally across the program and activity appropriations identified for that
12 Block Grant in this section. In allocating an increase in federal fund availability, the Office of
13 State Budget and Management shall not approve funding for new programs or activities not
14 appropriated in this section.

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

20 Notwithstanding the provisions of this subsection, for fiscal years 2019-2020 and
21 2020-2021, increases in the federal fund availability for the Temporary Assistance to Needy
22 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy
23 program to pay for child care in four- or five-star rated facilities for four-year-old children and
24 shall not be used to supplant State funds.

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 Oversight Committee on Health and Human Services and the Fiscal
29 Research Division.

30 **SECTION 11K.1.(d)** Except as otherwise provided, appropriations from federal
31 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2021, according
32 to the schedule enacted for State fiscal years 2019-2020 and 2020-2021 or until a new schedule
33 is enacted by the General Assembly.

34 **SECTION 11K.1.(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 shall
37 be approved by the Office of State Budget and Management, and the Office of State Budget and
38 Management shall consult with the Joint Legislative Oversight Committee on Health and Human
39 Services 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 Joint
42 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
43 Division. This subsection does not apply to Block Grant changes caused by legislative salary
44 increases and benefit adjustments.

45 **SECTION 11K.1.(f)** Except as otherwise provided, the Department of Health and
46 Human Services shall have flexibility to transfer funding between the Temporary Assistance for
47 Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block Grant
48 so long as the total allocation for the line items within those block grants remains the same.

49
50 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

1 **SECTION 11K.1.(g)** The sum of eighty million ninety-three thousand five hundred
2 sixty-six dollars (\$80,093,566) for each year of the 2019-2021 fiscal biennium appropriated in
3 this section in TANF funds to the Department of Health and Human Services, Division of Social
4 Services, shall be used for Work First County Block Grants. The Division shall certify these
5 funds in the appropriate State-level services based on prior year actual expenditures. The Division
6 has the authority to realign the authorized budget for these funds among the State-level services
7 based on current year actual expenditures. The Division shall also have the authority to realign
8 appropriated funds from Work First Family Assistance for electing counties to the Work First
9 County Block Grant for electing counties based on current year expenditures so long as the
10 electing counties meet Maintenance of Effort requirements.

11 **SECTION 11K.1.(h)** The sum of nine million four hundred twelve thousand three
12 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of Health
13 and Human Services, Division of Social Services, in TANF funds for each fiscal year of the
14 2019-2021 fiscal biennium for child welfare improvements shall be allocated to the county
15 departments of social services for hiring or contracting staff to investigate and provide services
16 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
17 license, and support prospective foster and adoptive families; and to provide interstate and
18 post-adoption services for eligible families.

19 Counties shall maintain their level of expenditures in local funds for Child Protective
20 Services workers. Of the Block Grant funds appropriated for Child Protective Services workers,
21 the total expenditures from State and local funds for fiscal years 2019-2020 and 2020-2021 shall
22 not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

23 **SECTION 11K.1.(i)** The sum of two million twenty-six thousand eight hundred
24 seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the Department
25 of Health and Human Services, Special Children Adoption Fund, for each fiscal year of the
26 2019-2021 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of
27 Social Services, in consultation with the North Carolina Association of County Directors of
28 Social Services and representatives of licensed private adoption agencies, shall develop
29 guidelines for the awarding of funds to licensed public and private adoption agencies upon the
30 adoption of children described in G.S. 108A-50 and in foster care. Payments received from the
31 Special Children Adoption Fund by participating agencies shall be used exclusively to enhance
32 the adoption services program. No local match shall be required as a condition for receipt of these
33 funds.

34 **SECTION 11K.1.(j)** The sum of one million four hundred thousand dollars
35 (\$1,400,000) appropriated in this section in TANF funds to the Department of Health and Human
36 Services, Division of Social Services, for each fiscal year of the 2019-2021 fiscal biennium shall
37 be used for child welfare initiatives to (i) enhance the skills of social workers to improve the
38 outcomes for families and children involved in child welfare and (ii) enhance the provision of
39 services to families in their homes in the least restrictive setting.

40 **SOCIAL SERVICES BLOCK GRANT**

41 **SECTION 11K.1.(k)** The sum of thirty-three million three thousand six hundred
42 thirty-two dollars (\$33,003,632) for each year of the 2019-2021 fiscal biennium appropriated in
43 this section in the Social Services Block Grant to the Department of Health and Human Services,
44 Division of Social Services, shall be used for county block grants. The Division shall certify these
45 funds in the appropriate State-level services based on prior year actual expenditures. The Division
46 has the authority to realign the authorized budget for these funds, as well as State Social Services
47 Block Grant funds, among the State-level services based on current year actual expenditures.

48 Of the funds appropriated in this subsection for each year of the 2019-2021 fiscal
49 biennium for county block grants, three million dollars (\$3,000,000) shall be used to assist
50 counties in the implementation of Project 4, Child Services, in North Carolina Families
51

1 Accessing Services Through Technology (NC FAST). These funds shall be available in each
2 fiscal year of the fiscal biennium for this purpose.

3 **SECTION 11K.1.(l)** The sum of one million three hundred thousand dollars
4 (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department
5 of Health and Human Services, Division of Social Services, for each fiscal year of the 2019-2021
6 fiscal biennium shall be used to support various child welfare training projects as follows:

7 (1) Provide a regional training center in southeastern North Carolina.

8 (2) Provide training for residential child caring facilities.

9 (3) Provide for various other child welfare training initiatives.

10 **SECTION 11K.1.(m)** The Department of Health and Human Services is authorized,
11 subject to the approval of the Office of State Budget and Management, to transfer Social Services
12 Block Grant funding allocated for departmental administration between divisions that have
13 received administrative allocations from the Social Services Block Grant.

14 **SECTION 11K.1.(n)** Social Services Block Grant funds appropriated for the Special
15 Children Adoption Incentive Fund shall require a fifty percent (50%) local match.

16 **SECTION 11K.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)
17 appropriated in this section in the Social Services Block Grant for each fiscal year of the
18 2019-2021 fiscal biennium shall be allocated to the Department of Health and Human Services,
19 Division of Social Services. The Division shall allocate these funds to local departments of social
20 services to replace the loss of Child Protective Services State funds that are currently used by
21 county governments to pay for Child Protective Services staff at the local level. These funds shall
22 be used to maintain the number of Child Protective Services workers throughout the State. These
23 Social Services Block Grant funds shall be used to pay for salaries and related expenses only and
24 are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

25 **SECTION 11K.1.(p)** The sum of four million seven hundred seventy-four thousand
26 five hundred twenty-five dollars (\$4,774,525) for each year of the 2019-2021 fiscal biennium
27 appropriated in this section in the Social Services Block Grant to the Department of Health and
28 Human Services (DHHS), Division of Central Management and Support, shall be used for DHHS
29 competitive block grants pursuant to Section 11A.14 of this act. These funds are exempt from
30 the provisions of 10A NCAC 71R .0201(3).

31 **SECTION 11K.1.(q)** The sum of one million five hundred eighty-two thousand
32 dollars (\$1,582,000) appropriated in this section in the Social Services Block Grant for each fiscal
33 year of the 2019-2021 fiscal biennium to the Department of Health and Human Services, Division
34 of Social Services, shall be used to continue support for the Child Advocacy Centers, and the
35 funds are exempt from the provisions of 10A NCAC 71R .0201(3).

36 **SECTION 11K.1.(r)** The sum of three million eight hundred twenty-five thousand
37 four hundred forty-three dollars (\$3,825,443) for each fiscal year of the 2019-2021 fiscal
38 biennium appropriated in this section in the Social Services Block Grant to the Department of
39 Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall
40 be used for guardianship services pursuant to Chapter 35A of the General Statutes. The
41 Department may expend funds appropriated in this section to support existing corporate
42 guardianship contracts during the 2019-2020 and 2020-2021 fiscal years.

43 **SECTION 11K.1.(s)** Of the funds appropriated in the Social Services Block Grant
44 to the Division of Aging and Adult Services for Adult Protective Services, the sum of eight
45 hundred ninety-three thousand forty-one dollars (\$893,041) shall be used to increase the number
46 of Adult Protective Services workers where these funds can be the most effective. These funds
47 shall be used to pay for salaries and related expenses and shall not be used to supplant any other
48 source of funding for staff. These funds are also exempt from 10A NCAC 71R .0201(3) requiring
49 a local match of twenty-five percent (25%).

50 **SECTION 11K.1.(t)** The sum of seven hundred thirty-seven thousand sixty-seven
51 dollars (\$737,067) appropriated in this section in the Social Services Block Grant for each fiscal

1 year of the 2019-2021 fiscal biennium shall be allocated to the Department of Health and Human
2 Services, Division of Social Services. These funds shall be used to assist with training needs for
3 county child welfare training staff and shall not be used to supplant any other source of funding
4 for staff. County departments of social services are exempt from 10A NCAC 71R .0201(3)
5 requiring a local match of twenty-five percent (25%).
6

7 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

8 **SECTION 11K.1.(u)** Additional emergency contingency funds received may be
9 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
10 consultation with the Joint Legislative Oversight Committee on Health and Human Services.
11 Additional funds received shall be reported to the Joint Legislative Oversight Committee on
12 Health and Human Services and the Fiscal Research Division upon notification of the award. The
13 Department of Health and Human Services shall not allocate funds for any activities, including
14 increasing administration, other than assistance payments, without prior consultation with the
15 Joint Legislative Oversight Committee on Health and Human Services.

16 **SECTION 11K.1.(v)** The sum of forty million two hundred ninety-eight thousand
17 six hundred thirty-eight dollars (\$40,298,638) for each year of the 2019-2021 fiscal biennium
18 appropriated in this section in the Low-Income Energy Assistance Block Grant to the Department
19 of Health and Human Services, Division of Social Services, shall be used for Energy Assistance
20 Payments for the households of (i) elderly persons age 60 and above with income up to one
21 hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for
22 services funded through the Division of Aging and Adult Services.

23 County departments of social services shall submit to the Division of Social Services
24 an outreach plan for targeting households with 60-year-old household members no later than
25 August 1 of each year. The outreach plan shall comply with the following:

- 26 (1) Ensure that eligible households are made aware of the available assistance,
27 with particular attention paid to the elderly population age 60 and above and
28 disabled persons receiving services through the Division of Aging and Adult
29 Services.
- 30 (2) Include efforts by the county department of social services to contact other
31 State and local governmental entities and community-based organizations to
32 (i) offer the opportunity to provide outreach and (ii) receive applications for
33 energy assistance.
- 34 (3) Be approved by the local board of social services or human services board
35 prior to submission.
36

37 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

38 **SECTION 11K.1.(w)** Payment for subsidized child care services provided with
39 federal TANF funds shall comply with all regulations and policies issued by the Division of Child
40 Development and Early Education for the subsidized child care program.

41 **SECTION 11K.1.(x)** If funds appropriated through the Child Care and Development
42 Fund Block Grant for any program cannot be obligated or spent in that program within the
43 obligation or liquidation periods allowed by the federal grants, the Department may move funds
44 to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order
45 to use the federal funds fully.
46

47 **MENTAL HEALTH SERVICES BLOCK GRANT**

48 **SECTION 11K.1.(y)** The sum of one million nine hundred seventy-six thousand
49 nine hundred seventy dollars (\$1,976,970) appropriated in this section in the Mental Health
50 Services Block Grant to the Department of Health and Human Services, Division of Mental
51 Health, Developmental Disabilities, and Substance Abuse Services, for each year of the

1 2019-2021 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom
2 Treatment.

4 **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

5 **SECTION 11K.1.(z)** The sum of two hundred fifty thousand dollars (\$250,000)
6 appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the
7 Department of Health and Human Services, Division of Mental Health, Developmental
8 Disabilities, and Substance Abuse Services, for each fiscal year of the 2019-2021 fiscal biennium
9 shall be used to support Veteran initiatives.

10 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

11 **SECTION 11K.1.(aa)** If federal funds are received under the Maternal and Child
12 Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42
13 U.S.C. § 710), for the 2019-2020 fiscal year or the 2020-2021 fiscal year, then those funds shall
14 be transferred to the State Board of Education to be administered by the Department of Public
15 Instruction. The Department of Public Instruction shall use the funds to establish an abstinence
16 until marriage education program and shall delegate to one or more persons the responsibility of
17 implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public
18 Instruction shall carefully and strictly follow federal guidelines in implementing and
19 administering the abstinence education grant funds.

20 **SECTION 11K.1.(bb)** The sum of one million five hundred seventy-five thousand
21 dollars (\$1,575,000) appropriated in this section in the Maternal and Child Health Block Grant
22 to the Department of Health and Human Services, Division of Public Health, for each year of the
23 2019-2021 fiscal biennium shall be used for evidence-based programs in counties with the
24 highest infant mortality rates. The Division shall report on (i) the counties selected to receive the
25 allocation, (ii) the specific evidence-based services provided, (iii) the number of women served,
26 and (iv) any impact on the counties' infant mortality rate. The Division shall report its findings
27 to the House of Representatives Appropriations Committee on Health and Human Services, the
28 Senate Appropriations Committee on Health and Human Services, and the Fiscal Research
29 Division no later than December 31 of each year.

30 **SECTION 11K.1.(cc)** No more than fifteen percent (15%) of the funds provided in
31 this section in the Maternal and Child Health Block Grant to Carolina Pregnancy Care Fellowship
32 shall be used for administrative purposes. The balance of those funds shall be used for direct
33 services.

34 **SECTION 11K.1.(dd)** The sum of sixty-eight thousand two hundred forty-five
35 dollars (\$68,245) allocated in this section in the Maternal and Child Health Block Grant to the
36 Department of Health and Human Services, Division of Public Health, Women and Children's
37 Health Section, for each fiscal year of the 2019-2021 fiscal biennium shall not be used to supplant
38 existing State or federal funds. This allocation shall be used for a Public Health Program
39 Consultant position assigned full-time to manage the North Carolina Perinatal Health Strategic
40 Plan and provide staff support for the stakeholder work group.

41 **PART XII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

42 **NORTH CAROLINA WILDLIFE ENHANCEMENT AND STEWARDSHIP FUND**

43 **SECTION 12.1.** Article 19B of G.S. 106-202 is amended by adding the following
44 new sections to read:

45 **"§ 106-202.23. Wildlife Enhancement and Stewardship Fund.**

46 **(a) Establishment. – The North Carolina Wildlife Enhancement and Stewardship Grant**
47 **Fund is established as a special fund in the Department of Agriculture and Consumer Services.**
48 **The Department is responsible for administering the Fund using personnel and other**
49

1 administrative resources of the Fund. The Fund may receive funds appropriated by the General
2 Assembly and any gifts, grants, devises, or donations from any public or private sources.

3 (b) Purposes. – Funds in the North Carolina Wildlife Enhancement and Stewardship
4 Grant Fund shall be used, as available, to address the most significant invasive species removal
5 and native plant restoration projects in the State. Grants from the Fund shall be made upon
6 application to the Wildlife Enhancement and Stewardship Grant Program as set forth in
7 G.S. 106-202.24.

8 (c) Administration. – The North Carolina Plant Conservation Board in cooperation with
9 the Department shall develop guidelines providing for the administration of the program and a
10 competitive selection process of recipients. The Department may use up to five percent (5%) of
11 funds appropriated to the Fund to the administer the Fund.

12 **"§ 106-202.24. Wildlife Enhancement and Stewardship Grant Program.**

13 (a) Definitions. – The definitions in G.S. 102-202.12 and the following definitions apply
14 in G.S. 106-202.23 and in G.S. 106-202.24:

15 (1) Department. – Department of Agriculture and Consumer Services.

16 (2) Eligible activity. – Any of the following:

17 a. Invasive species removal and control.

18 b. Prescribed burning, mowing, or selective thinning to restore forests or
19 grasslands to desired state.

20 c. Purchase and installation of native plant seed or plugs.

21 (3) Eligible recipients. – Any of the following:

22 a. Local governments.

23 b. Nonprofit organizations.

24 c. State agencies.

25 (4) Fund. – The Wildlife Enhancement and Stewardship Grant Fund established
26 by G.S. 106-202.23.

27 (b) Grants. – Any eligible recipient may apply for a grant from the Fund for an eligible
28 activity. The Department shall specify the form and contents of the application, including
29 procedures for the submission of applications electronically. The Board may establish a fee for
30 grant applicants to recover the reasonable costs of reviewing and processing applications.

31 (c) Reports. – The Department shall publish a report on the use of funds in the Wildlife
32 Enhancement and Stewardship Grand Fund on or before April 30 of each year. The Department
33 shall submit the report electronically to the House and Senate appropriations committees with
34 jurisdiction over agriculture and natural and economic resources, the Fiscal Research Division,
35 and the Office of State Budget and Management.

36 (d) Rule Making. – The Board may issue rules to implement the requirements of
37 G.S. 106-202.23 and G.S. 106-202.24."

38
39 **PLANT CONSERVATION PROGRAM TRANSFER**

40 **SECTION 12.2.** From funds deposited with the State Treasurer in a capital
41 improvement account to the credit of the Department of Agriculture and Consumer Services
42 pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2019-2020
43 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2020-2021 fiscal year
44 shall be transferred to the Department of Agriculture and Consumer Services to be used,
45 notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article
46 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as
47 land appraisals, land surveys, title searches, and environmental studies, and for the management
48 of the plant conservation program preserves owned by the Department.

49
50 **PART XIII. DEPARTMENT OF ENVIRONMENTAL QUALITY**

MARINE RESOURCE ENDOWMENT FUND

SECTION 13.1.(a) G.S. 113-175.1(c) reads as rewritten:

"(c) The Division of Marine Fisheries of the Department of Environmental Quality may authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. ~~The Division of Marine Fisheries may not authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income to establish positions without specific authorization from the General Assembly. Prior to authorizing disbursements from the Marine Resources Fund, the Division of Marine Fisheries shall consult with the Wildlife Resources Commission about these proposals. Expenditure of the assets of the Marine Resources Fund shall be made through the State budget accounts of the Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act. The~~ Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes."

SECTION 13.1.(b) G.S. 113-175.5(c) reads as rewritten:

"(c) Subject to the limitations set out in subsection (d) of this section, the Division of Marine Fisheries of the Department of Environmental Quality may authorize the disbursement of endowment investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. ~~The Division of Marine Fisheries may not authorize the disbursement of endowment investment income to establish positions without specific authorization from the General Assembly. Prior to authorizing disbursements from the~~ Marine Resources Endowment Fund, the Division of Marine Fisheries shall consult with the Wildlife Resources Commission about funding requests."

MARINE PATROL EQUIPMENT SALES

SECTION 13.2. Notwithstanding G.S. 143C-6-4, for the 2019-2021 fiscal biennium, the Division of Marine Fisheries of the Department of Environmental Quality may the proceeds from the sale of surplus equipment to support the operations of the division. The sales proceeds are appropriated for that purpose and shall be incorporated into the authorized budget of the Division.

SHELLFISH REHABILITATION CARRYFORWARD

SECTION 13.3. The Division of Marine Fisheries of the Department of Environmental Quality may be permitted to carryforward funds appropriated for the purpose of shellfish rehabilitation. The Division of Marine Fisheries may use funds retained pursuant to this section to purchase and deploy shellfish habitat material, perform vessel maintenance and fabrication, and to contract for these services.

CRAB POT CLEANUP PROGRAM

SECTION 13.4. The North Carolina Coastal Federation may use up to ten percent (10%) of the funds allocated by this act for a crab pot cleanup program for administrative and overhead costs. The Federation shall report on the total amount of funds used, including amount spent per crab pot recovered and amount paid to third parties utilized in the cleanup program. The Federation shall also provide any recommendations to improve the program, including mechanisms to reuse or repurpose recovered crab pots and to increase efficiency of the program, to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on or before April 1, 2020.

ENERGY CENTERS

SECTION 13.5. Of the funds appropriated in this act for University Energy Centers, the sum of two hundred fifty thousand dollars (\$250,000) shall be allocated to the energy center

1 at Appalachian State University, the sum of two hundred fifty thousand dollars (\$250,000) shall
2 be allocated to the energy center at North Carolina Agricultural and Technical University, and
3 the sum of five hundred thousand dollars (\$500,000) shall be allocated to the energy center at
4 North Carolina State University.

5
6 **CUSTOMER SERVICE UPGRADE OF SEPTAGE MANAGEMENT PROGRAM**
7 **PERMITTING**

8 **SECTION 13.6.** G.S. 130A-291.1(e2) reads as rewritten:

9 "(e2) A properly completed application for a permit and the annual fee under this section
10 are due by ~~1 January~~ November 1 of each year. The Department shall mail a notice of the annual
11 fees to each permitted septage management firm and each individual who operates a septage
12 treatment or disposal facility prior to ~~1 November~~ October 1 of each calendar year. A late fee in
13 the amount equal to fifty percent (50%) of the annual permit fee under this section shall be
14 submitted when a properly completed application and annual permit fee are not submitted by 1
15 January following the ~~1 November~~ October 1 notice. The clear proceeds of civil penalties
16 collected pursuant to this subsection shall be remitted to the Civil Penalty and Forfeiture Fund in
17 accordance with G.S. 115C-457.2."

18
19 **INCLUDE CERTAIN FUNDS AS AUTHORIZED FOR SPECIAL FUNDS HELD BY**
20 **STATE TREASURER**

21 **SECTION 13.7.(a)** G.S. 147-69.2(a) reads as rewritten:

22 "(a) This section applies to funds held by the State Treasurer to the credit of each of the
23 following:

24 ...

25 (17n) The Riparian Buffer Restoration Fund.

26"

27 **SECTION 13.7.(b)** G.S. 147-69.2.(d) reads as rewritten:

28 "(d) The State Treasurer may invest funds deposited pursuant to subdivisions (17i), (17j),
29 and (17k) of subsection (a) of this section in any of the investments authorized under subdivisions
30 (1) through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer may
31 require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a
32 reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this
33 subsection. Fees assessed by the State Treasurer may be used to defray the costs of administering
34 the funds and expenditures authorized under this section. Funds deposited pursuant to this
35 subsection shall remain the funds of the North Carolina Conservation Easement Endowment
36 Fund, the Conservation Grant Fund, the Ecosystem Restoration Fund, The Riparian Buffer
37 Restoration Fund, or the Wildlife Endowment Fund, as applicable, and interest or other
38 investment income earned thereon shall be prorated and credited to the North Carolina
39 Conservation Easement Endowment Fund, the Conservation Grant Fund, the Ecosystem
40 Restoration Fund, the Riparian Buffer Restoration Fund, or the Wildlife Endowment Fund on the
41 basis of the amounts contributed to the respective Funds, figured according to sound accounting
42 principles."

43
44 **SHALLOW DRAFT NAVIGATION CHANNEL DREDGING AND AQUATIC WEED**
45 **FUND**

46 **SECTION 13.8.** G.S. 143-215.73F(b) reads as rewritten:

47 "(b) Uses of Fund. – Revenue in the Fund may only be used for the following purposes:

48 (1) To provide the State's share of the costs associated with any dredging project
49 designed to keep shallow draft navigation channels located in State waters or
50 waters of the state located within lakes navigable and safe.

- 1 (2) For aquatic weed control projects in waters of the State under Article 15 of
- 2 Chapter 113A of the General Statutes. Funding for aquatic weed control
- 3 projects is limited to one million dollars (\$1,000,000) in each fiscal year.
- 4 (3) ~~For~~ The Department of Environmental Quality may utilize up to two percent
- 5 (2%) or two hundred thousand dollars (\$200,000), whichever is greater in each
- 6 fiscal year of the revenues credited to the Fund, for the compensation of staff
- 7 within the Division of Water Resources to support operations of the Fund and
- 8 for the compensation of a beach and inlet management project manager with
- 9 the Division of Coastal Management of the Department of Environmental
- 10 Quality for the purpose of overseeing all activities related to beach and inlet
- 11 management in the State. ~~Funding for the position is limited to ninety nine~~
- 12 ~~thousand dollars (\$99,000) in each fiscal year.~~
- 13 (4) To provide funding for siting and acquisition of dredged disposal easement
- 14 sites associated with the maintenance of the Atlantic Intracoastal Waterway
- 15 between the border with the state of South Carolina and the border with the
- 16 Commonwealth of Virginia, under a Memorandum of Agreement between the
- 17 State and the federal government.
- 18 (5) To conduct assessments and maintain data on dredge material disposal sites
- 19 located in the State of North Carolina."

CONSERVATION GRANT FUND CHANGES

SECTION 13.9.(a) Article 16 of Chapter 113A of the General Statutes reads as rewritten:

...

"§ 113A-232. Conservation Grant Fund.

(a) Fund Created. – The Conservation Grant Fund is created within the Department of Environmental Quality. The Conservation Grant Fund shall be administered by the Department. ~~The purpose of the Fund is to stimulate the use of conservation easements, to improve the capacity of private nonprofit land trust organizations to successfully accomplish conservation projects, to better equip real estate related professionals to pursue opportunities for conservation, to increase landowner participation in land and water conservation, and to provide an opportunity to leverage private and other public monies for conservation easements.~~

(a1) Fund Purpose. – The purpose of the Conservation Grant Fund is to stimulate the use of conservation easements, to steward properties held by deed or Conservation Easement by the State, to improve the capacity of private nonprofit land trust organizations to successfully accomplish conservation projects, to better equip real estate related professionals to pursue opportunities for conservation, to increase landowner participation in land and water conservation, and to provide an opportunity to leverage private and other public monies for conservation easements.

(b) Fund Sources. – The Conservation Grant Fund shall consist of any monies appropriated to it by the General Assembly and any monies received from public or private sources. Unexpended monies in the Conservation Grant Fund that were appropriated from the General Fund by the General Assembly shall revert at the end of the fiscal year unless the General Assembly otherwise provides. Unexpended monies in the Conservation Grant Fund from other sources shall not revert and shall remain available for expenditure in accordance with this Article.

(c) ~~Property Eligibility. — In order for real property or an interest in real property to be the subject of a grant under this Article, the real property or interest in real property must meet all of the following conditions:~~

- 49 (1) ~~Possess or have a high potential to possess ecological value.~~
- 50 (2) ~~Be reasonably restorable.~~
- 51 (3) ~~Be useful for one or more of the following purposes:~~

- 1 a. ~~Public beach access or use.~~
 2 b. ~~Public access to public waters or trails.~~
 3 c. ~~Fish and wildlife conservation.~~
 4 d. ~~Forestland or farmland conservation.~~
 5 e. ~~Watershed protection.~~
 6 f. ~~Conservation of natural areas, as that term is defined in G.S.~~
 7 ~~143B-135.254(3).~~
 8 g. ~~Conservation of predominantly natural parkland.~~
 9 (4) ~~Be donated in perpetuity to and accepted by the State, a local government, or~~
 10 ~~a body that is both organized to receive and administer lands for conservation~~
 11 ~~purposes and qualified to receive charitable contributions under G.S.~~
 12 ~~105-130.9. Land required to be dedicated pursuant to local governmental~~
 13 ~~regulation or ordinance and dedications made to increase building density~~
 14 ~~levels permitted under a regulation or ordinance do not qualify.~~
 15 (c1) Grant Eligibility. – Conservation properties, as defined in G.S. 113A-235, State
 16 conservation land management agencies, local government conservation land management
 17 agencies, and private nonprofit land trust organizations are eligible to receive grants from the
 18 Conservation Grant Fund. Private nonprofit land trust organizations must be certified under
 19 section 501(c)(3) of the Internal Revenue Code to aid in managing the land.
 20 (d) Use of Revenue. – Revenue in the Conservation Grant Fund may be used only for the
 21 following purposes:
 22 (1) ~~The administrative—costs of the Department in administering the~~
 23 ~~Fund.~~ Conservation Grant Fund and stewardship program operations.
 24 (2) ~~Conservation grants—grants, contracts, and agreements made in accordance~~
 25 ~~with this Article.~~ Article, including:
 26 a. Reimbursement for total or partial transaction costs for a donation of
 27 real property or an interest in real property from an individual or
 28 corporation satisfying either of the following:
 29 1. Insufficient financial ability to pay all costs or insufficient
 30 taxable income to allow these costs to be included in the
 31 donated value.
 32 2. Insufficient tax burdens to allow these costs to be offset by
 33 charitable deductions.
 34 b. Management support, including initial baseline inventory and
 35 planning.
 36 c. Monitoring compliance of conservation easements, the related use of
 37 riparian buffers, natural areas, and greenways, and the presence of
 38 ecological integrity.
 39 d. Education and studies on conservation properties, including
 40 information materials intended for landowners and education for staff
 41 and volunteers.
 42 e. Stewardship of conservation properties.
 43 f. Transaction costs for recipients, including legal expenses, closing and
 44 title costs, and unusual direct costs, such as overnight travel.
 45 g. Administrative costs.
 46 h. Award of grants under 113A-234.
 47 i. Enforcement and legal actions necessary to protect and remedy
 48 damages to Department-held conservation properties.
 49 j. Acquisition of conservation properties and easements.
 50 (3) To establish an endowment account, the interest from which will be used for
 51 a purpose described in ~~G.S. 113A-233(a)~~ this Article.

