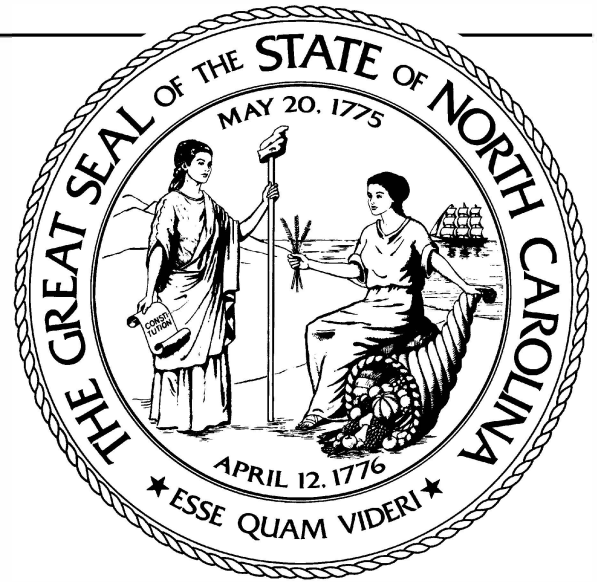


Report on **EDUCATION LEGISLATION**

2016 Session of the General Assembly



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SBE MISSION: The State Board of Education will use its constitutional authority to lead and uphold the system of public education in North Carolina.

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M0816

North Carolina General Assembly 2016 Short Session

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About this Publication

The 2016 Report on Education Legislation was compiled by Rachel Beaulieu (Legislative and Community Relations Director), Robb Jansen (Policy Analyst and Legislative Liaison for SBE), Arianna Allen and Bailey Franklin (summer interns) and Anne Murtha (Legislative Specialist). It was produced and printed by the Division of Communications and Information, Department of Public Instruction. Electronic copies are available at <http://legislative.ncpublicschools.gov/resources-for-legislation/2016-short-session>. For printed copies, please visit the NCDPI Publications and Sales website at <http://www.ncpublicschools.org/publications/>.

2016 Report on Education Legislation – Index of Chaptered Bills

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2016 Report on Education Legislation – Money Report

2016 MONEY REPORT

SL 2016-94 (HB 1030)

Conference Report on Base, Capital, and Expansion Budget

Items affecting public education only

SECTION F: K-12 EDUCATION - PUBLIC SCHOOLS	FY 16-17 Certified		FY 16-17 Adjustments	
Continuation Budget <i>(Enrollment growth not included here; fully funded as expansion adjustment. See A.11. below.)</i>	\$8,106,033,100			
A. <u>Reserve for Salaries & Benefits</u>				
1. Teachers/Instructional Support Personnel Compensation • 4.7% on Average Increase for 2016-17	\$62,171,653	R	\$190,947,111	R
2. School-Based Admin Compensation • 1.5% on Average Increase for 2016-17 Step Increases • 0.5% One-Time Bonus for 2016-17 (Section 36.16 of Budget)	\$4,550,919	R	\$8,443,728 \$1,610,575	R NR
3. Non-Certified/Central Office Compensation • 1.5% Salary Increase • 0.5% One-Time Bonus for 2016-17 (Section 36.16 of Budget)			\$21,032,217 \$7,010,739	R NR
4. Merit-Based Bonuses for Non-Educator LEA Employees for 2016-17 (Section 36.1A of Budget)			\$17,242,627	NR
5. DPI & State Agency Teacher Salaries	\$216,430	R	\$1,227,599 \$223,588	R NR
6. Retirement Contribution – LEA Personnel • Adjusted Contribution and One-Time 1.6% COLA	\$6,308,775	R	\$18,594,062 \$27,891,094	R NR
7. Retirement Contribution – DPI Personnel • Adjusted Contribution and One-Time 1.6% COLA	\$49,396	R	\$143,478 \$215,216	R NR
¹ State Health Plan Contribution – LEA Personnel	\$14,124,040	R		
State Health Plan Contribution – DPI	\$77,199	R		
8. 3rd Grade Reading Teacher Merit Pay Pilot			\$10,000,000	NR
B. <u>Technical Adjustments</u>				
9. Average Daily Membership (ADM) Growth – Fully Funded • 1,543,518 ADM total in FY 2016-17	\$100,236,542	R	\$46,781,057	R

¹ Unnumbered and unbolded line items herein are from the 2015 Budget only; no adjustments in 2016 Budget.

SECTION F: K-12 EDUCATION - PUBLIC SCHOOLS	FY 16-17 Certified		FY 16-17 Adjustments	
10. Noninstructional Support Personnel Allotment – General Fund/Lottery Swap-Out <ul style="list-style-type: none"> Total requirements remain the same at \$372,266,860 and will now be fully funded through Lottery receipts. 	(\$314,950,482)	R	(\$57,316,378)	R
Lottery/General Fund Swap-Out for Classroom Teacher Allotment	\$254,586,185	R		
11. Exceptional Children Headcount <ul style="list-style-type: none"> Adjusted to Reflect Actual Headcount 	\$404,103	R	(\$2,349,715)	R
Average Certified Personnel Salaries	(\$14,977,035)	R		
Civil Penalties	(\$3,978,850)	R		
C. <u>Other Public School Funding Adjustments</u>				