1 **"§ 113A-233. ~~Uses of a grant from the Conservation Grant Fund.~~Fund Endowment**
2 **Account.**

3 (a) Allowable Uses. – ~~A grant from the Conservation Grant Fund~~ Investment income
4 generated by the Conservation Grant Fund may be used ~~only~~ to pay for one or more of the
5 following costs: ~~purposes described in G.S. 113A-232.~~

- 6 (1) ~~Reimbursement for total or partial transaction costs for a donation of real~~
7 ~~property or an interest in real property from an individual or corporation~~
8 ~~satisfying either of the following:~~
9 a. ~~Insufficient financial ability to pay all costs or insufficient taxable~~
10 ~~income to allow these costs to be included in the donated value.~~
11 b. ~~Insufficient tax burdens to allow these costs to be offset by charitable~~
12 ~~deductions.~~
13 (2) ~~Management support, including initial baseline inventory and planning.~~
14 (3) ~~Monitoring compliance with conservation easements, the related use of~~
15 ~~riparian buffers, natural areas, and greenways, and the presence of ecological~~
16 ~~integrity.~~
17 (4) ~~Education on conservation, including information materials intended for~~
18 ~~landowners and education for staff and volunteers.~~
19 (5) ~~Stewardship of land.~~
20 (6) ~~Transaction costs for recipients, including legal expenses, closing and title~~
21 ~~costs, and unusual direct costs, such as overnight travel.~~
22 (7) ~~Administrative costs for short term growth or for building capacity.~~

23 (b) Prohibition. – ~~The Fund account principle~~ shall not be used to pay the purchase price
24 of real property or an interest in real property.

25 **"§ 113A-234. Administration of grants.**

26 (a) Grant Procedures and Criteria. – The Secretary of the Department of Environmental
27 Quality shall establish the procedures and criteria for awarding grants from the ~~Conservation~~
28 ~~Grant Fund~~. The criteria shall focus grants on those areas, approaches, and techniques that are
29 likely to provide the optimum positive effect on environmental protection. The Secretary shall
30 make the final decision on the award of grants and shall announce the award publicly in a timely
31 manner.

32 (b) Grant Administration. – The Secretary may administer the grants under this Article
33 or may contract for selected activities under this Article. If administrative services are contracted,
34 the Department shall establish guidance and criteria for its operation and contract with a statewide
35 nonprofit land trust service organization.

36 **"§ 113A-235. Conservation easements.~~properties.~~**

37 (a) Property Eligibility. – In order for real property or an interest in real property to be
38 the subject of this Article as a Conservation Property, the real property or interest in real property
39 must meet all of the following conditions:

- 40 (1) Possess or have a high potential to possess ecological value.
41 (2) Be reasonably restorable, previously restored, or a high-quality preservation.
42 (3) Be useful for one or more of the following purposes:
43 a. Public beach access or use.
44 b. Public access to public waters or trails.
45 c. Fish and wildlife conservation.
46 d. Forestland or farmland conservation.
47 e. Watershed protection or improvement.
48 f. Conservation of natural areas, as that term is defined in
49 G.S. 143B-135.254(3).
50 g. Conservation of predominantly natural parkland.

(4) Be purchased on behalf of, donated, or assigned in perpetuity to and accepted by the State, a local government, or a body that is both organized to receive and administer lands for conservation purposes and qualified to receive charitable contributions under G.S. 105-130.9. Land required to be dedicated pursuant to local governmental regulation or ordinance and dedications made to increase building density levels permitted under a regulation or ordinance do not qualify

~~(a)(a1) Acquisition and Protection of Conservation Easements-Properties.~~ – Ecological systems and appropriate public use of these systems may be protected through conservation easements, including conservation agreements under Article 4 of Chapter 121 of the General Statutes, the Conservation and Historic Preservation Agreements Act, and conservation easements under the Conservation Reserve Enhancement Program. The Department may acquire conservation properties and easements by purchase, gift, or assignment, in accordance with G.S. 146-22. The Department of Environmental Quality shall work cooperatively with State and local agencies and qualified nonprofit organizations to monitor compliance with conservation easements and conservation agreements and to ensure the continued viability of the protected ecosystems. Soil and water conservation districts established under Chapter 139 of the General Statutes may acquire easements under the Conservation Reserve Enhancement Program by purchase or gift.

...

"§ 113A-236. Contribution to the Conservation Grant Fund.

(a) For conservation property interests donated or assigned to the Department, a contribution shall be made to the Conservation Grant Fund by the donor or assignor for the long-term management of the property. The contribution shall be made at the time the property interest is transferred to the Department and shall meet or exceed the minimum amount determined by the Department to be sufficient for managing and stewarding the property in perpetuity. In no case will the Department be obligated to accept a conservation property interest.

(b) The Secretary shall establish procedures and adopt rules for the calculation and collection of the minimum contributions to the Conservation Grant Fund required by the Department."

SECTION 13.9.(b) Minimum contributions prior to the effective date of rules adopted pursuant to G.S. 113A-236 shall be calculated as follows:

- (1) For parties that desire to assign a conservation property interest to the Department, including but not limited to Conservation Easements, the minimum contribution shall be \$25,000 plus \$1,000 per acre until such time as rules are adopted the Department.
- (2) For parties that desire to donate a conservation property in fee to the Department, the minimum contribution shall be \$25,000 plus 20 percent of the tax value of the parcel until such time as rules are adopted the Department.

SECTION 13.10. Section 14.3. of S.L. 2015-241 reads as rewritten:

"ALLOW REVENUE GENERATED FROM TIMBER SALE TO BE RETAINED IN A NONREVERTING ACCOUNT FOR A PERIOD OF FOUR YEARS

~~"SECTION 14.3.~~ The Department of ~~Environment and Natural Resources'~~ Environmental Quality's Stewardship Program may retain revenue generated from timber harvesting on the Great Coharie property in the Conservation Grant Endowment Interest Fund (6705) for the purpose of restoration and stewardship of that property and these funds are hereby appropriated for that purpose. ~~Any unused portion of this revenue remaining in the Fund on June 30, 2019, shall revert to the General Fund."~~

AMENDMENTS TO DRY-CLEANING SOLVENT CLEANUP ACT OF 1997

SECTION 13.11.(a) G.S. 143-215.104 reads as rewritten:

1 **"§ 143-215.104A. Title; sunset.**

2 This part is the "Dry-Cleaning Solvent Cleanup Act of 1997" and may be cited by that name.
3 ~~Except as otherwise provided in this section, this part expires 1 January 2022. [However:]~~

4 (1) ~~G.S. 143-215.104K is not repealed to the extent that it applies to liability~~
5 ~~arising from dry-cleaning solvent contamination described in a Dry-Cleaning~~
6 ~~Solvent Assessment Agreement or Dry-Cleaning Solvent Remediation~~
7 ~~Agreement entered into by the Environmental Management Commission~~
8 ~~pursuant to G.S. 143-215.104H and G.S. 143-215.104I.~~

9 (2) ~~Any Dry-Cleaning Solvent Assessment Agreement or Dry-Cleaning Solvent~~
10 ~~Remediation Agreement in force as of 1 January 2012 shall continue to be~~
11 ~~governed by the provisions of Part 6 of Article 21A of Chapter 143 of the~~
12 ~~General Statutes as though those provisions had not been repealed.~~

13 (3) ~~G.S. 143-215.104D(b)(2) is not repealed; rules adopted by the Environmental~~
14 ~~Management Commission pursuant to G.S. 143-215.104D(b)(2) shall~~
15 ~~continue in effect; and those rules may be enforced pursuant to~~
16 ~~G.S. 143-215.104P, 143-215.104Q, and 143-215.104R, which shall remain in~~
17 ~~effect for that purpose.~~

18 ...

19 **"§ 143-215.104C. Dry-Cleaning Solvent Cleanup Fund.**

20 (a) ~~Up to one percent (1%) three percent (3%)~~ of the amount of the Fund balance may be
21 used by the Department in each fiscal year for investigation of inactive hazardous substance
22 disposal sites that the Department reasonably believes to be contaminated by dry-cleaning
23 solvent. If the contamination is determined to originate from a dry-cleaning facility, a potentially
24 responsible party may petition for certification of the facility or abandoned facility site.
25 Acceptance of a petition shall be conditioned upon the written acceptance by the petitioner of
26 responsibility for the costs of investigation incurred by the Department pursuant to this
27 subsection. Costs of investigation that are recovered pursuant to this subsection shall not exceed,
28 and shall be credited toward, the financial responsibility of the petitioner pursuant to
29 G.S. 143-215.104F(f). If a potentially responsible party does not petition for certification of the
30 facility or abandoned facility site, the Commission may request the Attorney General to
31 commence a civil action to secure reimbursement of costs incurred under this subsection."

32 **SECTION 13.11.(b)** G.S. 105-164.44E reads as rewritten:

33 **"§ 105-164.44E. Transfer to the Dry-Cleaning Solvent Cleanup Fund.**

34 (a) Transfer. – At the end of each quarter, the Secretary must transfer to the Dry-Cleaning
35 Solvent Cleanup Fund established under G.S. 143-215.104C an amount equal to fifteen percent
36 (15%) of the net State sales and use taxes collected under G.S. 105-164.4(a)(4) during the
37 previous fiscal year, as determined by the Secretary based on available data.

38 (b) ~~Sunset. This section is repealed effective July 1, 2020."~~

39
40 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**
41 **CLARIFICATION**

42 **SECTION 13.12.** G.S. 87-98(c) reads as rewritten:

43 "(c) The Department shall disburse monies from the Fund based on financial need and on
44 the risk to public health posed by groundwater contamination and shall give priority to the
45 provision of services under this section to instances when an alternative source of funds is not
46 available. The Fund shall not be used to provide alternative water supply to households with
47 incomes greater than three hundred percent (300%) of the current federal poverty level. The Fund
48 may be used to provide alternative drinking water supplies if the Department determines that the
49 concentration of one or more contaminants in the private drinking water well or improved spring
50 exceeds the federal maximum contaminant level, or the federal drinking water action level as
51 defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2007) and 40 Code

1 of Federal Regulations § 143.3 (1 July 2007). For a contaminant for which a federal maximum
2 contaminant level or drinking water action level has not been established, the State groundwater
3 standard established by the Environmental Management Commission for the concentration of
4 that contaminant shall be used to determine whether the Fund may be used to provide alternative
5 drinking water supplies. The Fund may also be used to provide alternative drinking water
6 supplies as provided in this section if the Department determines that the concentration of one or
7 more contaminants in a private drinking water well is increasing over time and that there is a
8 significant risk that the concentration of a ~~contaminant~~ contaminant, including perfluoroalkyl
9 substances or polyfluoroalkyl substances, will exceed the federal maximum contaminant level or
10 drinking water action level, or the State groundwater standard. A determination of the
11 concentration of a contaminant shall be based on a sample of water collected from the private
12 drinking water well within the past 12 months."
13

14 **SUBPART XIII-A. WILDLIFE RESOURCES COMMISSION [RESERVED]**

16 **PART XIV. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES**

18 **DNCR EXEMPTION FROM PREPAYMENT OF STATE AND LOCAL SALES AND** 19 **USE TAXES**

20 **SECTION 14.1.** Part 4 of Article 5 of Chapter 105 of the General Statutes is amended
21 by adding a new section to read:

22 "**§ 105-164.16. Returns and payment of taxes.**

23 ...

24 (f) The Department of Natural and Cultural Resources is exempt from
25 G.S. 105-164.16(b2)."
26

27 **RECODIFY G.S. 143-323 AS G.S. 143B-50.1/ADDITIONAL POWERS AND DUTIES OF** 28 **THE DEPARTMENT REGARDING RECREATION**

29 **SECTION 14.2.(a)** G.S. 143-323(a) and (d) are recodified as G.S. 143B-50.1(a) and
30 (b), respectively, to be entitled "Additional powers and duties of the Department regarding
31 recreation."

32 **SECTION 14.2.(b)** G.S. 143B-50.1, as created by subsection (a) of this section,
33 reads as rewritten:

34 "**§ 143B-50.1. Additional powers and duties of the Department regarding recreation.**

35 (a) Recreation. – The Department of ~~Environmental Quality~~ Natural and Cultural
36 Resources shall have the following powers and duties with respect to recreation:

- 37 (1) To study and appraise the recreation needs of the State and to assemble and
38 disseminate information relative to recreation.
- 39 (2) To cooperate in the promotion and organization of local recreation systems
40 for counties, municipalities, and other political subdivisions of the State, to
41 aid them in the administration, finance, planning, personnel, coordination and
42 cooperation of recreation organizations and programs.
- 43 (3) To aid in recruiting, training, and placing recreation workers, and to promote
44 recreation institutes and conferences.
- 45 (4) To establish and promote recreation standards.
- 46 (5) To cooperate with appropriate State, federal, and local agencies and private
47 membership groups and commercial recreation interests in the promotion of
48 recreation opportunities, and to represent the State in recreation conferences,
49 study groups, and other matters of recreation concern.
- 50 (6) To accept gifts, devises, and endowments. The funds, if given as an
51 endowment, shall be invested in securities designated by the donor, or if there

1 is no such designation, in securities in which the State sinking fund may be
 2 invested. All such gifts and devises and all proceeds from such invested
 3 endowments shall be used for carrying out the purposes for which they were
 4 made.

5 (7) To advise agencies, departments, organizations and groups in the planning,
 6 application and use of federal and State funds which are assigned or
 7 administered by the State for recreation programs and services on land and
 8 water recreation areas and on which the State renders advisory or other
 9 recreation services or upon which the State exercises control.

10 (8) To act jointly, when advisable, with any other State, local or federal agency,
 11 institution, private individual or group in order to better carry out the
 12 Department's objectives and responsibilities.

13 (b) Federal Assistance. – The Department, with the approval of the Governor, may apply
 14 for and accept grants from the federal government and its agencies and from any foundation,
 15 corporation, association, or individual, and may comply with the terms, conditions, and
 16 limitations of the grant, in order to accomplish any of the purposes of the Department. Grant
 17 funds shall be expended pursuant to the ~~Executive Budget Act~~, State Budget Act. The Director of
 18 the Department's Division of Parks and Recreation has the authority and responsibility to accept
 19 and administer funding through the federal Land and Water Conservation Fund or any successor
 20 fund established for similar purposes. The Secretary may designate additional personnel to assist
 21 the Director of the Division of Parks and Recreation in fulfilling the Director's responsibilities
 22 under this subsection."
 23

24 ESTABLISH STATE PARKS FUNDS AS A SPECIAL REVENUE FUND

25 SECTION 14.3. Part 31 of Article 2 of Chapter 143B of the General Statutes is
 26 amended by adding a new section to read:

27 "§ 143B-135.17. The State Parks Fund.

28 (a) Fund. – The State Parks Fund is created as a special revenue fund. The State Parks
 29 Fund shall be used for the following types of projects in the State Parks System:

30 (1) Repair, renovation, maintenance, and educational exhibit construction. Funds
 31 used for repair, renovation, and expansion projects may be transferred to a
 32 capital projects fund to account for use of the funds for each project.

33 (2) Preservation, development, and expansion of an individual park, state
 34 recreational area, state natural area, state lake, state river, or state trail.

35 (3) The acquisition, maintenance, or replacement of vehicles and other
 36 transportation equipment as required to maintain adequate service to the
 37 public.

38 (4) Matching of private funds that are raised for these purposes.

39 (b) Disposition of Fees. – All receipts derived from the lease or rental of property or
 40 facilities, disposition of structures or products of the land, private donations, and camping,
 41 activity, and service fees collected shall be credited to the Division of Parks and Recreation's
 42 General Fund operating budget. At the end of each fiscal year, the Secretary may transfer from
 43 the Division of Parks and Recreation's General Fund operating budget to the State Parks Fund an
 44 amount not to exceed the sum of one million five hundred thousand dollars (\$1,500,000) and any
 45 donations, gifts, grants, and devises received by the Division of Parks and Recreation.

46 (c) Approval. – The Secretary may approve the use of the State Parks Fund for repair and
 47 renovation projects at the Division of Parks and Recreation that comply with the following:

48 (1) The total project cost is less than three hundred thousand dollars (\$300,000).

49 (2) The project meets the requirements of G.S. 143C-4-3(b).

50 (d) Report. – The Department shall submit to the House and Senate appropriations
 51 committees with jurisdiction over natural and economic resources and the Fiscal Research

1 Division by September 30 of each year a report on the State Parks Fund that shall include the
2 source and amounts of all funds credited to the Fund and the purpose and amount of all
3 expenditures from the Fund during the prior fiscal year."
4

5 **PARKS AND RECREATION TRUST FUND ELIGIBILITY**

6 **SECTION 14.4.** G.S. 143B-135.56(b)(1) reads as rewritten:

7 "(1) Sixty-five percent (65%) for the State Parks System or ~~a State recreational~~
8 ~~forest~~ DuPont State Recreational Forest for capital projects, repairs and
9 renovations of park facilities, and land acquisition."
10

11 **ADD MARKETING PROJECTS TO THE NORTH CAROLINA ZOO FUND**

12 **SECTION 14.5.** G.S. 143B-135.209(a) reads as rewritten:

13 "(a) Fund. – The North Carolina Zoo Fund is created as a special fund. The North Carolina
14 Zoo Fund shall be used for the following types of projects at the North Carolina Zoological Park
15 and to match private funds raised for these types of projects:

- 16 (1) Repair, renovation, expansion, maintenance, and educational exhibit
17 construction. Funds used for repair, renovation, and expansion projects may
18 be transferred to a capital projects fund to account for use of the funds for each
19 project.
- 20 (2) Renovations of exhibits in habitat clusters, visitor services facilities, and
21 support facilities (including greenhouses and temporary animal holding
22 areas).
- 23 (3) The acquisition, maintenance, or replacement of tram equipment as required
24 to maintain adequate service to the public.
- 25 (4) Marketing the zoo.
26

27 **NATURAL HERITAGE PROGRAM ADMINISTRATION AND FUND CORRECTION**

28 **SECTION 14.6.(a)** G.S. 143B-135.272(b) reads as rewritten:

29 "(b) Fees collected under this section are receipts of the Department of Natural and
30 Cultural Resources and shall be deposited in the ~~Clean Water Management Trust Fund~~ special
31 fund for the purpose of supporting the operations of the Natural Heritage Program."
32

33 **SECTION 14.6.(b)** Part 42 of Article 2 of Chapter 143B of the General Statutes is
34 amended by adding a new section to read:

35 **"§ 143B-135.273. Administration of the Conservation Tax Credit Program.**

36 All authority, power, and responsibility related to Conservation Tax Credits, the
37 Conservation Tax Credit Program, and properties for which tax credits were granted for tax
38 years beginning before January 1, 2014, previously given to the Department of Environmental
39 Quality or its predecessors under G.S. 105-130.34 and G.S. 105-151.12, prior to the adoption
40 of S.L. 2013-316, and G.S. 113A-231, prior to the adoption of S.L. 2014-3, are given to
41 the Department of Natural and Cultural Resources which may exercise the same through the
42 Natural Heritage Program."

43 **NATURAL HERITAGE PROGRAM REDUCE OR WAIVE FEES FLEXIBILITY**

44 **SECTION 14.7.** G.S. 143B-135.272 reads as rewritten:

45 **"§ 143B-135.272. Access to information; fees.**

46 (a) The Secretary may establish fees to defray the costs associated with any of the
47 following:

- 48 (1) Responding to inquiries requiring customized environmental review services
49 or the costs associated with developing, improving, or maintaining technology
50 that supports an online interface for external users to access Natural Heritage
51 Program data. ~~The Secretary may reduce or waive the fee established under~~

1 this subsection if the Secretary determines that a waiver or reduction of the
2 fee is in the public interest.

3 ...

4 (c) The Secretary may reduce or waive fees established under this section if the Secretary
5 determines that a reduction or waiver of the fees is in the public interest or serves the purposes
6 declared in the Nature Preserves Act, Part 42 of Article 2 of Chapter 143B of the General
7 Statutes."

8
9 **CONFORMING CHANGES, ELIMINATE RULES AND FEE REPORTING**
10 **REQUIREMENT DUE TO DYNAMIC PRICING**

11 **SECTION 14.8.(a)** G.S. 121-7.3 reads as rewritten:

12 **"§ 121-7.3. Admission and related activity fees and operating hours.**

13 The Department of Natural and Cultural Resources may charge a reasonable admission and
14 related activity fee to the Roanoke Island Festival Park and any historic site or museum
15 administered by the Department. Admission and related activity fees collected under this section
16 are receipts of the Department and shall be deposited in the appropriate special fund. The revenue
17 collected pursuant to this section shall be used only for the individual site or venue where the
18 receipts were generated. The Secretary may adopt rules necessary to carry out the provisions of
19 this section. The Department is exempt from the requirements of Chapter 150B of the General
20 Statutes and G.S. 12-3.1 when adopting, amending, or repealing rules for operating hours and
21 admission fees or related activity fees at the Roanoke Island Festival Park, historic sites, and
22 museums. ~~The Department shall submit a report to the Joint Legislative Oversight Committee on~~
23 ~~Agriculture and Natural and Economic Resources and the Fiscal Research Division on the~~
24 ~~amount and purpose of a fee change within 30 days following its effective date."~~

25 **SECTION 14.8.(b)** G.S. 143B-71 reads as rewritten:

26 **"§ 143B-71. Tryon Palace Commission – creation, powers and duties.**

27 There is hereby created the Tryon Palace Commission of the Department of Natural and
28 Cultural Resources with the power and duty to adopt, amend and rescind rules and regulations
29 concerning the restoration and maintenance of the Tryon Palace complex, and other powers and
30 duties as provided in Article 2 of Chapter 121 of the General Statutes of North Carolina, including
31 the authority to charge reasonable admission and related activity fees. The Commission is exempt
32 from the requirements of Chapter 150B of the General Statutes and G.S. 12-3.1 when adopting,
33 amending, or repealing rules for operating hours and admission fees or related activity fees at
34 Tryon Palace Historic Sites and Gardens. ~~The Commission shall submit a report to the Joint~~
35 ~~Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the~~
36 ~~Fiscal Research Division on the amount and purpose of a fee change within 30 days following~~
37 ~~its effective date."~~

38 **SECTION 14.8.(c)** G.S. 143B-71 reads as rewritten:

39 **"§ 143B-73. U.S.S. North Carolina Battleship Commission – creation, powers, and duties.**

40 There is hereby created the U.S.S. North Carolina Battleship Commission of the Department
41 of Natural and Cultural Resources with the power and duty to adopt, amend, and rescind rules
42 and regulations under and not inconsistent with the laws of this State necessary in carrying out
43 the provisions and purposes of this Part.

44 ...

45 (2) The U.S.S. North Carolina Battleship Commission shall have the power and
46 duty to charge reasonable admission and related activity fees for admission to
47 the ship and to establish standards and adopt rules and regulations: (i)
48 establishing and providing for a proper charge for admission to the ship; and
49 (ii) regulations for the maintenance and operation of the ship as a permanent
50 memorial and exhibit.

- 1 (3) The Commission shall adopt rules and regulations consistent with the
2 provisions of this Chapter. The Commission is exempt from the requirements
3 of Chapter 150B of the General Statutes and G.S. 12-3.1 when adopting,
4 amending, or repealing rules for operating hours and admission fees or related
5 activity fees at the U.S.S. North Carolina Battleship. ~~The Commission shall~~
6 ~~submit a report to the Joint Legislative Oversight Committee on Agriculture~~
7 ~~and Natural and Economic Resources and the Fiscal Research Division on the~~
8 ~~amount and purpose of a fee change within 30 days following its effective~~
9 ~~date."~~

10 **SECTION 14.8.(d)** G.S. 150B-1(d) reads as rewritten:

11 **"§ 150B-1. Policy and scope.**

12 (d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the
13 following:

14 ...

- 15 (23) The Department of Natural and Cultural Resources with respect to operating
16 hours, admission fees—fees, or related activity fees at historic sites and
17 museums pursuant to G.S. 121-7.3.
18 (24) Tryon Palace Commission with respect to operating hours, admission fees
19 fees, or related activity fees pursuant to G.S. 143B-71.
20 (25) U.S.S. Battleship Commission with respect to operating hours, admission fees
21 fees, or related activity fees pursuant to G.S. 143B-73."
22

23 **REFLECT YOUTH CONSERVATION CORPS NAME CHANGE**

24 **SECTION 14.9.** G.S. 143-58.7 reads as reads as rewritten:

25 **"§ 143-58.7. Contracts with ~~Youth Conservation Corps.~~Conservation Corps North**
26 **Carolina.**

27 State departments, institutions, and agencies may contract with the ~~North Carolina Youth~~
28 ~~Conservation Corps of North Carolina~~ to perform trail construction and maintenance, invasive
29 species removal, and other conservation projects in State parks, State forests, and other
30 State-owned facilities where the projects provide direct public benefits to the citizens of the State
31 and offer youth and young adults of the State a structured program that connects them to natural
32 resources and teaches job skills, leadership, community service, and personal responsibility.
33 Contracts under this section are exempt from the competitive bidding procedures described in
34 this Article and the rules adopted under it."
35

36 **PART XV. DEPARTMENT OF COMMERCE**

37
38 **INCREASE AWARDS FOR ONE NORTH CAROLINA FUND FOR THE 2019-2021**
39 **FISCAL BIENNIUM**

40 **SECTION 15.1.** G.S. 143B-437.71(b1) reads as rewritten:

41 "(b1) Awards. – The amounts committed in Governor's Letters issued in a single fiscal
42 biennium may not exceed ~~twenty eight million dollars (\$28,000,000).~~thirty-two million dollars
43 (\$32,000,000)."
44

45 **NER BLOCK GRANTS FOR 2020 AND 2021 PROGRAM YEARS/USE OF**
46 **DEOBLIGATED FUNDS**

47 **SECTION 15.2.(a)** Appropriations from federal block grant funds are made for the
48 fiscal years ending June 30, 2020, and June 30, 2021, according to the following schedule:
49

50 **COMMUNITY DEVELOPMENT BLOCK GRANT**
51

1	01. State Administration	\$ 1,643,304
2		
3	02. Neighborhood Revitalization	13,519,796
4		
5	03. Economic Development	11,832,506
6		
7	04. Infrastructure	20,940,506
8		
9	TOTAL COMMUNITY DEVELOPMENT	
10	BLOCK GRANT – 2020 Program Year	\$ 47,936,112
11	2021 Program Year	\$ 47,936,112
12		

13 **SECTION 15.2.(b)** If federal funds are reduced below the amounts specified in this
 14 section after the effective date of this act, then every program in each of these federal block grants
 15 shall be reduced by the same percentage as the reduction in federal funds.

16 **SECTION 15.2.(c)** Any block grant funds appropriated by the Congress of the
 17 United States in addition to the funds specified in this section shall be expended as follows: each
 18 program category under the Community Development Block Grant shall be increased by the
 19 same percentage as the increase in federal funds.

20 **SECTION 15.2.(d)** Of the funds appropriated in this section for the Community
 21 Development Block Grant, the following shall be allocated in each category for each program
 22 year: up to one million six hundred forty-three thousand three hundred four dollars (\$1,643,304)
 23 may be used for State Administration, up to thirteen million five hundred nineteen thousand
 24 seven hundred ninety six dollars (\$13,519,796) may be used for Neighborhood Revitalization,
 25 up to eleven million eight hundred thirty-two thousand five hundred six dollars (\$11,832,506)
 26 may be used for Economic Development, and up to twenty million nine hundred forty thousand
 27 five hundred six dollars (\$20,940,506) may be used for infrastructure. If federal block grant funds
 28 are reduced or increased by the Congress of the United States after the effective date of this act,
 29 then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of
 30 this section, as applicable.

31 **SECTION 15.2.(e)** The Department of Commerce shall consult with the Joint
 32 Legislative Commission on Governmental Operations prior to reallocating Community
 33 Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever
 34 the Director of the Budget finds that:

- 35 (1) A reallocation is required because of an emergency that poses an imminent
 36 threat to public health or public safety, the Director of the Budget may
 37 authorize the reallocation without consulting the Commission. The
 38 Department of Commerce shall report to the Commission on the reallocation
 39 no later than 30 days after it was authorized and shall identify in the report the
 40 emergency, the type of action taken, and how it was related to the emergency.
- 41 (2) The State will lose federal block grant funds or receive less federal block grant
 42 funds in the next fiscal year unless a reallocation is made. The Department of
 43 Commerce shall provide a written report to the Commission on the proposed
 44 reallocation and shall identify the reason that failure to take action will result
 45 in the loss of federal funds. If the Commission does not hear the issue within
 46 30 days of receipt of the report, the Department may take the action without
 47 consulting the Commission.

48 **SECTION 15.2.(f)** By September 1, 2019, and September 1, 2020, the Department
 49 of Commerce shall report to the chairs of the House of Representatives Appropriations
 50 Committee on Agriculture and Natural and Economic Resources, the chairs of the Senate
 51 Appropriations Committee on Agriculture, Natural, and Economic Resources, the Joint

1 Legislative Economic Development and Global Engagement Oversight Committee, and the
2 Fiscal Research Division on the use of Community Development Block Grant Funds
3 appropriated in the prior fiscal year. The report shall include the following:

- 4 (1) A discussion of each of the categories of funding and how the categories were
5 selected, including information on how a determination was made that there
6 was a statewide need in each of the categories.
- 7 (2) Information on the number of applications that were received in each category
8 and the total dollar amount requested in each category.
- 9 (3) A list of grantees, including the grantee's name, county, category under which
10 the grant was funded, the amount awarded, and a narrative description of the
11 project.

12 **SECTION 15.2.(g)** For purposes of this section, eligible activities under the category
13 of infrastructure in subsection (a) of this section shall be defined as provided in the HUD State
14 Administered Community Development Block Grant definition of the term "infrastructure."
15 Notwithstanding the provisions of subsection (e) of this section, funds allocated to the
16 infrastructure category in subsection (a) of this section shall not be reallocated to any other
17 category.

18 **SECTION 15.2.(h)** Throughout each year, deobligated funds arise in the various
19 funding categories and program years of the Community Development Block Grant (CDBG)
20 program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii)
21 projects being required to repay funds. Surplus federal administrative funds in the CDBG
22 program may vary from year to year based upon the amount of State-appropriated funds allocated
23 and the amount of eligible in-kind funds identified.

24 **SECTION 15.2.(i)** To allow the Department of Commerce and the Department of
25 Environmental Quality to quickly deploy deobligated and surplus federal administrative funds as
26 they are identified throughout the program year, the following shall apply to the use of
27 deobligated CDBG funds and surplus federal administrative funds:

- 28 (1) All surplus federal administrative funds shall be divided equally between the
29 Departments of Commerce and Environmental Quality and shall be used as
30 provided in subdivisions (2) and (3) of this subsection.
- 31 (2) All deobligated funds allocated to the Department of Commerce and any
32 surplus federal administrative funds, as provided for in subdivision (1) of this
33 subsection, may be used by the Department for all of the following:
 - 34 a. To issue grants in the CDBG economic development or neighborhood
35 revitalization program category.
 - 36 b. For providing training and guidance to local governments relative to
37 the CDBG program, its management, and administrative requirements.
 - 38 c. For additional assistance for pilot broadband projects.
 - 39 d. For any other purpose consistent with the Department's administration
40 of the CDBG program if an equal amount of State matching funds is
41 available.
- 42 (3) All deobligated funds allocated to the Department of Environmental Quality
43 and any surplus federal administrative funds, as provided for in subdivision
44 (1) of this subsection, may be used by the Department for all of the following:
 - 45 a. To issue grants in the CDBG infrastructure program category.
 - 46 b. For any other purpose consistent with the Department's administration
47 of the CDBG program if an equal amount of State matching funds is
48 available.

50 COMMUNITY INNOVATION FUND

1 **SECTION 15.3.(a)** Fund. – The North Carolina Community Innovation Fund (Fund)
2 is established as a special revenue fund in the Department of Commerce (Department). The Board
3 of Science, Technology, and Innovation within the Department shall be responsible for
4 administering the program.

5 **SECTION 15.3.(b)** Purposes. – The Board shall be authorized to make grants from
6 the Fund for the benefit of communities in the 80 most economically distressed counties,
7 micropolitan communities, and communities in other areas of the state that demonstrate a need
8 to reassess their economic competitive advantages and enhance their innovation ecosystems, to
9 help them transition to a knowledge-based economy by fostering vibrant local innovation
10 ecosystems that stimulate business creation, resilience, and growth.

11 **SECTION 15.3.(c)** Definitions. – The following definitions apply in this section:

- 12 (1) Micropolitan Community. – One or more adjacent counties that have at least
13 one urban core area that has a population of at least 10,000 but less than
14 50,000, plus adjacent outlying counties having a high degree of social and
15 economic integration with the central county or counties as measured through
16 commuting.
- 17 (2) Innovation Ecosystem. – A collection of people, organizations, cultures,
18 policies, and programs that creates innovative ideas and discoveries and
19 translates them into innovative products, services and business models to
20 create new companies and industries, make existing ones globally
21 competitive, and drive future economic growth and well-being.
- 22 (3) Eligible Grantees. – Nonprofit organizations, councils of government, and
23 local governments.

24 **SECTION 15.3.(d)** Use of Funds. – Moneys in the Fund shall be used for projects
25 that:

- 26 (1) Strengthen internal networks among local entrepreneurs and the broader
27 business community, as well as the connection between the local innovation
28 ecosystem and other innovation ecosystems;
- 29 (2) Attract more capital investment into the local innovation ecosystem;
- 30 (3) Start and grow the number of locally owned businesses in the community;
- 31 (4) Increase employment opportunities within the knowledge-based economy;
- 32 (5) Foster more enterprises led and owned by rural entrepreneurs, women, and
33 entrepreneurs of color;
- 34 (6) Contribute to increased business activity, density, and local ownership in
35 under-developed commercial corridors;
- 36 (7) Increase media visibility for these efforts locally, statewide and, ultimately,
37 nationally; and
- 38 (8) Create a statewide innovation network across the state that strengthens
39 opportunities for shared learning and collaboration.

40 **SECTION 15.3.(e)** Cap and Matching Funds. – The Department may require a
41 grantee to provide matching funds.

42 **SECTION 15.3.(f)** Administrative Expenses. – Of the funds appropriated to the
43 Fund, the Department may use up to seventy thousand dollars (\$70,000) or five percent (5%)
44 annually, whichever is greater, to administer the Fund.

45 **SECTION 15.3.(g)** Agreements Required. – Funds may be disbursed from the Fund
46 only in accordance with agreements entered into between the Department and an eligible grantee.

47 **SECTION 15.3.(h)** Program Guidelines. – The North Carolina Board of Science,
48 Technology, and Innovation shall develop guidelines related to the administration of this
49 program. At least 20 days before the effective date of any guidelines or nontechnical amendments
50 to the guidelines, the Department shall publish the proposed guidelines on the Department's Web
51 site and provide notice to persons who have requested notice of proposed guidelines. In addition,

1 the Department must accept oral and written comments on the proposed guidelines, and shall in
2 its discretion consider such comments before finalizing the guidelines, during the 15 business
3 days beginning on the first day that the Department has completed these notifications. Guidelines
4 adopted under this section shall not be subject to the requirements of Article 2A of Chapter 150B
5 of the North Carolina General Statutes.

6
7 **ESTABLISH RURAL INVESTMENTS STRENGTHENING ECONOMIES (RISE)**
8 **PROGRAM**

9 **SECTION 15.4.(a)** G.S. 143B-472.35 is repealed.

10 **SECTION 15.4.(b)** Article 4 of Chapter 143 of the General Statutes is amended by
11 adding a new section to read:

12 **"§ 143B-472.36. Establish Rural Investments Strengthening Economies (RISE) Program.**

13 (a) Purposes. – The RISE Program is a rural-focused discretionary incentive program that
14 makes cash grants to local governments, economic development organizations, or downtown
15 organizations, to help offset the costs to new or expanding companies of locating or expanding a
16 facility or workforce, and to support community and economic revitalization in the 80 most
17 distressed counties. The focus of the program is to provide support not available in other
18 Department of Commerce programs and to ensure a public benefit can be defined for any project
19 receiving funding.

20 (b) Fund. – The Rural Investments Strengthening Economies (RISE) Program is
21 established as a discretionary incentive program in the Department of Commerce (Department).
22 Funds allocated to this program shall be administered by the Department of Commerce.

23 (c) Definitions. – For purposes of this section, the following definitions shall apply:

24 (1) Community. – A community located in one of the most 80 distressed counties,
25 as designated by G.S. 143B-437.08, that meets the reporting and eligibility
26 requirements of the RISE Program.

27 (2) Designated downtown area. – A designated area within a community that is
28 considered the primary, traditional downtown business district of the
29 community.

30 (3) Economic development organization. – An agency that is part of a
31 public-private partnership intended to develop and recruit business
32 opportunities or to undertake economic development projects that will support
33 business development and jobs.

34 (4) Eligible grantee. – Local units of government, economic development
35 organizations, and downtown organizations.

36 (5) Downtown organization. – An agency that is part of a public-private
37 partnership on the local level and whose core mission is to revitalize a
38 traditional downtown business district.

39 (6) Interlocal small business economic development project. – A project or group
40 of projects in a cluster of communities or counties or in a region that share a
41 common economic development strategy for small business growth and job
42 creation.

43 (7) Main Street and Rural Planning Center. – The division within the North
44 Carolina Department of Commerce that administers the program and helps the
45 Secretary of Commerce make decisions with respect to RISE Program grant
46 applications from eligible applicants.

47 (8) Mixed-use centers. – Areas zoned and developed for a mix of uses, including
48 retail, service, professional, governmental, institutional, and residential.

49 (9) Private investment. – A project or group of projects in a designated area that
50 will spur private investment and improve property. A project must be owned
51 and maintained by a private entity.

- 1 (10) Public improvements and public infrastructure. – The improvement of
2 property or infrastructure that is owned and maintained by a city or county.
- 3 (d) Awards. – The Secretary of Commerce shall make recommendations for funding to
4 the Governor.
- 5 (e) Use of Funds. – Funds in the RISE Program shall be used for any of the following
6 eligible activities:
- 7 (1) Encourages the development or redevelopment of traditional downtown areas
8 by increasing the capacity for mixed-use centers of activity within downtown
9 core areas. Funds may be used to support the rehabilitation of public or private
10 properties, (buildings, streetscapes, or land), public infrastructure
11 improvements, new construction, and the development or redevelopment of
12 parking lots or facilities;
- 13 (2) Supports a historic preservation initiative outside of downtown core areas that
14 enhance: (i) community economic development and small business retention,
15 expansion, or recruitment; or (ii) regional or community job creation;
- 16 (3) Improves public infrastructure outside of downtown core areas that is
17 consistent with sound municipal planning and that support community
18 economic development, small business retention, expansion, or recruitment,
19 and regional or community job creation;
- 20 (4) Enhances regional economic growth and job creation;
- 21 (5) Aids a local government to secure commitments for the recruitment,
22 expansion, or retention of new and existing businesses; or
- 23 (6) Offsets the cost of locating or expanding a facility or workforce by new or
24 expanding businesses.
- 25 (f) For awards for activities under subsections (e)(1), (e)(2), (e)(3), and (e)(4), projects
26 awarded funding shall foster private investment and support job creation and retention. Awards
27 for activities under subsections (e)(5) and (e)(6) are based on the number of jobs created, level
28 of investment, location of the project, economic impact of the project, and the importance of the
29 project to the community, state, and region. Funding recommendations to the Governor are at the
30 discretion of the Secretary of Commerce; however, projects considered for funding shall:
- 31 (1) Create a minimum of five new full-time jobs;
- 32 (2) Offer an average wage at least equal to the average wage for all insured private
33 employers in the county of the project's location;
- 34 (3) Provide health insurance and pay at least fifty percent (50%) of the premiums
35 for participating employees;
- 36 (4) Meet statutory occupational safety and environmental compliance
37 requirements;
- 38 (5) Maintain operations at the project location, or at another approved site in
39 North Carolina, for at least one hundred fifty percent (150%) of the term of
40 the grant.
- 41 (g) Maximum Liability. – The Secretary of Commerce is authorized to award grants from
42 RISE Program funds totaling not more than ten million dollars (\$10,000,000) in a single fiscal
43 year.
- 44 (h) RISE Program Cash Flow Requirements. – Notwithstanding any other provision of
45 law, grants made through the RISE program shall be budgeted and funded on a cash flow basis.
46 It is the intent of the General Assembly to appropriate funds annually to the RISE Program
47 established in this Part in amounts sufficient to meet the anticipated cash requirements for each
48 fiscal year.
- 49 (i) Allocation of Funds. – The Funds allocated to the RISE Program shall be available
50 only to projects in designated Communities. All funding must be utilized toward the costs of the
51 project outlined in the application.

1 (j) Project Oversight. – Inspection of a project for which a grant has been awarded may
2 be performed by personnel of the Department of Commerce. No person may be approved to
3 perform inspections who is an officer or employee of the unit of local government or who is an
4 owner, officer, employee, or agent of a contractor or subcontractor engaged in the construction
5 of any project for which the grant was made.

6 (k) Administrative Expenses. – Of the funds to the Secretary is authorized to award under
7 the RISE Program, the Department may use up to three percent (3%) annually to cover the
8 Department's expenses in administering the Program.

9 (l) Agreements Required. – Funds may be disbursed from the RISE Program only in
10 accordance with agreements entered into between the Department and an eligible grantee.

11 (m) Safeguards. – To ensure that public funds are used only to carry out the public
12 purposes provided in this section, the Department shall require that each grantee that receives an
13 award under the RISE Program must agree to meet performance criteria to protect the State's
14 investment and assure that the projected benefits of the project are secured. The agreement must
15 require the grantee to repay or reimburse an appropriate portion of the State funds expended,
16 based on the extent of any failure by the grantee to meet the performance criteria.

17 (n) Application. – There shall be no fee to apply for RISE Program grants. At minimum,
18 the application shall include each of the following:

19 (1) The proposed activities for which the funds are to be used and the projected
20 cost of the project;

21 (2) The amount of grant funds requested for these activities;

22 (3) Projections of the dollar amount of public and private investment that are
23 expected to occur in the designated project area as a direct result of the
24 proposed project;

25 (4) An explanation of the nature of the private investment in the designated area
26 that will result from the proposed project;

27 (5) Projections of the time needed to complete the project;

28 (6) Any additional or supplemental information requested by the Department.

29 (o) Reporting. – RISE grant recipients shall file an annual report to the Department of
30 Commerce on or before March 1 of each year. The Department of Commerce shall prepare and
31 file on or before September 1 of each year with the chairs of the Senate Appropriations
32 Committee on Agriculture, Natural, and Economic Resources, the chairs of the House of
33 Representatives Appropriations Committee on Agriculture and Natural and Economic
34 Resources, and the Joint Legislative Economic Development and Global Engagement Oversight
35 Committee and the Fiscal Research Division a consolidated report for the preceding fiscal year
36 concerning the allocation of grants authorized by this section. A portion of the annual report
37 prepared by the Department of Commerce will document all allocations made from the fund for
38 each fiscal year, the total funds received, and allocations made and the total unallocated funds in
39 the program. A portion of the report prepared by the grant recipient shall include each of the
40 following:

41 (1) The total amount of public and private funds that was committed and the
42 amount that was invested in the designated project during the preceding fiscal
43 year;

44 (2) The total amount of grants received from the RISE Program during the
45 preceding fiscal year;

46 (3) A description of how the grant funds were used during the preceding fiscal
47 year;

48 (4) Details regarding any jobs created, businesses started, and number of jobs
49 retained due to the approved activities.

50 (p) Program Guidelines. – The Department shall develop guidelines related to the
51 administration of this program. At least 20 days before the effective date of any guidelines or

1 nontechnical amendments to the guidelines, the Department shall publish the proposed guidelines
2 on the Department's Web site and provide notice to persons who have requested notice of
3 proposed guidelines. In addition, the Department must accept oral and written comments on the
4 proposed guidelines during the 15 business days beginning on the first day that the Department
5 has completed these notifications."
6

7 **RURAL NEIGHBORHOOD REVITALIZATION PROGRAM**

8 **SECTION 15.5.(a)** Fund. – The Rural Neighborhood Revitalization Program (Fund)
9 is established as a special revenue fund in the Department of Commerce (Department). The Rural
10 Economic Development Division shall be responsible for administering the Rural Neighborhood
11 Revitalization program whereby grants that support housing and housing-related projects are
12 awarded by the North Carolina Department of Commerce.

13 **SECTION 15.5.(b)** Purpose. – The Rural Neighborhood Revitalization Program
14 (Fund) will provide grants to units of local government in the 80 most distressed counties. This
15 program prioritizes neighborhood sustainability, resiliency, equitable access to housing, and
16 neighborhood revitalization.

17 **SECTION 15.5.(c)** Use of Funds. – The funds available for grants under this
18 program may be used as follows:

- 19 (1) To support Housing related activities including but not limited to replacement
20 housing, housing rehabilitation, emergency repairs, clearance and
21 remediation, and water/sewer connections to existing housing.
- 22 (2) To support Public Facilities and related revitalization activities including but
23 not limited to acquisition, rehabilitation, reconstruction, installation of public
24 facilities, improvements to public facilities and removal of architectural
25 barriers.
- 26 (3) Recipients of grant funds under this Part shall not be required to contribute a
27 cash match.
- 28 (4) The maximum grant award is \$500,000 per project.
- 29 (5) In awarding grants under this Part, preference shall be given to projects in our
30 40 most distressed counties under G.S. 143B-437.08.

31 **SECTION 15.5.(d)** Selection. – The Rural Economic Development Division shall
32 review applications submitted by interested local governments.

33 **SECTION 15.5.(e)** Application. – There shall be no fee to apply for Rural
34 Neighborhood Revitalization grants.

35 **SECTION 15.5.(f)** Administrative Expenses. – Of the funds appropriated to Rural
36 Neighborhood Revitalization Program, the Department may use up to three percent (3%) to cover
37 the Department's expenses in administering the Program.

38 **SECTION 15.5.(g)** Program Guidelines. – The Department shall develop guidelines
39 related to the administration of this program. At least 20 days before the effective date of any
40 guidelines or nontechnical amendments to the guidelines, the Department shall publish the
41 proposed guidelines on the Department's Website and provide notice to persons who have
42 requested notice of proposed guidelines.
43

44 **NC JOB READY FUND**

45 **SECTION 15.6.(a)** Article 2 of Chapter 96 of the General Statutes is amended by
46 adding a new section to read:

47 **"§ 96-6.3. NC Job Ready Fund.**

48 (a) NC Job Ready Fund. – There is established in the Department of Commerce an NC
49 Job Ready Fund for the purposes of providing job training, employment-related services, and
50 economic development services to North Carolina job seekers and employers in order to address

1 workforce skills gaps. The Fund consists of the revenues derived from the Unemployment
2 Insurance Reserve Fund Surtax imposed under G.S. 96-9.7.

3 (b) Allocation of Funds. – For the 2019-2020 fiscal year, the Department of Commerce
4 shall allocate monies in the fund on the following basis:

5 (1) Five million dollars (\$5,000,000) shall be allocated to the North Carolina
6 Getting Ready for Opportunities in the Workforce (NC GROW) Aid for
7 Students Seeking Industry Credentials program in The North Carolina
8 Community College System.

9 (2) Seven million dollars (\$7,000,000) shall be allocated to the Finish Line Grants
10 program in The University of North Carolina System.

11 (3) Five million dollars (\$5,000,000) shall be allocated to the Finish Line Grants
12 program in The North Carolina Community College System.

13 (4) Three million dollars (\$3,000,000) shall be allocated to the Finish Line Grants
14 program administered by the North Carolina Independent Colleges and
15 Universities.

16 (5) Ten million dollars (\$10,000,000) shall be allocated to the Work-Based
17 Learning Fund in the North Carolina Department of Commerce, Division of
18 Workforce Solutions.

19 (c) Allocation of Funds. – For the 2020-2021 fiscal year and annually thereafter, the
20 Department of Commerce shall allocate monies in the fund on the following basis:

21 (1) Ten million dollars (\$10,000,000) shall be allocated to the North Carolina
22 Getting Ready for Opportunities in the Workforce (NC GROW) Aid for
23 Students Seeking Industry Credentials program in The North Carolina
24 Community College System.

25 (2) Thirty million dollars (\$30,000,000) shall be allocated to the North Carolina
26 Getting Ready for Opportunities in the Workforce (NC GROW) scholarship
27 program in The North Carolina Community College System.

28 (3) Seven million dollars (\$7,000,000) shall be allocated to the Finish Line Grants
29 program in The University of North Carolina System.

30 (4) Five million dollars (\$5,000,000) shall be allocated to the Finish Line Grants
31 program in The North Carolina Community College System.

32 (5) Three million dollars (\$3,000,000) shall be allocated to the Finish Line Grants
33 program administered by the North Carolina Independent Colleges and
34 Universities.

35 (6) Ten million dollars (\$10,000,000) shall be allocated to the Work-Based
36 Learning Fund in the North Carolina Department of Commerce, Division of
37 Workforce Solutions.

38 In the event revenues from the surtax imposed under G.S. 96-9.7 are insufficient to support
39 this allocation or are in excess of these amounts, the Secretary of the Department of Commerce
40 may allocate funds to the programs listed in this subsection on a pro rata basis."

41 **SECTION 15.6.(b)** G.S. 96-9.2 reads as rewritten:

42 **"§ 96-9.2. Required contributions to the Unemployment Insurance Fund.**

43 ...

44 (b) Contribution Rate for Experience-Rated Employer. – The contribution rate for a
45 beginning employer until the employer's account has been chargeable with benefits for at least
46 12 calendar months ending July 31 immediately preceding the computation date is ~~one percent~~
47 ~~(1%).~~ eighty-three hundredths of one percent (0.83%). An employer's account has been
48 chargeable with benefits for at least 12 calendar months if the employer has reported wages paid
49 in four completed calendar quarters and its liability extends over all or part of two consecutive
50 calendar years.

(c) Contribution Rate for Experience-Rated Employer. – The contribution rate for an experience-rated employer who does not qualify as a beginning employer under subsection (b) of this section is determined in accordance with the table set out below and then rounded to the nearest one-hundredth percent (0.01%), subject to the minimum and maximum contribution rates. The minimum contribution rate is ~~six hundredths of one percent (0.06%)~~ five hundredths of one percent (0.05%). The maximum contribution rate is five and seventy-six hundredths percent (5.76%). "Total insured wages" are the total wages reported by all insured employers for the 12-month period ending on June 30 preceding the computation date. The calculations in the table set out below are applied as of September 1 following the computation date. An employer's experience rating is computed as a reserve ratio in accordance with G.S. 96-9.4. An employer's reserve ratio percentage (ERRP) is the employer's reserve ratio multiplied by sixty-eight hundredths. A positive ERRP produces a lower contribution rate, and a negative ERRP produces a higher contribution rate.

UI Trust Fund Balance as Percentage of Total Insured Wages

Contribution Rate

Less than or equal to 1%	2.9% minus ERRP
Greater than 1% but less than or equal to 1.25%	2.4% minus ERRP
Greater than 1.25%	1.9% - 1.4% minus ERRP

...."

SECTION 15.6.(c) G.S. 96-9.7 reads as rewritten:

"§ 96-9.7. Surtax for the Unemployment Insurance Reserve Fund.

(a) Surtax Imposed. – A surtax is imposed on an employer who is required to make a contribution to the Unemployment Insurance Fund equal to twenty percent (20%) of the contribution due under G.S. 96-9.2. ~~Except as provided in this section, the surtax is collected and administered in the same manner as contributions.~~ Surtaxes collected under this section must be credited to the ~~Unemployment Insurance Reserve Fund established under G.S. 96-6.2.~~ NC Job Ready Fund established under G.S. 96-6.3. Interest and penalties collected on unpaid surtaxes imposed by this section must be credited to the Supplemental Employment Security Administration Fund. Penalties collected on unpaid surtaxes imposed by this section must be transferred to the Civil Penalty and Forfeiture Fund established in G.S. 115C-457.1. Of the revenues derived from the surtax, the Department of Commerce may retain funds equal to the administrative costs associated with collection.

(b) ~~Suspension of Tax. – The tax does not apply in a calendar year if, as of September 1 of the preceding calendar year, the amount in the State's account in the Unemployment Trust Fund equals or exceeds one billion dollars (\$1,000,000,000).~~"

SECTION 15.6.(d) It is the intent of the State that no employer pays more than they otherwise would have prior to imposing this surtax.

SECTION 15.6.(e) Subsections (b) and (c) of this section become effective January 1, 2020. Subsections (a) and (d) of this section become effective July 1, 2019.

WORK-BASED LEARNING FUND

SECTION 15.7. Article 2 of Chapter 96 of the General Statutes is amended by adding a new section to read:

"§ 96-6.4. Work-Based Learning Fund.

(a) The Work-Based Learning Fund is established as a special fund in the Department of Commerce, Division of Workforce Solutions, for the purposes of supporting collaboration with and assistance to employers in providing work-based learning opportunities to develop their workforce talent pipelines. The Fund consists of allocations from the NC Job Ready Fund as directed in G.S. 93-6.3. The Department of Commerce, Division of Workforce Solutions, may

1 award grants or contract with organizations to support a variety of work-based learning
2 initiatives, including, but not limited to, the establishment or expansion of registered
3 Apprenticeship programs, training for incumbent workers, and paid employment opportunities
4 for students. Grants may include, but are not limited to, carrying out the following:

5 (1) Upskilling existing entry- to mid-level employees through additional training
6 while creating newly open positions that may be backfilled with entry-level
7 hires.

8 (2) Increasing opportunities for flexible, paid internship, and employment
9 opportunities for high school and postsecondary students.

10 (3) Establishing or expanding registered Apprenticeship programs.

11 (b) The Department of Commerce, Division of Workforce Solutions, shall collaborate
12 with the North Carolina Community College System, Workforce Development Boards,
13 employers, and other appropriate entities to design and implement the Work-Based Learning
14 Fund. The Department of Commerce shall issue a Request for Proposal (RFP) for the
15 Work-Based Learning Fund. The RFP shall require that proposals include the following
16 information, at a minimum:

17 (1) Description of how funds will be used to carry out the proposed activities,
18 including the number of people served.

19 (2) Documentation of expenses where proposals request reimbursement of costs
20 to carry out the proposed activities.

21 (3) Plans for financial sustainability once grant funds have been expended.

22 (c) By November 1, 2020, and annually thereafter, the Department of Commerce shall
23 submit a report to the Governor, the Office of State Budget and Management, the Joint
24 Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the
25 Fiscal Research Division on the use and outcomes of the Work-Based Learning Fund."
26

27 **INCREASE INCENTIVES FOR THE FILM AND ENTERTAINMENT GRANT FUND**

28 **SECTION 15.8.** G.S. 143B-437.02A(a) reads as rewritten:

29 "(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a
30 special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide
31 funds to encourage the production of motion pictures, television shows, movies for television,
32 productions intended for on-line distribution, and commercials and to develop the filmmaking
33 industry within the State. The Department of Commerce shall adopt guidelines providing for the
34 administration of the program. Those guidelines may provide for the Secretary to award the grant
35 proceeds over a period of time, not to exceed three years. Those guidelines shall include the
36 following provisions, which shall apply to each grant from the account:

37 (1) The funds are reserved for a production on which the production company has
38 qualifying expenses of at least the following:

39 a. For a feature-length film:

40 1. ~~Three million dollars (\$3,000,000),~~ Two million dollars
41 (\$2,000,000), if for theatrical viewing.

42 2. One million dollars (\$1,000,000), if a movie for television.

43 b. For a television series, one million dollars (\$1,000,000) per episode.

44 c. For a commercial for theatrical or television viewing or on-line
45 distribution, two hundred fifty thousand dollars (\$250,000).

46 (2) The funds are not used to provide a grant in excess of any of the following:

47 a. An amount more than twenty-five percent (25%) of the qualifying
48 expenses for the production.

49 b. An amount more than ~~seven million dollars (\$7,000,000)~~ ten million
50 dollars (\$10,000,000) for a feature-length film, more than ~~twelve~~
51 ~~million dollars (\$12,000,000)~~ sixteen million dollars (\$16,000,000) for

1 a single season of a television series, or two hundred fifty thousand
2 dollars (\$250,000) for a commercial for theatrical or television
3 viewing or on-line distribution.

4"

6 **SUBPART XV-A. COMMERCE – STATE AID**

8 **COMMERCE NONPROFITS/REPORTING REQUIREMENTS**

9 **SECTION 15A.1.(a)** The entities listed in subsection (b) of this section shall do the
10 following for each year that State funds are expended:

- 11 (1) By September 1 of each year, and more frequently as requested, report to the
12 Joint Legislative Oversight Committee on Agriculture and Natural and
13 Economic Resources, the chairs of the House of Representatives
14 Appropriations Committee on Agriculture and Natural and Economic
15 Resources, the chairs of the Senate Appropriations Committee on Agriculture,
16 Natural, and Economic Resources, and the Fiscal Research Division on prior
17 State fiscal year program activities, objectives, and accomplishments and prior
18 State fiscal year itemized expenditures and fund sources.
- 19 (2) Provide to the Joint Legislative Oversight Committee on Agriculture and
20 Natural and Economic Resources, the chairs of the House of Representatives
21 Appropriations Committee on Agriculture and Natural and Economic
22 Resources, the chairs of the Senate Appropriations Committee on Agriculture,
23 Natural, and Economic Resources, and the Fiscal Research Division a copy of
24 the entity's annual audited financial statement within 30 days of issuance of
25 the statement.

26 **SECTION 15A.1.(b)** The following entities shall comply with the requirements of
27 subsection (a) of this section:

- 28 (1) North Carolina Biotechnology Center.
- 29 (2) High Point Market Authority.
- 30 (3) RTI International.
- 31 (4) Carolina Small Business Development Fund.

33 **NC BIOTECHNOLOGY CENTER**

34 **SECTION 15A.2.(a)** Of the funds appropriated in this act to the Department of
35 Commerce, the sum of thirteen million six hundred thousand three hundred thirty-eight dollars
36 (\$13,600,338) for each fiscal year in the 2019-2021 biennium shall be allocated to the North
37 Carolina Biotechnology Center (hereinafter "Center") for the following purposes:

- 38 (1) Job Creation: AgBiotech Initiative, Economic and Industrial Development,
39 and related activities – two million nine hundred twenty-four thousand
40 seventy-three dollars (\$2,924,073).
- 41 (2) Science and Commercialization: Science and Technology Development,
42 Centers of Innovation, Business and Technology Development, Education and
43 Training, and related activities – eight million eight hundred thirteen thousand
44 nineteen dollars (\$8,813,019).
- 45 (3) Center Operations: Administration, Professional and Technical Assistance
46 and Oversight, Corporate Communications, Human Resource Management,
47 Financial and Grant Administration, Legal, and Accounting – one million
48 eight hundred sixty-three thousand two hundred forty-six dollars
49 (\$1,863,246).

50 **SECTION 15A.2.(b)** The Center shall prioritize funding and distribution of loans
51 over existing funding and distribution of grants.

1 **SECTION 15A.2.(c)** Except to provide administrative flexibility, up to ten percent
2 (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or
3 more of the other allocations in subsection (a) of this section if, in the judgment of Center
4 management, the reallocation will advance the mission of the Center.

5
6 **SUBPART XV-B. DEPARTMENT OF LABOR**

7
8 **FEES NOT YET EXPENDED OR ENCUMBERED AT THE END OF EACH FISCAL**
9 **YEAR SHALL NOT REVERT**

10 **SECTION 15B.1.** G.S. 95-108 reads as rewritten:
11 "**§ 95-108. Disposition of fees.**

12 All fees collected by the Department of Labor pursuant to G.S. 95-69.11, 95-110.5, 95-111.4
13 and 95-120 shall be deposited with the State Treasurer and shall be used exclusively for
14 inspection and certification purposes. All fees collected pursuant to this section that have not yet
15 been expended or encumbered at the end of each fiscal year shall not revert but shall remain
16 available for expenditure in the subsequent fiscal year."

17
18 **PART XVI. DEPARTMENT OF PUBLIC SAFETY**

19
20 **GRANT REPORTING AND MATCHING FUNDS**

21 **SECTION 16.1.** Notwithstanding the provisions of G.S. 143C-6-9, the Department
22 of Public Safety may use up to the sum of two million dollars (\$2,000,000) during the 2019-2020
23 fiscal year and up to the sum of two million dollars (\$2,000,000) during the 2020-2021 fiscal
24 year from funds available to the Department to provide the State match needed in order to receive
25 grant funds. Prior to using funds for this purpose, the Department shall report to the chairs of the
26 House of Representatives Appropriations Committee on Justice and Public Safety and the Senate
27 Appropriations Committee on Justice and Public Safety on the grants to be matched using these
28 funds.

29
30 **SUBPART XVI-A. GENERAL PROVISIONS [RESERVED]**

31
32 **SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT**

33
34 **USE OF SEIZED AND FORFEITED PROPERTY**

35 **SECTION 16B.1.(a)** Seized and forfeited assets transferred to the Department of
36 Justice or to the Department of Public Safety during the 2019-2021 fiscal biennium pursuant to
37 applicable federal law shall be credited to the budget of the recipient department and shall result
38 in an increase of law enforcement resources for that department. The Department of Public Safety
39 and the Department of Justice shall each make the following reports to the chairs of the House
40 of Representatives Appropriations Committee on Justice and Public Safety and Senate
41 Appropriations Committee on Justice and Public Safety:

- 42 (1) A report upon receipt of any assets.
43 (2) A report that shall be made prior to use of the assets on their intended use and
44 the departmental priorities on which the assets may be expended.
45 (3) A report on receipts, expenditures, encumbrances, and availability of these
46 assets for the previous fiscal year, which shall be made no later than
47 September 1 of each year.

48 **SECTION 16B.1.(b)** The General Assembly finds that the use of seized and forfeited
49 assets transferred pursuant to federal law for new personnel positions, new projects, acquisition
50 of real property, repair of buildings where the repair includes structural change, and construction
51 of or additions to buildings may result in additional expenses for the State in future fiscal periods.

1 Therefore, the Department of Justice and Department of Public Safety are prohibited from using
2 these assets for such purposes without the prior approval of the General Assembly.

3 **SECTION 16B.1.(c)** Nothing in this section prohibits State law enforcement
4 agencies from receiving funds from the United States Department of Justice, the United States
5 Department of the Treasury, and the United States Department of Health and Human Services.
6

7 **SUBPART XVI-C. DIVISION OF ADULT CORRECTION**

8 9 **USE OF CLOSED FACILITIES**

10 **SECTION 16C.1.(a)** In conjunction with the closing of prison facilities, youth
11 detention centers, and youth development centers, the Department of Public Safety shall consult
12 with the county or municipality in which the facility is located, with elected State and local
13 officials, and with State and federal agencies about the possibility of converting that facility to
14 other use. The Department may also consult with any private for-profit or nonprofit firm about
15 the possibility of converting the facility to other use. In developing a proposal for future use of
16 each facility, the Department shall give priority to converting the facility to other criminal justice
17 use. Consistent with existing law and the future needs of the Department of Public Safety, the
18 State may provide for the transfer or the lease of any of these facilities to counties, municipalities,
19 State agencies, federal agencies, or private firms wishing to convert them to other use.
20 G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to this section. The
21 Department of Public Safety may also consider converting some of the facilities recommended
22 for closing from one security custody level to another, where that conversion would be
23 cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for
24 use as a jail is exempt for the period of the lease from any of the minimum standards adopted by
25 the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult
26 prisoners that would subject the unit to greater standards than those required of a unit of the State
27 prison system.

28 **SECTION 16C.1.(b)** The Department may convert closed facilities for the following
29 purposes:

- 30 (1) Training needs.
- 31 (2) ~~Behavior modification facilities.~~ Population Management
- 32 (3) Transitional housing.

33 Sixty days prior to converting facilities to these purposes, the Department shall report
34 to the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall
35 include the justification for the conversion, operational requirements for the facility, and
36 available resources for staffing and operating the facility. If the proposed facility will require
37 additional funding in the future, the report shall provide a five-year projection of those funding
38 needs.
39

40 **REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL** 41 **EXPENSES**

42 **SECTION 16C.2.** Notwithstanding G.S. 143C-6-9, the Department of Public Safety
43 may use funds available to the Department for the 2019-2021 fiscal biennium to reimburse
44 counties for the cost of housing convicted inmates, parolees, and post-release supervisees
45 awaiting transfer to the State prison system, as provided in G.S. 148-29. The reimbursement may
46 not exceed forty dollars (\$40.00) per day per prisoner awaiting transfer. The Department shall
47 report annually by February 1 of each year to the chairs of the Joint Legislative Oversight
48 Committee on Justice and Public Safety and the chairs of the House of Representatives
49 Appropriations Committee on Justice and Public Safety and the Senate Appropriations
50 Committee on Justice and Public Safety on the expenditure of funds to reimburse counties for
51 prisoners awaiting transfer.

CENTER FOR COMMUNITY TRANSITIONS/ CONTRACT AND REPORT

SECTION 16C.3. The Department of Public Safety may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2019-2021 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the chairs of the House of Representatives Appropriations Committee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Public Safety.

INMATE CONSTRUCTION PROGRAM

SECTION 16C.4. Notwithstanding any other provision of law but subject to Article 3 of Chapter 148 of the General Statutes, during the 2019-2021 fiscal biennium, the State Construction Office may utilize inmates in the custody of the Division of Adult Correction of the Department of Public Safety through the Inmate Construction Program for repair and renovation projects on State-owned facilities, with priority given to Department of Public Safety construction projects. State agencies utilizing the Inmate Construction Program shall reimburse the Division of Adult Correction of the Department of Public Safety for the cost of transportation, custody, and wages for the inmate crews.

INTERSTATE COMPACT FEES TO SUPPORT TRAINING PROGRAMS AND EQUIPMENT PURCHASES SECTIONS

SECTION 16C.5. Notwithstanding the provisions of G.S. 148-65.7, fees collected for the Interstate Compact Fund during the 2019-2021 fiscal biennium may be used by the Division of Adult Correction of the Department of Public Safety during the 2019-2021 fiscal biennium to provide training programs and equipment purchases for the Section of Community Corrections, but only to the extent sufficient funds remain available in the Fund to support the mission of the Interstate Compact Program.

AUTHORITY TO ESTABLISH NURSING POSITIONS

SECTION 16C.6. Notwithstanding any other provision of law, the Department of Public Safety may, in its discretion and subject to the approval of the Office of State Budget and Management, convert funds appropriated for contractual nursing services to permanent nursing positions when it is determined to promote security, generate cost savings, or improve health care quality. The Department shall report on any such conversions to the Fiscal Research Division.

REDIRECT CONFINEMENT IN RESPONSE TO VIOLATION OPERATING FUNDS

SECTION 16C.7. The funds appropriated in S.L. 2017-57 for the female Confinement in Response to Violation (CRV) facility adjacent to Swannanoa Correctional Center for Women shall be used instead to support the female Confinement Response to Violation at the former North Piedmont Correctional Center for Women.

SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

SECTION 16D.1. Funds appropriated in this act to the Department of Public Safety for each fiscal year of the 2019-2021 fiscal biennium may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the

1 Department of Public Safety regarding the criteria for awarding federal funds. The Office of State
2 Budget and Management, the Governor's Crime Commission, and the Department of Public
3 Safety shall report to the chairs of the House of Representatives Appropriations Committee on
4 Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety
5 and the Joint Legislative Oversight Committee on Justice and Public Safety prior to allocation of
6 the federal funds. The report shall identify the amount of funds to be received for the 2017-2018
7 fiscal year, the amount of funds anticipated for the 2019-2021 fiscal year, and the allocation of
8 funds by program and purpose.

10 **SUBPART XVI-E. EMERGENCY MANAGEMENT AND NATIONAL GUARD**

12 **CREATE HAZARDOUS MATERIALS FACILITY FUND**

13 **SECTION 16E.1.** G.S. 166A-29.1 reads as rewritten:

14 **"§ 166A-29.1. Hazardous materials facility fee.**

15 ...

16 (b) Annual Fee Shall Be Charged. – A person or business required under Section 302 or
17 312 of EPCRA to submit a notification or an annual inventory form to the Division shall be
18 required to pay to the Department an annual fee in the amount set forth in subsection (c) of this
19 section.

20 (b1) The Hazardous Materials Facility Fund is established as a special fund within the
21 Department. All fees collected under this section shall be credited to the fund and shall be used
22 to support the hazardous materials response programs established pursuant to subsection (f) of
23 this section.

24 ...

25 (f) Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall be
26 used for the following:

- 27 (1) To offset costs associated with the establishment and maintenance of a
28 hazardous materials database and a hazardous materials response application.
- 29 (2) To offset costs associated with the operations of the regional response
30 program for hazardous materials emergencies and terrorist incidents.
- 31 (3) To provide grants to counties for hazardous materials emergency response
32 planning, training, equipment, and related exercises.
- 33 (4) To offset Division costs that directly support hazardous materials emergency
34 preparedness and response."

36 **RADIOLOGICAL EMERGENCY PLANNING**

37 **SECTION 16E.2.** G.S. 166A-29 reads as rewritten:

38 **"§ 166A-29. Emergency planning; charge.**

39 (a) Every person, firm, corporation or municipality who is licensed to construct or who
40 is operating a fixed nuclear facility for the production of electricity shall pay to the Department
41 of Public Safety an annual fee of at least thirty thousand dollars (\$30,000) for each fixed nuclear
42 facility which is located within this State or has a Plume Exposure Pathway Emergency Planning
43 Zone of which any part is located within this State. This fee is to be applied to the costs of
44 planning and implementing emergency response activities as are required by the Federal
45 Emergency Management Agency for the operation of nuclear facilities. Said fee is to be paid ~~no~~
46 ~~later than July 31 of each year.~~ on a schedule set by the Department of Public Safety. This
47 minimum fee may be increased from time to time as the costs of such planning and
48 implementation increase. Such increases shall be by agreement between the State and the
49 licensees or operators of the fixed nuclear facilities.

50 (b) Every person, firm, corporation or municipality who is licensed to construct or who
51 is operating a fixed nuclear facility for the production of electricity shall pay to the Department

1 of Public Safety, for the use of the Radiation Protection Section of the Division of ~~Public Health~~
2 Health Service Regulation of the Department of Health and Human Services, an annual fee of at
3 least thirty-six thousand dollars (\$36,000) for each fixed nuclear facility that is located within
4 this State or that has a Plume Exposure Pathway Emergency Planning Zone any part of which is
5 located within this State. This fee shall be applied only to the costs of planning and implementing
6 emergency response activities as required by the Federal Emergency Management Agency for
7 the operation of nuclear facilities. This fee is to be paid ~~no later than July 31 of each year on a~~
8 schedule set by the Department of Public Safety.

9 (c) The fees imposed by this section do not revert at the end of a fiscal year. The amount
10 of fees carried forward from one fiscal year to the next shall be taken into consideration in
11 determining the fee to be assessed each fixed nuclear facility under subsection (a) in that fiscal
12 year."

13 **HURRICANE FLORENCE DISASTER RECOVERY FUND**

14 **SECTION 16E.3.** Funds appropriated to the Hurricane Florence Disaster Recovery
15 Fund may be reallocated among the purposes and programs for which those funds were originally
16 appropriated.
17

18 **PART XVII. DEPARTMENT OF JUSTICE**

19 **CRIMINAL JUSTICE FELLOWS PROGRAM**

20 **SECTION 17.1.(a)** G.S. 17C-20(5) reads as rewritten:

21 "~~(5) A county with a population of less than 75,000 according to the latest federal~~
22 ~~decennial census.~~ Eligible County. – Any county located in the State of North
23 Carolina."
24

25 **SECTION 17.1.(b)** There is appropriated from the General Fund to the North
26 Carolina Criminal Justice Training Standards Division for each year of the 2019-2021 biennium
27 the sum of six hundred sixty-four thousand dollars (\$664,000.00) in recurring funds to be used
28 to implement the North Carolina Criminal Justice Fellows Program, as established by
29 G.S. 17C-21 of which 5% may be used for operation and marketing support.
30

31 **PART XVIII. JUDICIAL DEPARTMENT [RESERVED]**

32 **SUBPART XVIII-A. OFFICE OF INDIGENT DEFENSE SERVICES**

33 **IDS MATCH FOR GRANTS**

34 **SECTION 18A.1.** Notwithstanding G.S. 143C-6-9, during the 2019-2021 fiscal
35 biennium, Indigent Defense Services may use the sum of up to fifty thousand dollars (\$50,000)
36 from funds available to provide the State matching funds needed to receive grant funds. Prior to
37 using funds for this purpose, Indigent Defense Services shall report to the chairs of the House of
38 Representatives Appropriations Committee on Justice and Public Safety and the Senate
39 Appropriations Committee on Justice and Public Safety on the grants to be matched using these
40 funds.
41

42 **OFFICE OF INDIGENT DEFENSE SERVICES POSITIONS**

43 **SECTION 18A.2.** The Judicial Department, Office of Indigent Defense Services,
44 may use appropriated funds in each fiscal year of the 2019-2021 fiscal biennium for the
45 expansion of existing offices currently providing legal services to the indigent population under
46 the oversight of the Office of Indigent Defense Services, considering changing caseloads, cost
47 effectiveness, implementation of new initiatives, response to statutory changes, and reduced
48 availability of experienced private counsel in specific case types. Funds may be used for the
49
50
51

1 creation of new positions or offices within existing public defender programs, including satellite
2 offices of the Office of Capital Defender, for the establishment of regional public defender
3 programs, or for positions providing support to private assigned counsel. Notwithstanding the
4 defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use
5 a portion of these funds to create positions within existing public defender programs to handle
6 cases in adjacent counties or districts. These funds may be used for the salaries, benefits,
7 equipment, and related expenses for up to 10 attorney positions and six non-attorney positions
8 during the fiscal year with the total annualized cost of these positions no more than one million
9 seven hundred thousand (\$1,700,000) dollars. Prior to using funds for this purpose, the Office of
10 Indigent Defense Services shall report to the Chairs of the House of Representatives and the
11 Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion.
12

13 **SUBPART XVIII-B. ADMINISTRATIVE OFFICE OF THE COURTS**

14 **MAGISTRATE/CLERK STAFFING PILOT PROJECT**

15 **SECTION 18B.1.** Notwithstanding the minimum staffing number in
16 G.S. 7A-133(c), the clerk of superior court in a county, with the written or e-mailed consent of
17 the chief district court judge, may hire one deputy or assistant clerk in lieu of one of the magistrate
18 positions allocated to that county. To provide accessibility for law enforcement and citizens, the
19 clerk of superior court's office will provide some of the services traditionally provided by the
20 magistrates' office during some or all of the regular courthouse hours.
21
22

23 **REINSTATE ACCESS TO CIVIL JUSTICE FUNDS**

24 **SECTION 18B.2.** Section 18B.10 of S.L. 2017-57 and Section 5.4A of Session Law
25 2017-197 are repealed.
26

27 **PART XIX. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS [RESERVED]**

28 **PART XX. OFFICE OF ADMINISTRATIVE HEARINGS [RESERVED]**

29 **PART XXI. TREASURER**

30 **ELECTRONIC IDENTITY AUTHENTICATON**

31 **SECTION 21.1.(a)** G.S. 135-1 reads as rewritten:

32 **"§ 135-1. Definitions.**

33 The following words and phrases as used in this Chapter, unless a different meaning is plainly
34 required by the context, shall have the following meanings:

- 35 (1) "Accumulated contributions" shall mean the sum of all the amounts deducted
36 from the compensation of a member and accredited to his individual account
37 in the annuity savings fund, together with regular interest thereon as provided
38 in G.S. 135-8.
39
40
41

42 ...

- 43 (8a) "Duly acknowledged" means notarized, including electronic notarization, or
44 verified through an identity authentication service approved by the
45 Department of the State Treasurer."

46 **SECTION 21.1.(b)** G.S. 128-21 reads as rewritten:

47 **"§ 128-21. Definitions.**

48 The following words and phrases as used in this Article, unless a different meaning is plainly
49 required by the context, shall have the following meanings:

- 50 (1) "Accumulated contribution" shall mean the sum of all amounts deducted from
51 the compensation of a member and credited to his individual account in the

1 annuity savings fund, together with regular interest thereon, as provided in
2 G.S. 128-30, subsection (b).

3 ...

4 (8a) "Duly acknowledged" means notarized, including electronic notarization, or
5 verified through an identity authentication service approved by the
6 Department of the State Treasurer."

7 8 **PART XXII. DEPARTMENT OF INSURANCE**

9 10 **INSURANCE REGULATORY FEE**

11 **SECTION 22.1.** The percentage rate to be used in calculating the insurance
12 regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2020 calendar
13 year.

14 15 **PART XXIII. STATE BOARD OF ELECTIONS [RESERVED]**

16 17 **PART XXIV. GENERAL ASSEMBLY [RESERVED]**

18 19 **PART XXV. OFFICE OF GOVERNOR [RESERVED]**

20 21 **PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT**

22 23 **EVIDENCE-BASED EVALUATION GRANTS**

24 **SECTION 26.1.** Of the funds appropriated in this act to the Office of State Budget
25 and Management, one million dollars (\$1,000,000) in recurring funds is allocated to provide
26 grants to state agencies to conduct evaluations of state programs. The Office of State Budget and
27 Management shall develop guidelines and procedures for the administration and distribution of
28 these funds to state agencies through a competitive process. The Office of State Budget and
29 Management shall establish selection criteria that ensure funded evaluations meet rigorous
30 national standards that will enable the state to build evidence to determine whether a program is
31 effective and to determine the program's return on investment. These funds shall not revert and
32 remain available for this purpose until expended.

33 34 **UPDATED REPORTING REQUIREMENTS**

35 **SECTION 26.2.(a)** G.S. 143C-6-23(h) is repealed.

36 **SECTION 26.2.(b)** Article 17 of Chapter 143 of the General Statutes is repealed.

37 **SECTION 26.2.(c)** G.S. 20-7(i1) reads as rewritten:

38 "(i1) Restoration Fee. – Any person whose drivers license has been revoked pursuant to
39 the provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of sixty-five
40 dollars (\$65.00). A person whose drivers license has been revoked under G.S. 20-17(a)(2) shall
41 pay a restoration fee of one hundred thirty dollars (\$130.00). The fee shall be paid to the Division
42 prior to the issuance to such person of a new drivers license or the restoration of the drivers
43 license. The restoration fee shall be paid to the Division in addition to any and all fees which may
44 be provided by law. This restoration fee shall not be required from any licensee whose license
45 was revoked or voluntarily surrendered for medical or health reasons whether or not a medical
46 evaluation was conducted pursuant to this Chapter. The sixty-five-dollar (\$65.00) fee, and the
47 first one hundred five dollars (\$105.00) of the one-hundred-thirty-dollar (\$130.00) fee, shall be
48 deposited in the Highway Fund. Twenty-five dollars (\$25.00) of the one-hundred-thirty-dollar
49 (\$130.00) fee shall be used to fund a statewide chemical alcohol testing program administered
50 by the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the
51 Department of Health and Human Services. The Office of State Budget and Management shall

1 annually report to the General Assembly the amount of fees deposited in the General Fund and
2 transferred to the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section
3 of the Department of Health and Human Services include this information in the biennial fee
4 report under this subsection."

5 **SECTION 26.2.(d)** G.S. 143C-8-5(a) reads as rewritten:

6 "(a) General. – The State capital improvement plan shall address the long-term capital
7 improvement needs of all State government agencies and shall incorporate all capital projects,
8 however financed, proposed to meet those needs, except that transportation infrastructure
9 projects shall be excluded. ~~On or before December 31 of each even-numbered year, Coinciding~~
10 with the Governor's Budget, the Director of the Budget shall prepare and transmit to the General
11 Assembly a six-year capital improvement plan. When preparing the plan, the Director of the
12 Budget shall consider the capital improvement needs estimates submitted by State agencies as
13 required in G.S. 143C-8-4. The plan shall be prepared in two parts."

14
15 **PART XXVII. STATE AUDITOR [RESERVED]**

16
17 **PART XXVIII. HOUSING FINANCE AGENCY**

18
19 **COMMUNITY LIVING HOUSING FUND**

20 **SECTION 28.1.** G.S. 122E-3.1(b) reads as rewritten:

21 "(b) Creation and Source of Funds. – The Community Living Housing Fund is established
22 within the Housing Finance Agency to pay for the transition of individuals diagnosed with severe
23 mental illness or severe and persistent mental illness as defined in G.S. 122C-20.5 from
24 institutional settings to integrated, community-based supported housing and to increase the
25 percentage of targeted housing units available to individuals with disabilities for use in the North
26 Carolina Supportive Housing Program under Article 1B of Chapter 122C of the General Statutes.
27 Beginning with fiscal year 2013-2014, any unexpended, unencumbered balance of the amount
28 appropriated to the Transitions to Community Living Fund established pursuant to Section
29 10.23A(d) of S.L. 2012-142 at the end of each fiscal year shall not revert but shall be transferred
30 and made available to the Community Living Housing ~~Fund~~. Fund and upon transfer is hereby
31 appropriated for that purpose."

32
33 **PART XXIX. DEPARTMENT OF THE SECRETARY OF STATE [RESERVED]**

34
35 **PART XXX. OFFICE OF LT. GOVERNOR [RESERVED]**

36
37 **PART XXXI. DEPARTMENT OF ADMINISTRATION**

38
39 **LICENSE TO GIVE TRUST FUND ACCOUNTABILITY**

40 **SECTION 31.1.(a).** G.S. 20-7.5 reads as rewritten:

41 "**§ 20-7.5. License to Give Trust Fund Commission established.**

42 (a) There is established the License to Give Trust Fund Commission. The Commission
43 shall be ~~located in~~ administered under the direction and supervision of the Department of
44 ~~Administration for budgetary and administrative purposes only.~~ Administration. The
45 Commission may allocate funds from the License to Give Trust Fund for the purposes authorized
46 in G.S. 20-7.4. The Commission shall have 15 members, appointed as follows:

47"

48 **SECTION 31.1.(b).** G.S. 20-7.6 reads as rewritten:

49 "**§ 20-7.6. Powers and duties of the License to Give Trust Fund Commission.**

50 The License to Give Trust Fund Commission has the following powers and duties:

- 1 (1) Establish general policies and guidelines for awarding grants-in-aid to
2 nonprofit entities to conduct education and awareness activities on organ and
3 tissue donation and advance care planning.
- 4 (2) Accept gifts or grants from other sources to further the purposes of the License
5 to Give Trust Fund. Such gifts or grants shall be transmitted to the State
6 Treasurer for credit to the Fund.
- 7 ~~(3) Hire staff or contract for other expertise for the administration of the Fund.
8 Expenses related to staffing shall be paid from the License to Give Trust
9 Fund."~~

10
11 **PART XXXII. DEPARTMENT OF REVENUE**

12
13 **DEPARTMENT OF REVENUE BASE BUDGET**

14 **SECTION 32.1.** For the 2021-2023 fiscal biennium, the Office of State Budget and
15 Management shall include in the base budget for the Department of Revenue adequate funds for
16 critical information technology operations and maintenance in budget code 14700.

17
18 **PART XXXIII. OFFICE OF STATE CONTROLLER**

19
20 **OVERPAYMENTS AUDIT**

21 **SECTION 33.1.(a)** During the 2019-2021 fiscal biennium, receipts generated by the
22 collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors,
23 neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously
24 paid excise taxes, and related errors shall be deposited in Special Fund 24172 as required by
25 G.S. 147-86.22(c).

26 **SECTION 33.1.(b)** During the 2019-2021 fiscal biennium, two hundred fifty
27 thousand dollars (\$250,000) of the funds in Special Fund 24172 shall be used by the Office of
28 the State Controller for data processing, debt collection, or e-commerce costs, and are hereby
29 appropriated for that purpose.

30 **SECTION 33.1.(c)** The State Controller shall report annually to the Joint Legislative
31 Commission on Governmental Operations and the Fiscal Research Division on the revenue
32 deposited into Special Fund 24172 and the disbursement of that revenue.

33
34 **PART XXXIV. DEPARTMENT OF TRANSPORTATION**

35
36 **CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

37 **SECTION 34.1.(a)** The General Assembly authorizes and certifies anticipated
38 revenues for the Highway Fund as follows:

39 For Fiscal Year 2021-2022 \$2,436 million
40 For Fiscal Year 2022-2023 \$2,473 million
41 For Fiscal Year 2023-2024 \$2,506 million
42 For Fiscal Year 2024-2025 \$2,605 million

43 **SECTION 34.1.(b)** The General Assembly authorizes and certifies anticipated
44 revenues for the Highway Trust Fund as follows:

45 For Fiscal Year 2021-2022 \$1,689 million
46 For Fiscal Year 2022-2023 \$1,727 million
47 For Fiscal Year 2023-2024 \$1,760 million
48 For Fiscal Year 2024-2025 \$1,811 million

49
50 **PART XXXV. SALARIES AND BENEFITS**

ELIGIBLE STATE-FUNDED EMPLOYEES AWARDED COST-OF-LIVING ADJUSTMENT/ LEGISLATIVE INCREASES

SECTION 35.1.(a) Except as provided by subsection (b) of this section, a person (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2019, is awarded a cost-of-living adjustment as follows:

- (1) The greater of five hundred dollars (\$500) or one and one-half percent (1.5%) effective July 1, 2019.
- (2) As otherwise allowed or provided by law.

SECTION 35.1.(b) Except as provided by subsection (b) of this section, a person (i) whose salary is set by this part, pursuant to the North Carolina Human Resources Act or as otherwise authorized in this act and (ii) who is employed in a State-funded position on June 30, 2020, is awarded a cost-of-living adjustment as follows:

- (1) The greater of five hundred dollars (\$500) or one and one-half percent (1.5%) effective July 1, 2020.
- (2) As otherwise allowed or provided by law.

SECTION 35.1.(c) Teachers, principals, and assistant principals paid pursuant to a salary schedule or pay plan enacted in this act are not eligible to receive the legislative salary increases provided by subsection (a) and subsection (b) of this section.

SECTION 35.1.(d) Certified law enforcement officers in all Departments, certain public safety and mental health employees within the Department of Health and Human Services and the Department of Public Safety who spend the majority of their workday within state-operated facilities, and noncertified employees of Local Education Agencies who are employed in a State-funded position on June 30, 2019, are awarded a legislative increase of five hundred dollars (\$500) in addition to the cost-of-living adjustment authorized in subsection (a) of this section.

SECTION 35.1.(e) Permanent part-time employees shall receive the increase authorized by this section on a prorated and equitable basis.

SECTION 35.1.(f) No eligible State-funded employee shall be prohibited from receiving the full salary increase provided in this section solely because the employee's salary after applying the legislative increase is above the maximum of the salary range prescribed by the State Human Resources Commission.

GOVERNOR AND COUNCIL OF STATE

SECTION 35.2.(a) The salary of the Governor, as provided by G.S. 147-11(a), shall remain unchanged.

SECTION 35.2.(b) The annual salaries for members of the Council of State, payable monthly, for the 2019-2021 fiscal biennium are as follows:

<u>Council of State</u>	<u>FY 2019-2020</u>	<u>FY 2020-2021</u>
Lieutenant Governor	\$132,064	\$134,045
Attorney General	132,064	134,045
Secretary of State	132,064	134,045
State Treasurer	132,064	134,045
State Auditor	132,064	134,045
Superintendent of Public Instruction	132,064	134,045
Agriculture Commissioner	132,064	134,045
Insurance Commissioner	132,064	134,045
Labor Commissioner	132,064	134,045

CERTAIN EXECUTIVE BRANCH OFFICIALS

1 **SECTION 35.3.(a)** The annual salaries, payable monthly, for the following
2 executive branch officials for the 2019-2021 fiscal biennium are as follows:

	<u>FY 2019-2021</u>	<u>FY 2020-2021</u>
<u>Executive Branch Officials</u>		
Chairman, Alcoholic Beverage Control Commission	\$118,589	\$120,368
State Controller	165,131	167,608
Commissioner of Banks	133,099	135,096
Chair, Board of Review, Division of Employment Security	130,555	132,514
Members, Board of Review, Division of Employment Security	128,960	130,894
Chairman, Parole Commission	130,555	132,514
Full-Time Members of the Parole Commission	120,711	122,521
Chairman, Utilities Commission	147,993	150,213
Members of the Utilities Commission	133,099	135,096
Executive Director, North Carolina Agricultural Finance Authority	115,487	117,219

20 **JUDICIAL BRANCH**

21 **SECTION 35.4.(a)** The annual salaries, payable monthly, for the following judicial
22 branch officials for the 2019-2021 fiscal biennium are as follows:

	<u>FY 2019-2020</u>	<u>FY 2020-2021</u>
<u>Judicial Branch Officials</u>		
Chief Justice, Supreme Court	\$155,384	\$157,715
Associate Justice, Supreme Court	151,352	153,622
Chief Judge, Court of Appeals	148,957	151,191
Judge, Court of Appeals	145,091	147,267
Judge, Senior Regular Resident Superior Court	141,178	143,295
Judge, Superior Court	137,264	139,323
Chief Judge, District Court	124,743	126,614
Judge, District Court	120,830	122,642
Chief Administrative Law Judge	121,865	123,693
District Attorney	132,741	134,732
Assistant Administrative Officer of the Courts	127,827	129,745
Public Defender	132,741	134,732
Director of Indigent Defense Services	136,810	138,862

38 **SECTION 35.4.(b)** The district attorney or public defender of a judicial district, with
39 the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense
40 Services, respectively, shall set the salaries of assistant district attorneys or assistant public
41 defenders, respectively, in that district such that the average salaries of assistant district attorneys
42 or assistant public defenders in that district, for the 2019-2020 fiscal year, do not exceed
43 seventy-nine thousand seven hundred ninety-four dollars (\$79,794) and the minimum salary of
44 any assistant district attorney or assistant public defender is at least forty-two thousand eight
45 hundred twenty-six dollars (\$42,826), effective July 1, 2019.

46 **SECTION 35.4.(c)** The district attorney or public defender of a judicial district, with
47 the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense
48 Services, respectively, shall set the salaries of assistant district attorneys or assistant public
49 defenders, respectively, in that district such that the average salaries of assistant district attorneys
50 or assistant public defenders in that district, for the 2020-2021 fiscal year, do not exceed eighty
51 thousand nine hundred ninety-one dollars (\$80,991) and the minimum salary of any assistant

1 district attorney or assistant public defender is at least forty-three thousand four hundred
 2 sixty-nine dollars (\$43,469), effective July 1, 2020.

3
 4 **CLERKS OF SUPERIOR COURT**

5 **SECTION 35.4A.(a)** Effective July 1, 2019, G.S. 7A-101(a) reads as rewritten:

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

9 Population	Annual Salary
10 Less than 100,000	\$90,972 <u>\$92,336</u>
11 100,000 to 149,999	101,831 <u>103,358</u>
12 150,000 to 249,999	112,690 <u>114,380</u>
13 250,000 and above	123,554 <u>125,407</u>

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

18 **SECTION 35.4A.(b)** Effective July 1, 2020, G.S. 7A-101(a), as amended by
 19 subsection (a) of this section, reads as rewritten:

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

23 Population	Annual Salary
24 Less than 100,000	\$92,336 <u>\$93,721</u>
25 100,000 to 149,999	103,358 <u>104,909</u>
26 150,000 to 249,999	114,380 <u>116,096</u>
27 250,000 and above	125,407 <u>127,288</u>

28 When a county changes from one population group to another, the salary of the clerk shall be
 29 changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate
 30 for the new population group, except that the salary of an incumbent clerk shall not be decreased
 31 by any change in population group during his continuance in office."
 32

33 **ASSISTANT AND DEPUTY CLERKS OF SUPERIOR COURT**

34 **SECTION 35.4B.(a)** Effective July 1, 2019, G.S. 7A-102(c1) reads as rewritten:

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

38 Assistant Clerks and	Annual Salary
39 Head Bookkeeper	
40 Minimum	\$34,780 <u>\$35,302</u>
41 Maximum	61,162 <u>62,080</u>
42	
43 Deputy Clerks	Annual Salary
44 Minimum	\$31,200 <u>\$31,700</u>
45 Maximum	48,034 <u>48,754</u> ."

46 **SECTION 35.4B.(b)** Effective July 1, 2020, G.S. 7A-102(c1), as amended by
 47 subsection (a) of this section, reads as rewritten:

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

51 Assistant Clerks and	Annual Salary
-------------------------	---------------

1	Head Bookkeeper	
2	Minimum	\$35,302 <u>\$35,831</u>
3	Maximum	62,080 <u>63,011</u>
4	Deputy Clerks	Annual Salary
5	Minimum	\$31,700 <u>\$32,200</u>
6	Maximum	48,754. <u>49,486.</u> "

MAGISTRATES

SECTION 35.4C.(a) Effective July 1, 2019, G.S. 7A-171.1 reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(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	
	<u>Minimum</u>	<u>Maximum</u>
Entry Rate		\$38,620 <u>\$39,199</u>
Step 1	\$40,309 <u>\$40,914</u>	\$41,471 <u>\$42,093</u>
Step 2	\$43,297 <u>\$43,946</u>	\$44,546 <u>\$45,215</u>
Step 3	\$46,459 <u>\$47,156</u>	\$47,802 <u>\$48,519</u>
Step 4	\$50,248 <u>\$51,002</u>	\$51,704 <u>\$52,479</u>
Step 5	\$54,814 <u>\$55,636</u>	\$56,404 <u>\$57,250</u>
Step 6	\$59,929 <u>\$60,828</u>	\$61,670. <u>\$62,595.</u>

...."

SECTION 35.4C.(b) Effective July 1, 2020, G.S. 7A-171.1, as amended by subsection (a) of this section, reads as rewritten:

"§ 7A-171.1. Duty hours, salary, and travel expenses within county.

(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	
	<u>Minimum</u>	<u>Maximum</u>

1	Entry Rate		\$39,199\$39,787
2	Step 1	\$40,91441,528	42,09342,725
3	Step 2	43,94644,606	45,21545,893
4	Step 3	47,15647,863	48,51949,247
5	Step 4	51,00251,767	52,47953,267
6	Step 5	55,63656,471	57,25058,109
7	Step 6	60,82861,740	62,59563,534.

8"
9

10 **LEGISLATIVE EMPLOYEES**

11 **SECTION 35.5.(a)** Effective July 1, 2019, the annual salaries of the Legislative
12 Services Officer and of nonelected employees of the General Assembly in effect on June 30,
13 2019, shall be legislatively increased by the greater of five hundred dollars (\$500) or one and
14 one-half percent (1.5%).

15 **SECTION 35.5.(b)** Effective July 1, 2020, the annual salaries of the Legislative
16 Services Officer and of nonelected employees of the General Assembly in effect on June 30,
17 2020, shall be legislatively increased by the greater of five hundred dollars (\$500) or one and
18 one-half percent (1.5%).

19 **SECTION 35.5.(b)** Nothing in this act limits any of the provisions of G.S. 120-32.

20
21 **GENERAL ASSEMBLY PRINCIPAL CLERKS**

22 **SECTION 35.6.(a)** Effective July 1, 2019, G.S. 120-37(c) reads as rewritten:

23 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled
24 to other benefits available to permanent legislative employees and shall be paid an annual salary
25 of ~~one hundred eleven [thousand] one hundred seven dollars (\$111,107), one hundred twelve~~
26 thousand seven hundred seventy-three dollars (\$112,773) payable monthly. Each principal clerk
27 shall also receive such additional compensation as approved by the Speaker of the House of
28 Representatives or the President Pro Tempore of the Senate, respectively, for additional
29 employment duties beyond those provided by the rules of their House. The Legislative Services
30 Commission shall review the salary of the principal clerks prior to submission of the proposed
31 operating budget of the General Assembly to the Governor and shall make appropriate
32 recommendations for changes in those salaries. Any changes enacted by the General Assembly
33 shall be by amendment to this paragraph."

34 **SECTION 35.6.(b)** Effective July 1, 2020, G.S. 120-37(c), as amended by
35 subsection (a) of this section, reads as rewritten:

36 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled
37 to other benefits available to permanent legislative employees and shall be paid an annual salary
38 of ~~one hundred twelve thousand seven hundred seventy three dollars (\$112,773) one hundred~~
39 fourteen thousand four hundred sixty-five dollars (\$114,465). payable monthly. Each principal
40 clerk shall also receive such additional compensation as approved by the Speaker of the House
41 of Representatives or the President Pro Tempore of the Senate, respectively, for additional
42 employment duties beyond those provided by the rules of their House. The Legislative Services
43 Commission shall review the salary of the principal clerks prior to submission of the proposed
44 operating budget of the General Assembly to the Governor and shall make appropriate
45 recommendations for changes in those salaries. Any changes enacted by the General Assembly
46 shall be by amendment to this paragraph."

47
48 **SERGEANTS-AT-ARMS AND READING CLERKS**

49 **SECTION 35.7.(a)** Effective July 1, 2019, G.S. 120-37(b) reads as rewritten:

50 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four~~
51 hundred thirty eight dollars (\$438.00) four hundred forty-five dollars (\$445.00) per week plus

1 subsistence at the same daily rate provided for members of the General Assembly, plus mileage
 2 at the rate provided for members of the General Assembly for one round trip only from their
 3 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General
 4 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess
 5 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks
 6 shall serve during sessions only."

7 **SECTION 35.7.(b)** Effective July 1, 2020, G.S. 120-37(b), as amended by
 8 subsection (a) of this section, reads as rewritten:

9 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four~~
 10 ~~hundred forty five dollars (\$445.00)~~ four hundred fifty-two dollars (\$452.00) per week plus
 11 subsistence at the same daily rate provided for members of the General Assembly, plus mileage
 12 at the rate provided for members of the General Assembly for one round trip only from their
 13 homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General
 14 Assembly and at such time prior to the convening of, and subsequent to adjournment or recess
 15 of, sessions as may be authorized by the Legislative Services Commission. The reading clerks
 16 shall serve during sessions only."
 17

18 **COMMUNITY COLLEGES**

19 **SECTION 35.8.(a)** Effective for the 2019-2021 fiscal biennium:

- 20 (1) The State Board of Community Colleges may provide community college
 21 personnel salary increases in accordance with policies adopted by the Board.
 22 Funds appropriated for these compensation increases under Section 35.1 of
 23 this act may be used for any one or more of the following purposes: (i) merit
 24 pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention
 25 increases, and (v) any other compensation increase pursuant to those policies.
- 26 (2) Funds appropriated for community college faculty bonuses shall be awarded
 27 pursuant to policies adopted by the State Board of Community Colleges.
 28 Notwithstanding G.S. 135-1(7a), the bonus awarded under this section is not
 29 compensation under Article 1 of Chapter 135 of the General Statutes.
- 30 (3) The State Board of Community Colleges shall make a report on the use of
 31 compensation increase and faculty bonus funds to the Fiscal Research
 32 Division no later than March 1 of each year of the biennium.

33 **SECTION 35.8.(b)** The minimum salaries for nine-month, full-time curriculum
 34 community college faculty for the 2019-2021 fiscal biennium are as follows:

<u>Education Level</u>	<u>Minimum Salary</u>	
	<u>FY 2019-2020</u>	<u>FY 2020-2021</u>
Vocational Diploma/Certificate or Less	\$38,145	\$38,717
Associate Degree or Equivalent	38,675	39,255
Bachelor's Degree	40,976	41,591
Master's Degree or Education Specialist	43,018	43,663
Doctoral Degree	45,961	46,651

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

44 The pro rata hourly rate of the minimum salary for each education level shall be used
 45 to determine the minimum salary for part-time faculty members.
 46

47 **UNIVERSITY OF NORTH CAROLINA SYSTEM**

48 **SECTION 35.9.(a)** Effective for the 2019-2021 fiscal biennium, the annual salaries
 49 of University of North Carolina SHRA employees shall be increased as provided by Section 35.1
 50 of this act.

1 **SECTION 35.9.(b)** For the 2019-2021 fiscal biennium, the Board of Governors of
2 The University of North Carolina may provide EHRA employees a salary increase pursuant to
3 the policies adopted by the Board. Funds for EHRA compensation increases may be used for any
4 one or more of the following purposes: (i) merit pay, (ii) across the board increases, (iii)
5 recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant
6 to those policies.

7 **SECTION 35.9.(c)** The Board of Governors of The University of North Carolina
8 shall make a report on the use of compensation increase and bonus funds to the General Assembly
9 by no later than March 1 of each year of the biennium.

10 11 **STATE AGENCY TEACHERS**

12 **SECTION 35.10.(a)** Employees of schools operated by the Department of Health
13 and Human Services, the Department of Public Safety, and the State Board of Education who are
14 paid on the Teacher Salary Schedule shall be paid as authorized by Section 8.1 of this act.

15 **SECTION 35.10.(b)** Employees of the School of Science and Mathematics of The
16 University of North Carolina who are paid pursuant to a salary schedule adopted by the North
17 Carolina School of Science and Math Board of Trustees shall be paid in accordance with the
18 schedule adopted by the Board.

19 20 **ALL STATE-SUPPORTED PERSONNEL**

21 **SECTION 35.11.(a)** Salaries and related benefits for positions that are funded:

- 22 (1) Partially from the General Fund or Highway Fund and partially from sources
23 other than the General Fund or Highway Fund shall be increased from the
24 General Fund or Highway Fund appropriation only to the extent of the
25 proportionate part of the salaries paid from the General Fund or Highway
26 Fund.
- 27 (2) Fully from sources other than the General Fund or Highway Fund shall be
28 increased as provided by this act. The Director of the Budget may increase
29 expenditures of receipts from these sources by the amount necessary to
30 provide the legislative increase to receipt-supported personnel in the certified
31 budget.

32 The Director of the Budget may increase expenditures of receipts from these sources
33 in the certified budget by the amount necessary to provide the increases authorized by this part
34 to receipt-supported personnel. Nothing in this act authorizes the transfer of funds between the
35 General Fund and the Highway Fund for salary increases.

36 **SECTION 35.11.(b)** The legislative salary increases provided in this act for the
37 2019-2020 fiscal year do not apply to persons separated from service due to resignation,
38 dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2019.
39 With respect to the legislative increases awarded in this part, payroll checks issued to employees
40 after July 1 of each year that represent payment of services provided prior to July 1 of each year
41 shall not be eligible for salary increases provided for in this act.

42 **SECTION 35.11.(c)** The legislative salary increases provided in this act for the
43 2020-2021 fiscal year do not apply to persons separated from service due to resignation,
44 dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2020.
45 With respect to the legislative increases awarded in this part, payroll checks issued to employees
46 after July 1 of each year that represent payment of services provided prior to July 1 of each year
47 shall not be eligible for salary increases provided for in this act.

48 **SECTION 35.11.(d)** This section applies to all employees paid from State funds,
49 whether or not subject to or exempt from the North Carolina Human Resources Act, including
50 employees of public schools, community colleges, and The University of North Carolina.

MOST STATE EMPLOYEES

SECTION 35.12.(a) Unless otherwise expressly provided by this part, the annual salaries in effect for the following persons on June 30, 2018, shall be legislatively increased as provided by Section 35.1(a) of this act:

- (1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent, part-time State employees.
- (4) Temporary and permanent hourly State employees.

SECTION 35.12.(b) Unless otherwise expressly provided by this part, the annual salaries in effect for the following persons on June 30, 2019, shall be legislatively increased as provided by Section 35.1(b) of this act:

- (1) Permanent, full-time State officials and persons whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent, full-time State officials and persons in positions exempt from the State Human Resources Act.
- (3) Permanent, part-time State employees.
- (4) Temporary and permanent hourly State employees.

USE OF FUNDS APPROPRIATED FOR COST-OF-LIVING ADJUSTMENT/LEGISLATIVE INCREASES

SECTION 35.13.(a) The appropriations set forth in Section 2.1 of this act include appropriations for cost-of-living adjustments and legislatively mandated employee benefit increases. The Office of State Budget and Management shall ensure that those funds are used only for the purposes of salary increases and employee benefits.

SECTION 35.13.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases and employee benefits exceed the amount required by that agency for those purposes, the Director may reallocate those funds to other State agencies that received insufficient funds for required cost-of-living and benefit increases.

SECTION 35.13.(c) Any funds appropriated for cost-of-living adjustment and legislatively mandated benefits increases in excess of the amounts required to implement the increases shall be used as follows:

(a) funds statutory and scheduled pay expenses authorized by:

- (1) G.S. 20-187.3.
- (2) G.S. 7A-102.
- (3) G.S. 7A-171.1.
- (4) Teacher Salary Schedule, as enacted by the General Assembly.
- (5) Pay Plans for Principals and Assistant Principals, as enacted by the General Assembly.

(b) After funds are allocated pursuant to subdivision (a) of this subsection, any remaining funds shall be transferred to the Salary Adjustment Fund and utilized for purposes authorized by that Fund.

SECTION 35.13.(d) To receive funds pursuant to subsection (c) of this section, an agency must submit proof to the Office of State Budget and Management (OSBM) that the agency has exhausted or is projected to exhaust funds appropriated for statutory or scheduled salary and benefit expenses. Requests for funds must be submitted by December 1.

SECTION 35.13.(e) No later than March 1 of each year of the biennium, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases

1 and employee benefits. This report shall include at least the following information for each State
2 agency:

- 3 (1) The total amount of funds that the agency received for legislatively mandated
4 salary increases and employee benefits.
- 5 (2) The total amount of funds transferred from the agency to other State agencies
6 pursuant to subsection (b) of this section. This section of the report shall
7 identify the amounts transferred to each recipient State agency.
- 8 (3) The total amount of funds used by the agency for legislatively mandated salary
9 increases and employee benefits.
- 10 (4) The amount of funds used pursuant so subsection (c) of this section.

11 12 **REPEAL PAY PLAN RESERVE**

13 **SECTION 35.14.** G.S. 143C-4-9 is repealed.
14

15 **CODIFY SALARY ADJUSTMENT FUND**

16 **SECTION 35.15.** Article 4 of Chapter 143C of the General Statutes is amended by
17 adding a new section to read:

18 **"§ 143C-4-9.5 Salary Adjustment Fund.**

19 (a) Creation. – The Salary Adjustment Fund is established within the General Fund. The
20 General Assembly shall appropriate in the Current Operations Appropriations Act, or other
21 appropriations act, a specific amount to this reserve for salary adjustments in the executive,
22 judicial, and legislative branches.

23 (b) Authorized Uses. – The Salary Adjustment Fund shall be used to provide salary
24 adjustments using allowable human resource practices, including in-range adjustments, salary
25 range revisions, allowances/geographic site differentials, and reclassifications, as follows:

- 26 (1) To address recruitment and retention of hard-to-staff, high-turnover positions.
- 27 (2) To address salaries relative to market rates.
- 28 (3) To promote pay equity, including but not limited to gender and racial equity.
- 29 (4) To address salary compression.
- 30 (5) To provide adjustments for employees with qualifications, including
31 specialized skills, certifications, education, or experience that significantly
32 exceed minimum qualifications.

33 Adjustments must be documented through data collection and analysis according to accepted
34 human resource professional practices and standards. Further, funds may only be used for salary
35 adjustments for the stated purposes that comply with the laws and adopted policies of the
36 appropriate governing entity.

37 (c) Report. – The Director of the Budget may transfer to General Fund budget codes from
38 the Salary Adjustment Fund amounts required to support salary adjustments authorized by this
39 section. The Director of the Budget shall report to the Joint Legislative Commission on
40 Governmental Operations within 30 days of allocation of the funds."
41

42 **MITIGATE BONUS LEAVE**

43 **SECTION 35.16.** During the 2019-2021 fiscal biennium, State agencies,
44 departments, institutions, the North Carolina Community College System, and The University of
45 North Carolina may offer State employees the opportunity to use or to cash in special bonus leave
46 benefits that have accrued pursuant to Section 28.3A of S.L. 2002-126, Section 30.12B(a) of S.L.
47 2003-284, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but only if
48 all of the following requirements are met:

- 49 (1) Employee participation in the program must be voluntary.
- 50 (2) Special leave that is liquidated for cash payment to an employee must be
51 valued at the amount based on the employee's current annual salary rate.

- 1 (3) By September 1, 2020 and September 1, 2021, a report on the demographic
2 information shall be submitted to the respective agency head or employing
3 agency and to the Fiscal Research Division.
4

5 **SPECIAL ANNUAL LEAVE BONUS**

6 **SECTION 35.17.(a)** Any person who is (i) a full-time permanent employee of the
7 State, a community college institution, or a local board of education on July 1, 2019, and (ii)
8 eligible to earn annual leave shall have a one-time additional five days of annual leave credited
9 on July 1, 2019.

10 **SECTION 35.17.(b)** Except as provided by subsection (c) of this section, the
11 additional leave shall be accounted for together with the leave provided by Section 35.25 of S.L.
12 2018-5 and shall remain available during the length of the employee's employment,
13 notwithstanding any other limitation on the total number of days of annual leave that may be
14 carried forward. Part-time permanent employees shall receive a pro rata amount of the five days
15 awarded by this section.

16 **SECTION 35.17.(c)** The additional leave awarded under this section has no cash
17 value and is not eligible for cash in. If not used prior to the time of separation or retirement, the
18 bonus leave cannot be paid out and is lost.

19 **SECTION 35.17.(d)** Notwithstanding any provision of G.S. 126-8 to the contrary,
20 any vacation leave remaining on December 31 of each year in excess of 30 days shall be reduced
21 by the number of days awarded in this section that were actually used by the employee during
22 the year such that the calculation of vacation leave days that would convert to sick leave shall
23 reflect a deduction of those days of special annual leave awarded in this section that were used
24 by the employee during the year.
25

26 **SALARY DETERMINATIONS FOR CERTAIN LICENSED HEALTH** 27 **PROFESSIONALS**

28 **SECTION 35.18.** For the 2019-2021 fiscal biennium, state agencies, departments,
29 and institutions shall have salary administration flexibility for licensed physicians, dentists,
30 nurses, physician assistants, pharmacists, and other allied health professionals and may exercise
31 the flexibility within existing resources. No salary determination made under this section may
32 exceed the maximum of the applicable salary range established by the Office of State Human
33 Resources under Chapter 126 of the General Statutes. On or before September 1, the Office of
34 State Human Resources shall report to the Joint Legislative Commission on Governmental
35 Operations and to the Fiscal Research Division on the salary actions taken under this section
36 during the 2019-2021 fiscal biennium.
37

38 **EXPERIENCE IN CERTIFIED POSITION/ INTEGRATED PAYROLL/HR SYSTEM**

39 **SECTION 35.19.** The Office of the State Controller, Department of Public Safety,
40 and the Criminal Justice Education and Training Standards Commission within the Department
41 of Justice shall work together to update the Integrated HR/Payroll system to track length of
42 service in a certified position. This update shall be completed prior to June 30, 2020.
43

44 **DPS REFERRAL BONUS PROGRAM PILOT**

45 **SECTION 35.20.(a)** Notwithstanding G.S. 126-18, for the 2019-2021 fiscal
46 biennium, the Department of Public Safety may develop a pilot referral bonus programs for
47 hard-to-fill positions using funds available to the Department. The referral bonuses shall provide
48 one-time bonuses to any Department of Public Safety employee who refers an applicant who is
49 hired into a hard-to-fill position. Bonuses paid through this program shall not exceed five hundred
50 dollars (\$500) in total. The Department shall develop additional program guidelines and policies

1 for the referral bonuses in consultation with the Office of State Budget and Management and the
 2 Office of State Human Resources.

3 **SECTION 35.20.(b)** Notwithstanding G.S. 135-1(7a), bonuses awarded through
 4 referral bonus programs are not compensation under Article 1 of Chapter 135 of the General
 5 Statutes.

6 **SECTION 35. 20.(c)** The Department of Public Safety shall submit a report on the
 7 program to the Joint Legislative Oversight Committee on Justice and Public Safety and the Fiscal
 8 Research Division by February 15 of both years of the biennium. The report shall include:

- 9 (1) A detailed description of the referral bonus program, including positions
 10 eligible for the program and criteria used to determine eligibility.
- 11 (2) Information on the number of total referrals, number of hired referrals, and
 12 number referral bonuses paid.
- 13 (3) Total expenditures on referral bonuses paid.
- 14 (4) An analysis of changes in vacancy rates, time-to-fill, and turnover for
 15 positions eligible for referral bonuses.

16
 17 **SALARY-RELATED CONTRIBUTIONS**

18 **SECTION 35.21.(a)** Effective July 1, 2019, the State's employer contribution rates
 19 budgeted for retirement and related benefits as a percentage of covered salaries for the 2019-2020
 20 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the
 21 University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated
 22 Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth
 23 below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
27 Retirement	13.65%	13.65%	6.84%	34.86%	27.84%
28 Disability	0.10%	0.10%	0.10%	0.00%	0.00%
29 Death	0.16%	0.16%	0.00%	0.00%	0.00%
30 Retiree Health	6.52%	6.52%	6.52%	6.52%	6.52%
31 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
32					
33 Total Contribution					
34 Rate	20.43%	25.43%	13.46%	41.38%	34.36%

35 The rate for teachers and State employees and State law enforcement officers includes
 36 one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

37 **SECTION 35.21.(b)** Effective July 1, 2020, the State's employer contribution rates
 38 budgeted for retirement and related benefits as a percentage of covered salaries for the 2020-2021
 39 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the
 40 University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated
 41 Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth
 42 below:

	Teachers and State Employees	State LEOs	ORPs	CJRS	LRS
46 Retirement	14.36%	14.36%	6.84%	35.50%	28.70%
47 Disability	0.10%	0.10%	0.10%	0.00%	0.00%
48 Death	0.16%	0.16%	0.00%	0.00%	0.00%
49 Retiree Health	6.77%	6.77%	6.77%	6.77%	6.77%
50 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%

Total Contribution

Rate	21.39%	26.39%	13.71%	42.27%	35.47%
-------------	--------	--------	--------	--------	--------

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

SECTION 35.21.(c) Effective July 1, 2019, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2019-2020 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand nine hundred thirty-three dollars (\$4,933) and (ii) non-Medicare-eligible employees and retirees – six thousand three hundred forty-nine dollars (\$6,349).

SECTION 35.21.(d) Effective July 1, 2020, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2020-2021 fiscal year to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – five thousand one hundred thirty-one dollars (\$5,131) and (ii) non-Medicare-eligible employees and retirees – six thousand six hundred three dollars (\$6,603).

PROVIDE ONE-TIME COST-OF-LIVING SUPPLEMENT FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 35.22.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(xxx) On or before October 31, 2019, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2019, and whose retirement commenced on or before September 1, 2019. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2019, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.22.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(ii) On or before October 31, 2019, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2019, and whose retirement commenced on or before September 1, 2019. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2019, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.22.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(cc) In accordance with subsection (a) of this section, on or before October 31, 2019, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2019, and whose retirement commenced on or before September 1, 2019. The payment shall be two percent (2%) of the beneficiary's annual retirement allowance payable as of September 1, 2019, and shall not be prorated for date of retirement commencement. If the beneficiary dies before the payment is made, then the payment shall be payable to the member's legal representative. No beneficiary shall be deemed to have acquired a vested right to any future supplemental payments."

SECTION 35.22.(d) Notwithstanding any other provision of law to the contrary, in order to administer the one-time cost-of-living supplement for retirees provided for in subsections (a), (b), and (c) of this section, the Retirement Systems Division of the Department of State Treasurer may increase receipts from the retirement assets of the corresponding

1 retirement system or pay costs associated with the administration of the payment directly from
2 the retirement assets.

3
4 **PART XXXVI. CAPITAL APPROPRIATIONS**

5
6 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

7 **SECTION 36.1.** The appropriations made by the 2019 General Assembly for capital
8 improvements are for constructing, repairing, or renovating State buildings, utilities, and other
9 capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and
10 land for State government purposes.

11
12 **CAPITAL APPROPRIATIONS/PROJECT RESERVE**

13 **SECTION 36.2.(a)** 36.2.(a) Notwithstanding G.S. 143C-8-10, there is appropriated
14 from the Project Reserve Account, established pursuant to G.S. 143C-8-10, for the 2018-2019
15 fiscal year, the following amounts for capital improvements:

Capital Improvements – Projects Reserve	2018-2019
18 Department of Administration	
19 DHHS New Office Complex Planning	\$10,000,000
20 Downtown Raleigh Pedestrian Safety Improvements	1,000,000
21	
22 Department of Agriculture and Consumer Servicers	
23 Eaddy Building Renovation and Expansion	967,000
24 Tidewater Research Station Swine Unit Replacement	1,429,000
25	
26 Department of Commerce	
27 Broughton District Redevelopment	9,600,000
28	
29 Department of Environment and Natural Resources	
30 Water Resources Development	11,007,000
31 West Bay Vessel Replacement	2,000,000
32	
33 Department of Health and Human Services	
34 Longleaf Neuro Medical Center	10,706,000
35 New Cherry Hospital Maintenance Facility	5,006,000
36	
37 Department of Justice	
38 Eastern Justice Academy Supplement	1,292,000
39	
40 Department of Natural and Cultural Resources	
41 Supplement for Fort Fisher State Historic Site Completion	8,000,000
42 State Capital African American Monument	2,500,000
43 Graveyard of the Atlantic Renovation	4,200,000
44 Freedom Park	1,500,000
45	
46 Department of Public Safety	
47 Perquimans Youth Development Center	1,731,000
48 Black Mountain Modular Classrooms	1,013,000
49 Troop B Renovation	2,152,000
50 Armory and Facility Development Projects	4,000,000
51	

1		
2	Office of State Budget and Management	
3	TROSA Expansion	5,000,000
4	Reserve for Energy Efficiency	16,897,000
5		
6	East Carolina University	
7	Howell Science Complex Renovation	6,430,000
8		
9	Elizabeth City State University	
10	Library Replacement	3,200,000
11		
12	North Carolina State University	
13	Electrical Infrastructure	10,000,000
14	Daniels Hall Renovation	4,200,000
15		
16	UNC-Asheville	
17	Road and Sidewalk Repair	1,600,000
18		
19	UNC-Chapel Hill	
20	Carrington Hall Renovation	4,500,000
21		
22	UNC-Charlotte	
23	Cameron and Burson Building Renovations	4,500,000
24		
25	UNC-Greensboro	
26	Jackson Library Renovation and Expansion	8,400,000
27		
28	UNC-Pembroke	
29	Givens Performing Arts Center Renovation	3,120,000
30		
31	UNC-School of the Arts	
32	Stevens Center Renovation	4,220,000
33		
34	Western Carolina University	
35	Steam Plant	16,500,000
36		
37	UNC-Television	
38	Bryan Center Renovations	6,000,000
39		
40	UNC-System	
41	Energy Efficiency Renovations	16,830,000
42	Demolitions	10,500,000
43		
44	TOTAL CAPITAL IMPROVEMENTS –	
45	PROJECTS RESERVE FUND	\$200,000,000
46		

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 36.3.(a) The Department of Environmental Quality shall allocate funds for water resources development projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources development projects and funds carried forward from previous fiscal years in accordance with

1 subsection (b) of this section. These funds will provide a State match for an twenty-eight million
2 one hundred ninety seven thousand dollars (\$28,197,000) in federal funds.

Name of Project	2019-2020
(1) Wilmington Harbor DA Maintenance	\$6,550,000
(2) Princeville Flood Damage Reduction	1,400,000
(3) Morehead City Maintenance	1,500,000
(4) Carolina Beach Coastal Storm Damage Reduction	686,000
(5) Kure Beach Coastal Storm Damage Reduction	315,000
(6) Wrightsville Beach Coastal Storm Damage Reduction	2,206,000
(7) Ocean Isle Coastal Storm Damage Reduction	1,040,000
(8) Planning Assistance to Communities	38,000
(9) Bogue Banks Coastal Storm Damage Reduction	0
(10) Surf City/North Topsail Beach Coastal Storm Damage Reduction	255,000
(11) West Onslow Coastal Storm Damage Reduction	220,000
(12) Neuse River-Goldsboro Section 1135 CAP	333,000
(13) Concord Streams, Section 206 CAP	1,023,000
(14) Manteo Old House Channel, Section 204 CAP	2,219,000
(15) Lumberton Flood Damage Reduction, Section 205 CAP	125,000
(16) NRCS-EQIP Program/Stream Restoration	2,320,00
(17) B. Everette Jordan Reservoir Water Supply	119,000
(18) Swannanoa Flood Mitigation	637,000
(19) State-Local Projects	1,500,000
(20) N. Topsail Beach Shoreline Protection – Phase 2	1,500,000
(21) Brunswick Town Fort Anderson Cape Fear Streamline Restoration – Phase II	487,000
TOTALS	\$24,473,000

31 **SECTION 36.3.(b)** It is the intent of the General Assembly that funds carried
32 forward from previous fiscal years be used to supplement the eleven million seven thousand
33 dollars (\$11,007,000) appropriated for water resources development projects in Section 36.2 of
34 this act. Therefore, the following funds carried forward from previous fiscal years shall be used
35 for the following projects:

Name of Project	Amount Carried Forward
(1) Princeville Flood Damage Reduction	1,400,000
(2) Morehead City Maintenance	1,500,000
(3) Carolina Beach Coastal Storm Damage Reduction	686,000
(4) Kure Beach Coastal Storm Damage Reduction	315,000
(5) Wrightsville Beach Coastal Storm Damage Reduction	2,206,000
(6) Ocean Isle Coastal Storm Damage Reduction	1,040,000
(7) Planning Assistance to Communities	38,000
(8) Bogue Banks Coastal Storm Damage Reduction	-
(9) Surf City/North Topsail Beach Coastal Storm Damage Reduction	255,000
(10) West Onslow Coastal Storm Damage Reduction	220,000
(11) Neuse River-Goldsboro Section 1135 CAP	333,000
(12) Concord Streams, Section 206 CAP	1,023,000
(13) Manteo Old House Channel, Section 204 CAP	2,219,000

1	(14) Lumberton Flood Damage Reduction, Section 205 CAP	125,000
2	(15) B. Everette Jordan Reservoir Water Supply	119,000
3	(16) N. Topsail Beach Shoreline Protection – Phase 2	1,500,000
4	(17) Brunswick Town Fort Anderson Cape Fear Streamline Restoration –	
5	Phase II	487,000
6		
7	TOTALS	\$13,466,000

SECTION 36.3.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2019-2020 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.
- (2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State matching funds in the 2019-2020 fiscal year.
- (3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2019-2020 fiscal year.

SECTION 36.3.(d) The Department shall submit semiannual reports on the use of these funds to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Fiscal Research Division, and the Office of State Budget and Management on or before March 1 and September 1. Each report shall include all of the following:

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

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

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

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

41	42 Name of Project	43 Amount of Non-General Fund	
		44 Funding Authorized	
		45 FY 2019-2020	46 FY 2020-2021
45	Department of Agriculture and Consumer Services		
46	State Farmers Market Restaurant	1,250,000	0
47	Piedmont Triad Farmers Market Restaurant	200,000	0
48	State Fairgrounds Improvements	1,000,000	0
49	State Research Stations – Irrigation Improvements	200,000	0
50	State Research Stations – Pesticide Storage and Mixing	200,000	0

1	State Research Stations – Poultry Facilities Improvements	1,500,000	0
2	State Research Stations – Animal Feed and Grain Storage	250,000	
3	Department of Military and Veteran Affairs		
4	Fayetteville Veterans Home Sprinklers	3,553,000	0
5	Wake County Veterans Home	5,208,500	0
6	Forsyth County Veterans Home	5,208,500	0
7	Department of Public Safety		
8	Stonewall Jackson YDC Classroom and Kennel	677,000	0
9	Department of Transportation		
10	Polk County Maintenance Shop	2,484,117	0
11	Ocracoke Ferry Quarters	1,190,000	0
12	Currituck Maintenance and Equipment Facilities	1,491,914	0
13	Northampton County Jackson Sub-Shop	-	5,239,960
14	Repairs and Renovations	6,550,000	6,725,000
15	Wildlife Resources Commission		
16	Land Acquisition	8,000,000	8,000,000
17	McKinney Lake Residence	275,000	0
18	McCoy Road	325,000	0
19	New Bern Depot Boat Storage	250,000	0
20	Sandhills Depot Pole Shed	175,000	0
21	District 7 Storage Building – Wilkesboro	125,000	0
22	Sykes Depot Greenhouse	-	150,000
23	New Shooting Ranges	-	1,000,000
24	Marion Aqua-Culture Building	330,000	0
25	McKinney Hatchery Building		650,000
26	Caswell Depot Storage Building	-	400,000
27	Rhems Depot Storage Building	-	200,000
28	Troy Depot Replacement	-	750,000
29	Boating Access Repair and Renovation	900,000	900,000
30			
31	TOTAL AMOUNT OF NON-GENERAL		
32	FUND CAPITAL PROJECTS		
33	AUTHORIZED	\$41,343,031	\$24,014,960
34			

SECTION 36.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2019-2020 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2020-2021 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

NATIONAL GUARD PROJECTS

SECTION 36.5.(a) The Department of Public Safety shall allocate the funds appropriated for armory and facility development projects in Section 36.2 in accordance with the schedule that follows. These funds will provide a State match for federal funds made available for this purpose.

51	Name of Project	2019-2020
----	------------------------	------------------

	Total Project Cost
1	
2	
3 (1) Reidsville Armory	\$5,000,000
4 (2) McLeansville Demolition	3,750,000
5 (3) Raeford Armory	1,800,000
6	
7 Total	\$10,550,000
8	

9 **SECTION 36.5.(b)** Subject to the limitations imposed by Section 36.2(a) of this act,
10 the Adjutant General of the National Guard may determine which projects listed in subsection
11 (a) of this section shall receive an allocation of State funds in each fiscal year of the biennium.

12 **SECTION 36.5.(c)** Where the actual costs are different from the estimated costs
13 under subsection (a) of this section, the Adjutant General of the National Guard may adjust the
14 allocations among projects as needed. However, State funds shall not be allocated to a project in
15 excess of the maximum amount of State funds authorized to be allocated to the project under
16 subsection (a) of this section. If any projects funded under subsection (a) of this section are
17 delayed and the budgeted State funds cannot be used during the 2019-2020 fiscal year, or if the
18 projects funded under subsection (a) of this section are accomplished at a lower cost, the
19 Department may use the resulting fund availability to fund any of the following:

- 20 (1) Future project feasibility studies.
- 21 (2) Survey, testing, and permitting.
- 22 (3) Planning and execution for reversion of facilities no longer in use.
- 23 (4) Previously funded projects that have experienced a cost overrun.

24 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

25 **SECTION 36.6.(a)** Of the funds in the Reserve for Repairs and Renovations for the
26 2019-2021 fiscal biennium, the following allocations shall be made to the following agencies for
27 repairs and renovations pursuant to G.S. 143C-4-3:
28

- 29 (1) One-half of the funds shall be allocated to the Board of Governors of The
30 University of North Carolina.
- 31 (2) One-half of the funds shall be allocated to the Office of State Budget and
32 Management.

33 The Office of State Budget and Management shall consult with or report to the Joint
34 Legislative Commission on Governmental Operations, as appropriate, in accordance with
35 G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on
36 Governmental Operations in accordance with G.S. 143C-4-3(d).
37

38 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

39 **SECTION 36.7.** The appropriations made by the 2019 General Assembly for capital
40 improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall
41 not be made by any State department, institution, or agency until an allotment has been approved
42 by the Governor as Director of the Budget. The allotment shall be approved only after full
43 compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award
44 of construction contracts for projects to be financed in whole or in part with self-liquidating
45 appropriations, the Director of the Budget shall approve the elements of the method of financing
46 of those projects, including the source of funds, interest rate, and liquidation period. Provided,
47 however, that if the Director of the Budget approves the method of financing a project, the
48 Director shall report that action to the Joint Legislative Commission on Governmental Operations
49 at its next meeting.

50 Where direct capital improvement appropriations include the purpose of furnishing
51 fixed and movable equipment for any project, those funds for equipment shall not be subject to

1 transfer into construction accounts except as authorized by the Director of the Budget. The
2 expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and
3 approved by the Director of the Budget prior to commitment of funds.

4 Capital improvement projects authorized by the 2019 General Assembly shall be
5 completed, including fixed and movable equipment and furnishings, within the limits of the
6 amounts of the direct or self-liquidating appropriations provided, except as otherwise provided
7 in this act. Capital improvement projects authorized by the 2019 General Assembly for the design
8 phase only shall be designed within the scope of the project as defined by the approved cost
9 estimate filed with the Director of the Budget, including costs associated with site preparation,
10 demolition, and movable and fixed equipment.

11 12 **DEPARTMENT OF HEALTH AND HUMAN SERVICES PRIVATE DEVELOPMENT** 13 **CHANGES**

14 **SECTION 36.8.(a)** The Department of Administration may issue for a request for
15 proposal for a development contract to design and construct the New Department of Health and
16 Human Services Administrative Complex under G.S. 143-128.1C(b) while undertaking planning
17 associated with funds appropriated in Section 36.2 of this act. For the purposes of this complex
18 only, the Department may accept submissions for review that include less than fifty percent
19 (50%) equity as defined in G.S. 143-128.1C(a)(4).

20 **SECTION 36.8.(b)** G.S. 111-42(c) of the General Statutes reads as rewritten:

21 "(c) "State property or State building" means building and land owned, leased, or
22 otherwise controlled by the State, exclusive of schools, colleges and universities, the North
23 Carolina State Fair, farmers markets and agricultural centers, the Legislative Office Building,
24 ~~and the State Legislative Building-Building,~~ and the new Health and Human Services
25 Administrative Complex."

26 **SECTION 36.8.(c)** Article 3 of Chapter 111 of the General Statutes is amended by
27 adding a new section to read:

28 **"§ 111-47.5. Food service within the Capitol Complex.**

29 Notwithstanding any other provision of this Article, the Department of Health and Human
30 Services may operate or contract for the operation of food or vending services at State property
31 or State facilities allocated to the Department of Administration. The net proceeds of revenue
32 generated by food and vending services at the State property or State facilities by the agency or
33 a vendor with whom the agency has contracted shall be credited to the Division of Services for
34 the Blind of the Department and Health and Human Services for the purposes specified in
35 G.S. 111-43. Nothing in this section shall be construed to remove an exemption granted under
36 State law for State property or State buildings, as defined in G.S. 111-42(c)."

37 **SECTION 36.8.(d)** G.S. 66-58(c)(4) reads as rewritten:

38 "(4) The operation of ~~lunch counters by the Department of Health and Human~~
39 ~~Services as blind enterprises of the type operated on January 1, 1951, in State~~
40 ~~buildings in the City of Raleigh.~~ food and vending services pursuant to Article
41 3 of Chapter 111 of the General Statutes."

42 **SECTION 36.8.(e)** G.S. 146-29.1 is amended by adding a new subsection to read:

43 "(i) This section shall not apply to leases entered into by the Department of Health and
44 Human Services for food and vending services pursuant to Article 3 of Chapter 111 of the
45 General Statutes."

46 47 **ALLOCATION OF NET PROCEEDS FROM WAKE COUNTY PROPERTY** 48 **DISPOSITIONS**

49 **SECTION 36.9.(a)** G.S. 146-30 is amended by adding a new section to read:

50 **"§ 146-30.2. Application of Net Proceeds From Disposition of Property Allocated to the**
51 **Department of Administration in Wake County.**

1 (a) Limitation. – Notwithstanding G.S. 146-30 or any other provision of law, and subject
2 to the limitations contained in any applicable deed, the net proceeds of any disposition of, use of,
3 or activity on real property located in Wake County and allocated to the Department of
4 Administration shall be used solely to repair and renovate real property located in Wake County
5 and allocated to the Department of Administration. These funds shall only be used to fund
6 projects listed in G.S. 143C-4-3(b), subject to the approval of the Director of the Budget.

7 (b) Definition of Net Proceeds. – For purposes of this section, the term "net proceeds"
8 shall have the same meaning as in G.S. 146-30.

9 (c) Appropriation. – Net proceeds received on or after July 1, 2017, are hereby
10 appropriated for the uses contained in G.S. 146-30.2(a).

11 (d) Report. – The Director of the Budget shall report annually on July 1 on projects
12 funded under this subsection to the Joint Legislative Oversight Committee on Capital
13 Improvements."

15 **AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND** 16 **RENOVATIONS PROJECTS WITH FUNDS AVAILABLE**

17 **SECTION 36.10.(a)** Article 1 of Chapter 143C of the General Statutes is amended
18 by adding a new section to read:

19 **"§143C-8-14. Small Repairs And Renovation Projects With Funds Available.**

20 (a) A State agency may undertake repairs and renovations projects so long as each project
21 satisfies the following requirements:

22 (1) Total project costs do not exceed the informal project limit set by the State
23 Building Commission.

24 (2) The project is one of the types set forth in G.S. 143C-4-3(b)(1) through (13).

25 a. General Funds shall be used only for the repair and renovation of
26 General Fund supported facilities.

27 (3) The project is paid for with funds available to the agency.

28 (b) Projects undertaken pursuant to this section shall be reported to the Fiscal Research
29 Division on a quarterly basis. A report under this subsection shall include information about all
30 the following for each project:

31 (1) The facility at which the project is being undertaken.

32 (2) The nature and scope of the project.

33 (3) The source of funds for the project.

34 (4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls
35 within."

37 **STREAMLINE STATE CONSTRUCTION COST ESTIMATES**

38 **SECTION 36.11.** G.S. 143-341(3)b1. reads as rewritten:

39 "b1. To certify that a statement of needs pursuant to G.S. 143C-3-3, other
40 than for a project of The University of North Carolina for which
41 advance planning has not been completed, is feasible. For purposes of
42 this sub-subdivision, "feasible" means that the proposed project is
43 sufficiently defined in overall scope; building program; site
44 development; detailed design, construction, and equipment budgets;
45 and comprehensive project scheduling so as to reasonably ensure that
46 it may be completed with the amount of funds requested. At the
47 discretion of the General Assembly, advanced planning funds may be
48 appropriated in support of this certification. This sub-subdivision shall
49 not apply to requests for appropriations ~~of less than one hundred~~
50 ~~thousand dollars (\$100,000).~~ below the formal project limit, as set by
51 the State Building Commission."

LIMITED OBLIGATION BONDS

SECTION 36.12.(a) The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the projects described in this subsection. In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness:

- (1) In the maximum aggregate principal amount of two hundred forty million dollars (\$240,000,000) to finance the capital facility costs of completing a new Department of Health and Human Services Office Complex by the Department of Administration.
- (2) In the maximum aggregate principal amount of thirty million ten thousand (\$30,010,000) to finance the capital facility costs of renovating and expanding the Reedy Creek Laboratory for the Department of Environmental Quality by the Department of Administration.
- (3) In the maximum aggregate principal amount of ten million dollars (\$10,000,000) to finance the capital facilities costs of completing a new mail service, motor fleet management, and warehouse at the Department of Administration.
- (4) In the maximum aggregate principal of seven million seven hundred thirty five thousand dollars (\$7,735,000) to finance the capital facilities costs of completing a new Troop C headquarters for the State Highway Patrol at the Department of Public Safety.

SECTION 36.12.(b) This section is effective when it becomes law.

INVEST NC BOND ACT

SECTION 36.13.(a) Short Title. – This section may be cited as the "Invest NC Bond Act of 2019."

SECTION 36.13.(b) Purpose. – It is the intent of the General Assembly by this act to provide, subject to a vote of the qualified voters of the State, for the issuance of three billion nine hundred million dollars (\$3,900,000,000) providing funds, with any other available funds, to invest in the State's public facilities, without limitation, construction, repair, renovation, and furnishing of new facilities in order to ensure that the citizens of North Carolina have access to high quality educational facilities, cultural facilities and attractions, and to ensure the viability of water and sewer infrastructure.

SECTION 36.13.(c) Findings – The General Assembly also finds:

- (1) There is a documented need of \$8.1 billion in need in the construction and renovation of Public School Facilities.
- (2) There is a documented need of \$16.7 billion in need in water and sewer infrastructure.
- (3) There is a documented need of \$4.4 billion in deficiencies at the University of North Carolina System.
- (4) Community College facilities are necessary to educate and train the workforce of tomorrow.
- (5) Community College facilities are necessary to retrain those workers who have been adversely impacted by changing economic conditions.
- (6) Cultural facilities at the North Carolina Zoological Park and the North Carolina History Museum are key cultural and educational attractions for the citizens of the State.

- 1 (7) The facilities constructed in this Act will benefit all future North Carolinians
2 for decades to come.
- 3 (8) All facilities are necessary to support the economic vitality of North Carolina.
- 4 (9) The State has prudently managed its finances.
- 5 (10) The State has achieved the highest credit rating available by independent
6 credit rating agencies.
- 7 (11) The debt proposed by this Act is affordable and preferable to address the needs
8 of the citizens of the State.

9 **SECTION 36.13.(d)** Definitions. – The following definitions apply in this section
10 unless the context otherwise requires:

- 11 (1) Bonds. – Bonds issued under this section.
- 12 (2) Cost. – The term includes all of the following:
- 13 a. The cost of constructing, reconstructing, renovating, repairing,
14 enlarging, acquiring, and improving State capital facilities, including
15 the acquisition of land, rights-of-way, easements, franchises,
16 equipment, machinery, furnishings, and other interests in real or
17 personal property acquired or used in connection with a State capital
18 facility.
- 19 b. The cost of engineering, architectural, and other consulting services as
20 may be required.
- 21 c. Administrative expenses and charges.
- 22 d. The cost of providing personnel to ensure effective project
23 management.
- 24 e. The cost of bond insurance, investment contracts, credit enhancement
25 and liquidity facilities, interest-rate swap agreements or other
26 derivative products, financial and legal consultants, and related costs
27 of bond and note issuance, to the extent and as determined by the State
28 Treasurer.
- 29 f. Finance charges, reserves for debt service, and other types of reserves
30 required pursuant to the terms of any bond or note or related
31 documents, interest before and during construction or acquisition of a
32 State capital facility and, if considered advisable by the State
33 Treasurer, for a period not exceeding two years after the estimated date
34 of completion of construction or acquisition.
- 35 g. The cost of bond insurance, investment contracts, credit enhancement
36 facilities and liquidity facilities, interest-rate swap agreements or other
37 derivative products, financial and legal consultants, and related costs
38 of the incurrence or issuance of any bond or note.
- 39 h. The cost of reimbursing the State for any payments made for any cost
40 described in this subdivision.
- 41 i. Any other costs and expenses necessary or incidental to the purposes
42 of this section.
- 43 (3) Credit facility. – An agreement entered into by the State Treasurer on behalf
44 of the State with a bank, savings and loan association, or other banking
45 institution, an insurance company, reinsurance company, surety company or
46 other insurance institution, a corporation, investment banking firm, or other
47 investment institution, or any financial institution or other similar provider of
48 a credit facility, which provider may be located within or without the United
49 States, such agreement providing for prompt payment of all or any part of the
50 principal or purchase price (whether at maturity, presentment or tender for
51 purchase, redemption, or acceleration), redemption premium, if any, and

interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.

(5) Par formula. – A provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including the following:

a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible.

b. A provision providing for such adjustment based upon a percentage or percentages of a prime rate or base rate, which percentage or percentages may vary or be applied for different periods of time.

c. Such other provision as the State Treasurer may determine to be consistent with this act and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.

(6) State. – The State of North Carolina, including any State agency.

(7) State agency. – Any agency, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

SECTION 36.13.(e) Authorization of Bonds and Notes. – Subject to a favorable vote of a majority of the qualified voters of the State who vote on the question of issuing public improvement bonds in the election called and held as provided in this section, the State Treasurer is hereby authorized, by and with the consent of the Council of State, to issue and sell, at one time or from time to time, general obligation bonds of the State to be designated "State of North Carolina Public Improvement Bonds," with any additional designations as may be determined to indicate the issuance of bonds from time to time, or notes of the State as provided in this section, in an aggregate principal amount not exceeding three billion nine hundred million dollars (\$3,900,000,000) for the purpose of providing funds, with any other available funds, for the purposes authorized in this section.

SECTION 36.13.(f) Use of Public Improvement Bond and Note Proceeds. – (1) Subject to the provisions of subdivision (2) of this subsection, the proceeds of public improvement bonds and notes, including premium thereon, if any, shall be used for the projects in the following general amounts set forth below:

(1) Subject to the provision of subdivision (2) of this subsection, the proceeds of public improvement bonds and notes, including premium thereon, if any, shall be used for the projects in the following general amounts set forth below:

Public Instruction

Public Schools	New Schools, Additions, Renovations	\$2,000,000,000
Capital Assistance Program		
Total for Public Instruction		\$2,000,000,000

Water and Sewer Infrastructure

Department of	Water/Sewer Loans and Grants	\$800,000,000
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1	Environmental		
2	Quality		
3			
4	Total for Water and Sewer Infrastructure		\$800,000,000
5			
6	NC Community College		
7	Prosperity Zone Projects		\$200,000,000
8			
9	Alamance Comm. College	New Construction, Repairs, Renovations	5,208,446
10			
11	Asheville-Buncombe	New Construction, Repairs, Renovations	7,674,446
12	Technical Comm. College		
13			
14	Beaufort Co. Comm. College	New Construction, Repairs, Renovations	3,506,272
15			
16	Bladen Comm. College	New Construction, Repairs, Renovations	3,274,654
17			
18	Blue Ridge Comm. College	New Construction, Repairs, Renovations	3,102,116
19			
20	Brunswick Comm. College	New Construction, Repairs, Renovations	2,835,793
21			
22	Caldwell Comm. College	New Construction, Repairs, Renovations	5,000,623
23	Technical Institute		
24			
25	Cape Fear Comm. College	New Construction, Repairs, Renovations	7,928,709
26			
27	Carteret Comm. College	New Construction, Repairs, Renovations	2,216,231
28			
29	Catawba Valley Comm.	New Construction, Repairs, Renovations	5,937,352
30	College		
31			
32	Central Carolina Comm.	New Construction, Repairs, Renovations	5,923,335
33	College		
34			
35	Central Piedmont Comm.	New Construction, Repairs, Renovations	15,764,095
36	College		
37			
38	Cleveland Comm. College	New Construction, Repairs, Renovations	4,277,918
39			
40	College of the Albemarle	New Construction, Repairs, Renovations	6,059,511
41			
42	Coastal Carolina Comm.	New Construction, Repairs, Renovations	4,351,331
43	College		
44			
45	Craven Comm. College	New Construction, Repairs, Renovations	4,069,140
46			
47	Davidson County Comm.	New Construction, Repairs, Renovations	5,186,257
48	College		
49			
50	Durham Tech. Comm.	New Construction, Repairs, Renovations	5,418,808
51	College		

1			
2	Edgecombe Comm. College	New Construction, Repairs, Renovations	4,522,865
3			
4	Fayetteville Tech. Comm.	New Construction, Repairs, Renovations	13,136,041
5	College		
6	Forsyth Tech. Comm. College	New Construction, Repairs, Renovations	8,272,056
7			
8	Gaston College	New Construction, Repairs, Renovations	5,884,411
9			
10	Guilford Tech. Comm.	New Construction, Repairs, Renovations	12,264,749
11	College		
12			
13	Halifax Comm. College	New Construction, Repairs, Renovations	3,479,856
14			
15	Haywood Comm. College	New Construction, Repairs, Renovations	2,772,246
16			
17	Isothermal Comm. College	New Construction, Repairs, Renovations	4,176,804
18			
19	James Sprunt Comm.	New Construction, Repairs, Renovations	2,586,064
20	College		
21			
22	Johnston Comm. College	New Construction, Repairs, Renovations	4,296,762
23			
24	Lenoir Comm. College	New Construction, Repairs, Renovations	6,238,158
25			
26	Martin Comm. College	New Construction, Repairs, Renovations	3,596,531
27			
28	Mayland Comm. College	New Construction, Repairs, Renovations	2,762,350
29			
30	McDowell Tech. Comm.	New Construction, Repairs, Renovations	2,704,014
31	College		
32			
33	Mitchell Comm. College	New Construction, Repairs, Renovations	3,465,636
34			
35	Montgomery Comm. College	New Construction, Repairs, Renovations	2,916,279
36			
37	Nash Comm. College	New Construction, Repairs, Renovations	5,295,128
38			
39	Pamlico Comm. College	New Construction, Repairs, Renovations	1,852,568
40			
41	Piedmont Comm. College	New Construction, Repairs, Renovations	3,168,468
42			
43	Pitt Comm. College	New Construction, Repairs, Renovations	8,555,417
44			
45	Randolph Comm. College	New Construction, Repairs, Renovations	3,980,619
46			
47	Richmond Comm. College	New Construction, Repairs, Renovations	4,491,480
48			
49	Roanoke-Chowan Comm.	New Construction, Repairs, Renovations	3,008,273
50	College		
51			

1	Robeson Comm. College	New Construction, Repairs, Renovations	4,696,470
2			
3	Rockingham Comm. College	New Construction, Repairs, Renovations	4,286,334
4			
5	Rowan-Cabarrus Comm.	New Construction, Repairs, Renovations	7,175,882
6	College		
7	Sampson Comm. College	New Construction, Repairs, Renovations	3,024,075
8			
9	Sandhills Comm. College	New Construction, Repairs, Renovations	4,422,653
10			
11	South Piedmont Comm.	New Construction, Repairs, Renovations	3,648,592
12	College		
13			
14	Southeastern Comm.	New Construction, Repairs, Renovations	4,004,465
15	College		
16			
17	Southwestern Comm. College	New Construction, Repairs, Renovations	4,511,990
18			
19	Stanly Comm. College	New Construction, Repairs, Renovations	4,115,667
20			
21	Surry Comm. College	New Construction, Repairs, Renovations	4,972,416
22			
23	Tri-County Comm. College	New Construction, Repairs, Renovations	2,628,483
24			
25	Vance-Granville Comm.	New Construction, Repairs, Renovations	5,414,978
26	College		
27			
28	Wake Tech. Comm. College	New Construction, Repairs, Renovations	18,378,704
29			
30	Wayne Comm. College	New Construction, Repairs, Renovations	5,007,050
31			
32	Western Piedmont Comm.	New Construction, Repairs, Renovations	4,165,443
33			
34	Wilkes Comm. College	New Construction, Repairs, Renovations	4,361,402
35			
36	Wilson Comm. College	New Construction, Repairs, Renovations	4,023,584
37			
38	Total for NC Community Colleges		\$500,000,000
39			
40	University of North Carolina		
41			
42	Appalachian State University	Wey Hall Renovations	\$25,200,000
43			
44	East Carolina University	Howell Science Complex Renovations	38,580,000
45			
46	Elizabeth City State	Library Replacement	28,800,000
47	University		
48			
49	Fayetteville State	Rosenthal and Chick Building Renovations	13,700,000
50	University		
51			

1	North Carolina Agriculture	Carver Hall Renovations	18,500,000
2	And Technical State University		
3			
4	North Carolina Central	Lee Biology Building Renovations	8,100,000
5	University		
6			
7	North Carolina State	Daniels Hall Renovations	37,800,000
8	University		
9			
10	UNC-Asheville	Justice Center Renovations	26,800,000
11			
12	UNC-Chapel Hill	Carrington Hall Renovations	40,500,000
13			
14	UNC-Charlotte	Cameron and Brunson Building Renovations	27,000,000
15			
16	UNC-Greensboro	Jackson Library Renovation and Addition	75,600,000
17			
18	UNC-Pembroke	Givens Performing Arts Center Renovation	28,080,000
19			
20	UNC-School of the Arts	Stevens Center Renovation	37,980,000
21			
22	UNC-Wilmington	Randall Library Renovation and Expansion	56,400,000
23			
24	Western Carolina University	Moore Building Renovation	10,900,000
25			
26	Winston Salem State	Hauser Building Renovation and Expansion	15,100,000
27	University		
28			
29	NC School of Science and	Life Safety Renovations	10,960,000
30	Mathematics		
31			
32	Total for University of North Carolina		\$500,000,000

Department of Natural and Cultural Resources

36	Museum of History	Renovation	\$60,000,000
37	NC Zoo	AustrailAsia Complex	\$40,000,000

- 39 (2) Special Allocation Provisions. – In determining the use of the proceeds of
40 public improvement bonds and notes, including premium thereon, if any, set
41 forth in subdivision (1) of this subsection, the following special allocation
42 provisions apply:
- 43 a. The proceeds of public improvement bonds and notes, including
44 premium thereon, if any, for public instruction for public schools
45 capital assistance, as provided in subdivision (1) of this subsection,
46 shall be allocated as follows:
- 47 1. One billion (\$1,000,000,000) of such proceeds shall be
48 allocated equally to each county. Each county's allocation shall
49 be distributed to the local school administrative units located
50 in whole or in part in the county based on the average daily
51 membership of the county's students in the school units.

- 1 also require counties to report annually on the impact of funds
2 provided under this act on the property tax rate for that year.
3 These reports shall be public documents and shall be furnished
4 to any citizen upon request. If the State Board of Education
5 determines that a county has not met the matching requirement
6 set forth in this sub-subdivision by January 1, 2026, the State
7 Board of Education shall certify that fact to the State Treasurer
8 by March 1, 2026. The State Board of Education shall
9 reallocated unmatched funds in the following manner:
- 10 (i) Proceeds allocated under sub subdivision (1) shall be
11 reallocated to local administrative units receiving funds
12 under sub subdivision (1) for which the State Board of
13 Educated has certified matching funds.
- 14 (ii) Proceeds allocated under sub subdivision (2) shall be
15 reallocated to local administrative units receiving funds
16 under sub subdivision (2) for which the State Board of
17 Educated has certified matching funds.
- 18 (iii) Proceeds allocated under sub subdivision (2) shall be
19 reallocated to local administrative units receiving funds
20 under sub subdivision (2) for which the State Board of
21 Educated has certified matching funds.
- 22 5. A local school administrative unit that receives proceeds under
23 this section shall ensure that such proceeds are used:
- 24 (i) For acquisition of real property and construction,
25 acquisition, reconstruction, enlargement, renovation,
26 or replacement of buildings and other structures, and
- 27 (ii) To supplement local funds for public school capital
28 outlay projects and shall not decrease local funds for
29 those projects from one fiscal year to the next fiscal
30 year, as measured by the most recent five-year annual
31 average capital outlay expenditure.
- 32 b. The proceeds of public improvement bonds and notes, including
33 premium thereon, if any, for water and sewer infrastructure, as
34 provided in subdivision (1) of this subsection, shall be allocated as
35 follows:
- 36 1. The Department of Environmental Quality shall create a grant
37 and loan program within the Wastewater Reserve and the
38 Drinking Water Reserves established within G.S. 159G-22.
39 The grant and loan program shall prioritize the following, in
40 order:
- 41 (i) Requests used to substantially increase a water and/or
42 sewer infrastructure systems financial System
43 Viability, as determined by the Department of
44 Environmental Quality in coordination with the Local
45 Government Commission and State Water
46 Infrastructure Authority.
- 47 (ii) Requests used to promote increased resiliency of
48 systems at risk of catastrophic damages from flooding
49 or storm events.
- 50 (iii) Requests allowed under G.S. 159G-34.

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2. The Department of Environmental Quality may allocate funds to grants and loans to the amount necessary to fulfill the priorities outlined in subdivision 1 of this subsection.
 3. Notwithstanding G.S. 159G-36 the Department of Environmental Quality may set limits on loans and grants allocated to local governments to an amount necessary to fulfill the priorities outlined in subdivision 1, sub-subsection (i) and (ii) of this subsection. Projects requested under sub-subsection (iii) of this subsection are subject to limits required in G.S. 159G-36.
 4. If the availability of the loan funds exceeds project demand, the limits contained in G.S. 159G-36 applicable to a loan may be exceeded for the purpose of ensuring that all available loan funds are utilized for projects prioritized pursuant to G.S. 159G-23.
 5. In addition to the requirements of G.S. 159G-40, the Department of Environmental Quality, in consultation with the Local Government Division and State Water Infrastructure Authority, shall develop requirements for grant and loan recipients of System Viability Grants and loans provided in subdivision 1 of this subsection, prior to requesting applications for the use of funds. Grant and loan requirements shall include financial and system performance measures necessary to make recipients indecently viable. Failure of grant recipients to adhere to the requirements of subdivision 4 of this subsection shall result in a default pursuant to Article 10 of G.S. 159 and the Local Government Commission shall be required to enforce the provisions of the recipient requirements.
 6. Projects funded under sub-subsection (i) and (ii) are not subject to G.S. 159G-41 if the Department of Environmental Quality finds determines that the delay to entering a construction contract is reasonable due to the nature of the project funded under subdivision 1.
- c. The proceeds of public improvement bonds and notes, including premium thereon, if any, for Community College Prosperity Zone Projects, as provided in subdivision (1) of this subsection, shall be allocated as follows:
1. The North Carolina State Board of Community Colleges shall create a grant program for the allocation of funds labeled Community College Prosperity Zone Projects. The Grant Program is for the purpose of funding:
 - (i) One or more large construction projects or substantial renovation of an existing facility in one or more of the eight prosperity zones. Prosperity zones are identified in G.S. 143B-28.1.
 - (ii) The projects funded are limited to the following training and education areas for the majority of the facility use: Advanced Manufacturing, Health Sciences, Information Technology, Public Safety, and Transportation.

- 1 (iii) The State Board of Community Colleges will require at
2 least two colleges in the prosperity zone collaborate on
3 the use of the requested facility. The submitted
4 application shall require that participating colleges
5 document a plan for the operations of the physical plant
6 of the facility.
- 7 (iv) Projects funded under the Community College
8 Prosperity Zones Projects shall not require a local
9 match for construction.
- 10 d. The proceeds of public improvement bonds and notes, including
11 premium thereon, if any, for NC Community Colleges, as provided in
12 subdivision (1) of this subsection for new construction, repairs, and
13 renovations, shall be used for new construction or rehabilitation of
14 existing facilities and repairs and renovations. Any items purchased
15 with such proceeds and installed or replaced as part of a renovation or
16 rehabilitation must have a useful life of at least 10 years or must extend
17 the life of the facility by at least 10 years once renovated or
18 rehabilitated. In order to receive the proceeds under this
19 sub-subdivision for projects for new construction, the community
20 college receiving the proceeds shall provide local matching funds from
21 county funds, other non-State funds, or a combination of these sources
22 for such proceeds. The amount of matching funds shall be (i) one
23 dollar (\$1.00) of local matching funds for every three dollars (\$3.00)
24 of such proceeds for a community college project located in a
25 development tier one area, as defined in G.S. 143B-437.08, (ii) one
26 dollar (\$1.00) of local matching funds for every two dollars (\$2.00) of
27 such proceeds for a community college project located in a
28 development tier two area, as defined in G.S. 143B-437.08, and (iii)
29 one dollar (\$1.00) of local matching funds for every one dollar (\$1.00)
30 of such proceeds for a community college project located in a
31 development tier three area, as defined in G.S. 143B-437.08.
32 Community colleges are not required to match bond proceeds
33 allocated in this section for rehabilitation of existing facilities and
34 repairs and renovations.

35 **SECTION 36.13.(g) Allocation and Tracking of Proceeds. –**

- 36 (1) Public improvement bonds. – The proceeds of public improvement bonds and
37 notes, including premium thereon, if any, except the proceeds of bonds the
38 issuance of which has been anticipated by bond anticipation notes or the
39 proceeds of refunding bonds or notes, shall be placed by the State Treasurer
40 in a special fund to be designated "Public Improvement Bonds Fund," which
41 may include such appropriate special accounts therein as may be determined
42 by the State Treasurer and shall be disbursed as provided in this section.
43 Monies in the Public Improvement Bonds Fund shall be allocated and
44 expended as provided in this section.

45 Any additional monies that may be received by means of a grant or grants
46 from the United States of America or any agency or department thereof or
47 from any other source for deposit to the Public Improvement Bonds Fund may
48 be placed in the Public Improvement Bonds Fund or in a separate account or
49 fund and shall be disbursed, to the extent permitted by the terms of the grant
50 or grants, without regard to any limitations imposed by this section.

1 Monies in the Public Improvement Bonds Fund or any separate account
2 established under this section may be invested from time to time by the State
3 Treasurer in the same manner permitted for investment of monies belonging
4 to the State or held in the State treasury, except with respect to grant money
5 to the extent otherwise directed by the terms of the grant. Investment earnings,
6 except investment earnings with respect to grant monies to the extent
7 otherwise directed or restricted by the terms of the grant, may be (i) credited
8 to the Public Improvement Bonds Fund, (ii) used to pay debt service on the
9 bonds authorized by this section, (iii) used to satisfy compliance with
10 applicable requirements of the federal tax law, or (iv) transferred to the
11 General Fund of the State.

12 The proceeds of public improvement bonds and notes, including premium
13 thereon, if any, may be used with any other monies made available by the
14 General Assembly for funding the projects authorized by this section,
15 including the proceeds of any other State bond issues, whether heretofore
16 made available or that may be made available at the session of the General
17 Assembly at which this section is ratified or any subsequent sessions. The
18 proceeds of public improvement bonds and notes, including premium thereon,
19 if any, shall be expended and disbursed under the direction and supervision of
20 the Director of the Budget. The funds provided by this section shall be
21 disbursed for the purposes provided in this section upon warrants drawn on
22 the State Treasurer by the State Controller, which warrants shall not be drawn
23 until requisition has been approved by the Director of the Budget and which
24 requisition shall be approved only after full compliance with the State Budget
25 Act, Chapter 143C of the General Statutes.

26 (2) Tracking of bond proceeds. – The State Treasurer or the State Treasurer's
27 designee is hereby authorized and directed to set up a comprehensive system
28 of tracking the proceeds of the public improvement bonds and notes, including
29 premium thereon, if any, to the extent necessary to enable the State Treasurer
30 or the State Treasurer's designee to properly account for the use of such
31 proceeds for compliance with applicable requirements of the federal tax law
32 or otherwise. All recipients of such proceeds shall comply with any tracking
33 system implemented by the State Treasurer or the State Treasurer's designee
34 for this purpose. The State Treasurer may withhold such proceeds from any
35 State agency or department not complying with this subdivision.

36 (3) Costs. – Allocations to the costs of a capital improvement or undertaking in
37 each case may include allocations to pay the costs set forth in sub-subdivisions
38 c. through g. of subdivision (2) of subsection (d) of this section in connection
39 with the issuance of bonds for that capital improvement or undertaking.

40 **SECTION 36.13.(h)** Election. – The question of the issuance of the bonds authorized
41 by this section shall be submitted to the qualified voters of the State at a Statewide election to be
42 held November 3, 2020. Any other primary, election, or referendum validly called or scheduled
43 by law at the time the election on the bond question provided for in this subsection is held may
44 be held as called or scheduled. Notice of the election shall be given in the manner and at the times
45 required by G.S. 163-33(8). The election and the registration of voters therefor shall be held
46 under and in accordance with the general laws of the State. Absentee ballots shall be authorized
47 in the election and shall be available 50 days prior to the date on which the election is to be held.

48 Ballots, voting systems authorized by Article 14A of Chapter 163 of the General
49 Statutes, or both may be used in accordance with rules prescribed by the State Board of Elections.
50 The bond question to be used in the ballots or voting systems shall be in substantially the
51 following form:

"[] FOR [] AGAINST

The issuance of three billion nine hundred million dollars (\$3,900,000,000) State of North Carolina Public Improvement Bonds constituting general obligation bonds of the State secured by a pledge of the faith and credit and taxing power of the State for the purpose of providing funds, with any other available funds, to fund capital improvements and new facilities for the State, including, without limitation, the construction and furnishing of new facilities and the renovation and rehabilitation of existing facilities for, without limitation, the public schools of the state, water and sewer systems, the Department of Natural and Cultural Resources, North Carolina Community College System, and the University of North Carolina System." If a majority of those voting on the bond question in the election vote in favor of the issuance of the bonds described in the question, those bonds may be issued as provided in this section. If a majority of those voting on a bond question in the election do not vote in favor of the issuance of the bonds described in the question, those bonds shall not be issued. The results of the election shall be canvassed and declared as provided by law for elections for State officers; the results of the election shall be certified by the State Board of Elections to the Secretary of State in the manner and at the time provided by the general election laws of the State.

SECTION 36.13.(i) Issuance of Bonds and Notes. –

- (1) Terms and conditions. – Bonds or notes may bear a date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than or greater than the face amount of the bonds or notes, and under such terms and conditions, all as may be determined by the State Treasurer, by and with the consent of the Council of State.
- (2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State, or a facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature which may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons, who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.
- (3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at

1 public or private sale, whether within or without the United States, and
2 whether by publishing notices in certain newspapers and financial journals,
3 mailing notices, inviting bids by correspondence, negotiating contracts of
4 purchase, or otherwise, the State Treasurer is authorized to sell bonds or notes
5 at one time or from time to time at any rates of interest, which may vary from
6 time to time, and at any prices, including a price less than or greater than the
7 face amount of the bonds or notes, as the State Treasurer may determine. All
8 expenses incurred in the preparation, sale, and issuance of bonds or notes shall
9 be paid by the State Treasurer from the proceeds of bonds or notes or other
10 available moneys.

11 (4) Notes; repayment. –

12 a. By and with the consent of the Council of State, the State Treasurer is
13 hereby authorized to borrow money and to execute and issue notes of
14 the State for the same, but only in the following circumstances and
15 under the following conditions:

- 16 1. For anticipating the sale of bonds, the issuance of which the
17 Council of State has approved, if the State Treasurer considers
18 it advisable to postpone the issuance of the bonds;
- 19 2. For the payment of interest on or any installment of principal
20 of any bonds then outstanding, if there are not sufficient funds
21 in the State treasury with which to pay the interest or
22 installment of principal as they respectively become due;
- 23 3. For the renewal of any loan evidenced by notes authorized in
24 this section;
- 25 4. For the purposes authorized in this section; and
- 26 5. For refunding bonds or notes as authorized in this section.

27 b. Funds derived from the sale of bonds or notes may be used in the
28 payment of any bond anticipation notes issued under this section.
29 Funds provided by the General Assembly for the payment of interest
30 on or principal of bonds shall be used in paying the interest on or
31 principal of any notes and any renewals thereof, the proceeds of which
32 shall have been used in paying interest on or principal of the bonds.

33 (5) Refunding bonds and notes. – By and with the consent of the Council of State,
34 the State Treasurer is authorized to issue and sell refunding bonds and notes
35 pursuant to the provisions of the State Refunding Bond Act for the purpose of
36 refunding bonds or notes issued pursuant to this section. The refunding bonds
37 and notes may be combined with any other issues of State bonds and notes
38 similarly secured. Refunding bonds or notes may be issued at any time prior
39 to the final maturity of the debt obligation to be refunded. The proceeds from
40 the sale of any refunding bonds or notes shall be applied to the immediate
41 payment and retirement of the bonds or notes being refunded or, if not required
42 for the immediate payment of the bonds or notes being refunded, the proceeds
43 shall be deposited in trust to provide for the payment and retirement of the
44 bonds or notes being refunded and to pay any expenses incurred in connection
45 with the refunding. Money in a trust fund may be invested in (i) direct
46 obligations of the United States government, (ii) obligations the principal of
47 and interest on which are guaranteed by the United States government, (iii)
48 obligations of any agency or instrumentality of the United States government
49 if the timely payment of principal and interest on the obligations is
50 unconditionally guaranteed by the United States government, or (iv)
51 certificates of deposit issued by a bank or trust company located in the State

1 if the certificates are secured by a pledge of any of the obligations described
2 in (i), (ii), or (iii) above having an aggregate market value, exclusive of
3 accrued interest, equal at least to the principal amount of the certificates so
4 secured. This section does not limit the duration of any deposit in trust for the
5 retirement of bonds or notes being refunded but that have not matured and are
6 not presently redeemable, or if presently redeemable, have not been called for
7 redemption.

8 (6) Tax exemption. – Bonds and notes shall at all times be free from taxation by
9 the State or any political subdivision or any of their agencies, excepting estate,
10 inheritance, or gift taxes, income taxes on the gain from the transfer of bonds
11 or notes, and franchise taxes. The interest on bonds or notes is not subject to
12 taxation as income.

13 (7) Investment eligibility. – Bonds and notes are securities in which all of the
14 following may invest, including capital in their control or belonging to them:
15 public officers, agencies, and public bodies of the State and its political
16 subdivisions, all insurance companies, trust companies, investment
17 companies, banks, savings banks, savings and loan associations, credit unions,
18 pension or retirement funds, other financial institutions engaged in business
19 in the State, executors, administrators, trustees, and other fiduciaries. Bonds
20 and notes are hereby made securities which may properly and legally be
21 deposited with and received by any officer or agency of the State or political
22 subdivision of the State for any purpose for which the deposit of bonds, notes,
23 or obligations of the State or any political subdivision is now or may hereafter
24 be authorized by law.

25 (8) Faith and credit. – The faith and credit and taxing power of the State are hereby
26 pledged for the payment of the principal of and the interest on bonds and notes.
27 The State expressly reserves the right to amend any provision of this section
28 to the extent it does not impair any contractual right of a bond owner.

29 (9) Other agreements. – The State Treasurer may authorize, execute, obtain, or
30 otherwise provide for bond insurance, investment contracts, credit and
31 liquidity facilities, interest-rate swap agreements and other derivative
32 products, and any other related instruments and matters the State Treasurer
33 determines are desirable in connection with issuance, incurrence, carrying, or
34 securing of bonds or notes. The State Treasurer is authorized to employ and
35 designate any financial consultants, underwriters, and bond attorneys to be
36 associated with any bond or note issue under this section as the State Treasurer
37 considers necessary.

38 **SECTION 36.13.(j) Variable Rate Demand Bonds and Notes.** – In fixing the details
39 of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

40 (1) Be made payable from time to time on demand or tender for purchase by the
41 owner, if a credit facility supports the bonds or notes, unless the State
42 Treasurer specifically determines that a credit facility is not required upon a
43 finding and determination by the State Treasurer that the absence of a credit
44 facility will not materially and adversely affect the financial position of the
45 State and the marketing of the bonds or notes at a reasonable interest cost to
46 the State;

47 (2) Be additionally supported by a credit facility;

48 (3) Be made subject to redemption or a mandatory tender for purchase prior to
49 maturity;

50 (4) Bear interest at a rate or rates that may vary for any period of time, as may be
51 provided in the proceedings providing for the issuance of the bonds or notes,

1 including, without limitation, such variations as may be permitted pursuant to
2 a par formula; and

- 3 (5) Be made the subject of a remarketing agreement whereby an attempt is made
4 to remarket bonds or notes to new purchasers prior to their presentment for
5 payment to the provider of the credit facility or to the State.

6 If the aggregate principal amount payable by the State under a credit facility is in
7 excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether
8 as a result of the inclusion in the credit facility of a provision for the payment of interest for a
9 limited period of time or the payment of a redemption premium or for any other reason, then the
10 amount of authorized but unissued bonds or notes during the term of such credit facility shall not
11 be less than the amount of such excess, unless the payment of such excess is otherwise provided
12 for by agreement of the State executed by the State Treasurer.

13 **SECTION 36.13.(k)** Interpretation of Section. –

- 14 (1) Additional method. – The foregoing subsections of this section shall be
15 deemed to provide an additional and alternative method for the doing of the
16 things authorized under it and shall be regarded as supplemental and
17 additional to powers conferred by other laws and shall not be regarded as in
18 derogation of any powers now existing.
- 19 (2) Statutory references. – References in this section to specific sections or
20 Chapters of the General Statutes or to specific acts are intended to be
21 references to such sections, Chapters, or acts as they may be amended from
22 time to time by the General Assembly.
- 23 (3) Broad construction. – This section, being necessary for the health and welfare
24 of the people of the State, shall be broadly construed to effect the purposes
25 thereof.
- 26 (4) Inconsistent provisions. – Insofar as the provisions of this section are
27 inconsistent with the provisions of any general, special, or local laws, or parts
28 thereof, the provisions of this section shall be controlling.
- 29 (5) Severability. – If any provision of this section or the application thereof to any
30 person or circumstance is held invalid, such invalidity shall not affect other
31 provisions or applications of the section which can be given effect without the
32 invalid provision or application, and to this end the provisions of this section
33 are declared to be severable.

34 **SECTION 36.13.(l)** This section is effective when it becomes law.

35
36 **PART XXXVII. DEPARTMENT OF INFORMATION TECHNOLOGY**

37
38 **GROWING RURAL ECONOMIES WITH ACCESS TO TECHNOLOGY PROGRAM**
39 **MODIFICATION**

40 **SECTION 37.1.(a)** G.S. 143B-1373 reads as rewritten:

41 **"§ 143B-1373. Growing Rural Economies with Access to Technology (GREAT) program.**

- 42 (a) As used in this section, the following definitions apply:

- 43 ...
- 44 (5) Eligible economically distressed county. – A county designated as a
45 development tier one or tier two area, as defined in G.S. 143B-473.08.
- 46 (6) Eligible project. – An eligible project is a discrete and specific project located
47 in an unserved area or areas of an economically distressed county or
48 contiguous counties seeking to provide broadband service to homes,
49 businesses, and community anchor points not currently served. Eligible
50 projects do not include middle mile, backhaul, and other similar projects not
51 directed at broadband service to end users.

1 ...

2 (9a) Low-cost service offering. – A broadband service that offers, during the
3 2019-2021 fiscal biennium, a monthly service charge of not more than fifteen
4 dollars (\$15) for 25 Megabits per second download speeds and three Megabits
5 per second upload speeds and does not impose data caps or require other
6 provider-imposed service fees, not including taxes and 911 or other State or
7 federally required fees.

8 ...

9 (14) Unserved area. – A designated contiguous geographic area that is presently
10 without access to broadband service, as defined in this section, offered by a
11 wireline or fixed wireless provider. Areas where a private provider has been
12 designated to receive funds through other State or federally funded programs
13 designed specifically for broadband deployment shall be considered served if
14 such funding is intended to result in construction of broadband in the area
15 within 18 months.

16 ...

17 (c) Project areas comprised of census blocks, or portions thereof, within which a
18 broadband provider is receiving State or federal matching funds to deploy technologically neutral
19 scalable broadband service within the next ~~48-12~~ months are ineligible for the GREAT program.
20 It is essential for the Office to know the ~~location of census blocks, or portions thereof, comprising~~
21 ~~these areas~~ locations so it can determine project eligibility. A private provider receiving State or
22 federal matching funds to deploy broadband service within such an area shall, within 60 days of
23 the effective date of this section, submit only a listing of the census blocks, or portions thereof,
24 comprising each of its federally funded project areas meeting this requirement and nothing more
25 to the Office. In future program years, the cutoff date for submitting this census block data shall
26 be May 15. This will enable the office to update maps and advise applicants as to the unserved
27 areas of the State that are eligible for consideration in that program year. The Office shall only
28 utilize this data to update maps of census blocks to reflect these census blocks, or portions thereof,
29 as being served. Failure on the part of a provider to submit the listing of census blocks by the
30 cutoff date shall result in those areas being eligible for inclusion under this program during the
31 upcoming program year. The Office shall use the census block data provided only for mapping
32 of unserved areas. Information provided to the Office pursuant to this subsection is not a public
33 record, as that term is defined in G.S. 132-1.

34 ...

35 (e) Applications shall be made publicly available by posting on the Web site of the
36 Department of Information Technology for a period of at least 30 days prior to award. ~~During~~
37 ~~the 30 day period, any interested party may submit comments to the Secretary concerning any~~
38 ~~pending application.~~ A provider of broadband services may submit a protest of any application
39 on the grounds the proposed project covers an area that Internet service provider currently serves
40 and is not an eligible area under this section. Protests shall be submitted in writing, accompanied
41 by all relevant supporting documentation, and shall be considered by the Office in connection
42 with the review of the application. For applications with filed protests, the Secretary shall issue
43 a written decision to the protesting party at least 15 days prior to the approval of that application.

44 ...

45 (g) Applications shall be scored based upon a system that awards a single point for criteria
46 considered to be the minimum level for the provision of broadband service with additional points
47 awarded to criteria that exceed minimum levels. The Office shall score project applications in
48 accordance with the following:

49 ...

50 (6) Base speed multiplier. – Projects that will provide minimum download and
51 minimum upload speeds shall have the aggregate points given under

subdivisions (1) through (5) of this subsection multiplied by a factor at the level indicated in the table below:

Minimum Download:	Score Multiplier
Minimum Upload	
10:1 Mbps.	0.95
25:3 Mbps. or greater	1.35
<u>100:50 Mbps. or greater</u>	<u>2.0</u>

(7) The Office shall award three points for any project that will offer a low-cost service offering for a qualified low-income household or accepts Lifeline support in that project area.

(i) Applications receiving the highest score shall receive priority status for the awarding of grants pursuant this section. Applicants awarded grants pursuant to this section shall enter into an agreement with the Office. The agreement shall contain all of the elements outlined in subsection (d) of this section and any other provisions the Office may require. The agreement shall contain a provision governing the time line and minimum requirements and thresholds for disbursement of grant funds measured by the progress of the project. Grant funds shall be disbursed only upon verification by the Office that the terms of the agreement have been fulfilled according to the progress milestones contained in the agreement. At project completion, the grant recipient shall certify and provide to the Office evidence consistent with Federal Communications Commission attestation that the proposed minimum upstream and minimum downstream broadband speeds identified in the application guidelines, and for which a base speed multiplier was awarded pursuant to subdivision (6) of subsection (g) of this section, are available throughout the project area prior to any end user connections. A single grant award shall not exceed two million dollars (\$2,000,000). No more than one grant may be awarded per fiscal year for a project in any one ~~eligible economically distressed county area.~~

...
 (k) The Office shall require that grant recipients offer the proposed ~~advertised~~ minimum download and minimum upload transmission speeds identified in the project application for the duration of the five-year service agreement. At least annually, a grant recipient shall provide to the Office evidence consistent with Federal Communications Commission attestation that the grant recipient is making available the proposed advertised speed, or a faster speed, as contained in the grant agreement. For the duration of the agreement, grant recipients shall disclose any changes to data caps for the project area that differ from the data caps listed in the grant application to the Office.

...
 (o) The Department of Information Technology shall submit an annual report to the Office of State Budget and Management, the Joint Legislative Oversight Committee for Information Technology and the Fiscal Research Division on or before September 1. The report shall contain at least all of the following:

...."

SECTION 37.1.(b) The Department of Information Technology may expend up to two hundred fifty thousand dollars (\$250,000) from the program's annual appropriation for grant administration and monitoring costs during the 2019-2021 biennium.

HOMEWORK GAP INITIATIVE

SECTION 37.2.(a) The Department of Information Technology, in consultation with the Department of Public Instruction, is authorized to establish and administer a pilot Homework Gap Grants program to provide Internet access to students and teachers who do not have, or who cannot afford, home Internet service. The Department of Information Technology's Broadband Infrastructure Office shall work with the Department of Public Instruction to initiate a one-year grant program that will serve as the foundation for a long-term solution for students and teachers

1 who lack broadband service. Grants shall be provided to Local Education Agencies to purchase
2 equipment and services for individual student and teacher use, and to provide WiFi on school
3 buses. Funds appropriated in this act to implement the grant program shall be allocated in the
4 following manner:

- 5 (1) Four million five hundred thousand dollars (\$4,500,000) to provide grants to
6 Local Education Agencies for the purchase of mobile hotspot devices, service
7 for the hotspots, and equipment and mobile service to provide WiFi on school
8 buses.
- 9 (2) Two hundred fifty thousand dollars (\$250,000) to administer the grant
10 program and conduct research on the size and scope of the homework gap.
- 11 (3) One hundred twenty-five thousand dollars (\$125,000) for a third-party
12 evaluation of the pilot year and progress made toward closing the homework
13 gap.
- 14 (4) One hundred twenty-five thousand dollars (\$125,000) for mobile service
15 testing to ensure mobile hotspot devices can provide adequate access for
16 at-home educational needs.

17 Upon approval of a Local Education Agency's grant request, funding will be
18 transferred to the Department of Public Instruction for distribution.

19 **SECTION 37.2.(b)** The Broadband Infrastructure Office shall develop a strategy to
20 support the affordability of broadband service, including potential partnerships and private
21 sources of funding to support the effort. The Department of Information Technology shall
22 negotiate with wireless providers to lower monthly subscription rates for mobile hotspots and
23 establish convenience contracts Local Education Agencies shall use to purchase equipment and
24 services for the program.

25 **SECTION 37.2.(c)** The Broadband Infrastructure Office, in consultation with the
26 Department of Public Instruction, shall establish qualifying grant criteria that include a
27 district-wide survey measuring the homework gap and demonstrated progress toward the NC
28 Digital Learning Plan. Implementation should begin no later than the 2019-2020 school year.

29 **SECTION 37.2.(d)** The Broadband Infrastructure Office shall collect data on the
30 impact of the Homework Grants program. Specific data shall include the following:

- 31 (1) Number of students and teachers impacted.
- 32 (2) Number of buses equipped.
- 33 (3) Cost or cost range of services.

34 **SECTION 37.2.(e)** On or before March 1, 2020, the Broadband Infrastructure Office
35 shall submit a report to the Office of State Budget and Management, the Joint Legislative
36 Committee on Information Technology and the Joint Legislative Committee on Education. The
37 report shall contain at least the following:

- 38 (1) Status of the Homework Gap Grants Program.
- 39 (2) Number and amounts of grants awarded.
- 40 (3) Number of students and teachers impacted.

41 **SECTION 37.2.(f)** On or before March 1, 2021, the State Chief Information Officer,
42 in conjunction with the Department of Public Instruction and the third-party evaluator, shall
43 prepare a plan to bridge the homework gap that includes the following:

- 44 (1) Information regarding the size and scope of the homework gap throughout the
45 State.
 - 46 (2) A strategy to provide affordable broadband access for students and teachers
47 falling within the homework gap, including the exploration of additional
48 outside sources of funding to support the effort.
 - 49 (3) Analysis of means, methods, and best practices to achieve statewide universal
50 Internet access for students and teachers.
- 51

1 INFORMATION TECHNOLOGY OVERSIGHT BOARD AND RESERVE

2 **SECTION 37.3.(a)** There is established the Information Technology Oversight
3 Board, which shall be located within the Department of Information Technology for
4 organizational, budgetary, and administrative purposes.

5 **SECTION 37.3.(b)** The Board consists of the following members:

- 6 (1) The State Chief Information Officer, who shall serve as chair.
- 7 (2) The State Budget Officer.
- 8 (3) The State Controller.
- 9 (4) The Secretary of Administration.
- 10 (5) One member of the Council of State, appointed by the Governor.
- 11 (6) The Director of the Administrative Office of the Courts.
- 12 (7) Two members of the North Carolina Senate, appointed by the General
13 Assembly upon the recommendation of the President Pro Tempore of the
14 Senate in accordance with G.S. 120-121.
- 15 (8) Two members of the North Carolina House of Representatives, appointed by
16 the General Assembly upon the recommendation of the Speaker of the House
17 of Representatives in accordance with G.S. 120-121.
- 18 (9) One citizen of the State of North Carolina with a background in and familiarity
19 with information technology, appointed by the Governor.
- 20 (10) The State Auditor, who shall serve as a non-voting member.

21 Initial terms shall commence on July 1, 2019.

22 **SECTION 37.3.(c)** The Board shall have the following powers and duties:

- 23 (1) To review and approve information technology projects for funding from
24 appropriations made to the Information Technology Reserve established in
25 subsection (j). The Board shall establish standards and procedures for its
26 review and approval of funding requests, including but not limited to the
27 requirement for an agency requesting funding to provide:
 - 28 a. A statement of its needs for information technology and related
29 resources, including expected improvements to program or business
30 operations.
 - 31 b. A statement setting forth the requirements for Information Technology
32 Reserve funding that takes into consideration current technology and
33 operations for technology sharing.
 - 34 c. A statement setting forth viable alternatives, if any, for meeting agency
35 needs in an economical and efficient manner.
- 36 (2) To adjust the standards and procedures for its review and approval of projects,
37 as required by paragraph (1), according to the following levels of estimated
38 total cost of ownership:
 - 39 a. Projects with a total cost of ownership estimated as less than \$1
40 million.
 - 41 b. Projects with a total cost of ownership estimated as greater than or
42 equal to \$1 million but less than \$10 million.
 - 43 c. Projects with a total cost of ownership estimated as greater than or
44 equal to \$10 million.
- 45 (3) To monitor the cost, schedule, and deliverables of information technology
46 projects receiving money from the Information Technology Reserve and to
47 monitor the progress of projects underway before the establishment of the
48 Reserve with a total cost of ownership estimated as greater than or equal to
49 \$10 million. The Board shall determine the monitoring schedule and
50 procedures, except that each project receiving money from the Reserve shall

1 provide the Board with quarterly reports and come before the Board for review
2 at least annually.

3 (4) To adjust the standards and procedures for monitoring projects, as required by
4 paragraph (3), according to the following levels of estimated total cost of
5 ownership:

6 a. Projects with a total cost of ownership estimated as less than \$1
7 million.

8 b. Projects with a total cost of ownership estimated as greater than or
9 equal to \$1 million but less than \$10 million.

10 c. Projects with a total cost of ownership estimated as greater than or
11 equal to \$10 million.

12 (5) To suspend funding for any project that has received funding from the
13 Reserve, or any project underway before the establishment of the Reserve with
14 a total cost of ownership estimated as greater than or equal to \$10 million. The
15 suspension must be based on the Board's finding that the project is not in
16 compliance with the schedule, budget, and quality standards set forth when
17 the project was approved for funding. The Board shall report any suspension
18 immediately to the State CIO, the Office of the State Controller, the Office of
19 State Budget and Management, the Joint Legislative Oversight Committee on
20 Information Technology, and the Fiscal Research Division. The Office of
21 State Budget and Management shall not permit any additional expenditure of
22 funds for a project that has been suspended by the Board.

23 **SECTION 37.3.(d)** No Board member shall be employed by or serve on the board
24 of directors or other corporate governing body of any information technology or systems,
25 computer hardware, computer software, or telecommunications vendor of goods and services to
26 the State of North Carolina.

27 **SECTION 37.3.(e)** No Board member shall be financially interested, or have any
28 personal beneficial interest, either directly or indirectly, in the purchase of, or contract for, any
29 information technology, nor in any firm, corporation, partnership, or association furnishing any
30 information technology to the State government or any of its departments, institutions, or
31 agencies, nor shall a Board member accept or receive, directly or indirectly, from any person,
32 firm, or corporation to whom any contract may be awarded, by rebate, gifts, or otherwise, any
33 money or anything of value whatsoever, or any promise, obligation, or contract for future reward
34 or compensation.

35 **SECTION 37.3.(f)** The Board shall adopt written bylaws and any other policies
36 needed to govern its operations, including rules governing the Board's meeting procedures. The
37 Board shall meet at least quarterly and may hold additional meetings upon the call of the Chair.

38 **SECTION 37.3.(g)** No member of the Board who represents an executive branch
39 agency shall vote on a matter affecting solely his or her own State agency.

40 **SECTION 37.3.(h)** The Department of Information Technology shall provide
41 primary staff support to the Board with assistance from the Office of State Budget and
42 Management and the Office of the State Controller as needed.

43 **SECTION 37.3.(i)** The Department of Information Technology retains the
44 operational powers and duties set forth in G.S. 143B-1321 and the State Chief Information
45 Officer retains the operational duties set forth in G.S. 143B-1322.

46 **SECTION 37.3.(j)** There is established an Information Technology Reserve which
47 shall make funds available for expenditure only upon an act of appropriation by the General
48 Assembly. The Information Technology Oversight Board established by subsection (a) shall
49 approve expenditures from the Reserve for information technology projects, which have a
50 defined start and end point, specific objectives that signify completion, and are undertaken to
51 implement or deliver a unique product, system, or service pertaining to information technology.

1 **SECTION 37.3.(k)** Of the amount in the Reserve, funds shall be allocated in the
2 following manner:

- 3 (1) The sum of fifteen million dollars (\$15,000,000) shall be allocated to the
4 Administrative Office of the Courts for the Integrated Case Management
5 System ("eCourts").
6 (2) The sum of twenty million dollars (\$20,000,000) shall be allocated to the
7 Department of Public Instruction for the School Business Systems
8 Modernization ERP project.
9 (3) The sum of fifteen million dollars (\$15,000,000) shall be allocated to the
10 Department of Public Safety for the Voice Interoperability Plan for
11 Emergency Responders (VIPER) and other 911 system needs.
12 (4) The sum of ten million dollars (\$10,000,000) shall be allocated to the Office
13 of the State Controller for the development of the statewide Financial
14 Accounting system (Financial Backbone) project.
15 (5) The sum of fifteen million dollars (\$15,000,000) shall be allocated to the
16 North Carolina Community College System for the planning and
17 implementation of a modernized ERP for the state's 58 community colleges.

18 **SECTION 37.3.(l)** The funds in the Reserve shall only be used for projects listed in
19 subsection (k) and additional projects approved by the Information Technology Oversight Board,
20 which shall direct the Office of State Budget and Management to release funding as approved by
21 the Board.

22 **SECTION 37.3.(m)** The provisions of this section do not apply to the University of
23 North Carolina or its constituent institutions.
24

25 **IDENTITY AND ACCESS MANAGEMENT**

26 **SECTION 37.4.** Of the funds appropriated to the Department of Information
27 Technology for the 2019-2021 fiscal biennium, the Department may use the sum of four million
28 dollars (\$4,000,000) from the Internal Service Fund balance to fund the Identity and Access
29 Management project, in addition to any other available funds, for the purpose of providing a
30 modern and secure identity management system for State technology applications.
31

32 **DEPARTMENT OF INFORMATION TECHNOLOGY RATES**

33 **SECTION 37.5.** For the 2019-2020 fiscal year, the Department of Information
34 Technology's budget requirements and associated rates shall be developed based on actual
35 service costs for fiscal year 2018-2019. For the 2020-2021 fiscal year, budget requirements and
36 associated rates shall be developed based on actual service costs for fiscal year 2019-2020.
37

38 **PART XXXVIII. FINANCE PROVISIONS**

39 **HISTORIC REHABILITATION TAX CREDIT**

40 **SECTION 38.1.(a)** G.S. 105-129.105(a) is amended by adding a new subdivision to
41 read:
42

43 "(4) Disaster zone bonus. – An amount equal to five percent (5%) of qualified
44 rehabilitation expenditures not exceeding twenty million dollars
45 (\$20,000,000) if the certified historic structure is located in a North Carolina
46 county that has been designated as eligible for both individual and public
47 assistance by the Federal Emergency Management Agency during the current
48 tax year or the previous tax year."

49 **SECTION 38.1.(b)** G.S. 105-129.106 is amended by adding a new subsection to
50 read:

1 "(b1) If the non-income-producing certified historic structure is located in a county that has
2 been designated as eligible for both individual and public assistance by the Federal Emergency
3 Management Agency during the current tax year or the previous four taxable years, the taxpayer
4 may claim a credit under this section no more than twice in any five-year period, carryovers
5 notwithstanding."

6 **SECTION 38.1.(c)** G.S. 105-129.110 is repealed.

7 **SECTION 38.1.(d)** Subsections (a) and (b) of this section are effective for taxes
8 imposed for taxable years beginning on or after January 1, 2019.

9 10 **PART XXXIX. MISCELLANEOUS PROVISIONS**

11 12 **STATE BUDGET ACT APPLIES**

13 **SECTION 39.1.** The provisions of the State Budget Act, Chapter 143C of the
14 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
15 this act by reference.

16 17 **COMMITTEE REPORT**

18 **SECTION 39.2.(a)** The Joint Conference Committee Report on the Base, Capital,
19 and Expansion dated June 30, 2019, which was distributed in the Senate and the House of
20 Representatives and used to explain this act, shall indicate action by the General Assembly on
21 this act and shall, therefore, be used to construe this act, as provided in the State Budget Act,
22 Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered
23 a part of this act and, as such, shall be printed as a part of the Session Laws.

24 **SECTION 39.2.(b)** The budget enacted by the General Assembly is for the
25 maintenance of the various departments, institutions, and other spending agencies of the State
26 for the 2019-21 biennial budget as provided in G.S. 143C-3-5. This budget includes the
27 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

28 The Director of the Budget submitted a recommended base budget to the General
29 Assembly in the Governor's Recommended Budget for the 2019-2021 fiscal biennium, dated
30 March 2019, and in the Budget Support Document for the various departments, institutions, and
31 other spending agencies of the State. The adjustments to the recommended base budget made by
32 the General Assembly are set out in the Committee Report.

33 **SECTION 39.2.(c)** The budget enacted by the General Assembly shall also be
34 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other
35 appropriate legislation. In the event that there is a conflict between the line-item budget certified
36 by the Director of the Budget and the budget enacted by the General Assembly, the budget
37 enacted by the General Assembly shall prevail.

38 **SECTION 39.2.(d)** Notwithstanding subsection (a) of this section, the following
39 portions of the Committee Report are for reference, and do not expand, limit, or define the text
40 of the Committee Report:

- 41 (1) Summary pages setting forth the enacted budget, the legislative changes, the
42 revised budget, and the related FTE information for a particular budget code
43 and containing no other substantive information.
- 44 (2) Summary pages setting forth the enacted budget, the legislative changes, the
45 revised budget, and the related FTE information for multiple fund codes
46 within a single budget code and containing no other substantive information.

47 48 **REPORT BY FISCAL RESEARCH DIVISION**

49 **SECTION 39.3.** The Fiscal Research Division shall issue a report on budget actions
50 taken by the 2019 Regular Session of the General Assembly. The report shall be in the form of a
51 revision of the Committee Report pursuant to G.S. 143C-5-5. The Director of the Fiscal Research

1 Division shall send a copy of the report issued pursuant to this section to the Director of the
2 Budget. The report shall be published on the General Assembly's Internet Web site for public
3 access.
4

5 **MOST TEXT APPLIES ONLY TO THE 2019-2021 FISCAL BIENNIUM**

6 **SECTION 39.4.** Except for statutory changes or other provisions that clearly indicate
7 an intention to have effects beyond the 2019-2021 fiscal biennium, the textual provisions of this
8 act apply only to funds appropriated for, and activities occurring during, the 2019-2021 fiscal
9 biennium.
10

11 **EFFECT OF HEADINGS**

12 **SECTION 39.5.** The headings to the Parts, subparts, and sections of this act are a
13 convenience to the reader and are for reference only. The headings do not expand, limit, or define
14 the text of this act, except for effective dates referring to a Part or subpart.
15

16 **SEVERABILITY CLAUSE**

17 **SECTION 39.6.** If any section or provision of this act is declared unconstitutional
18 or invalid by the courts, it does not affect the validity of this act as a whole or any part other than
19 the part so declared to be unconstitutional or invalid.
20

21 **EFFECTIVE DATE**

22 **SECTION 39.7.** Except as otherwise provided, this act becomes effective July 1,
23 2019.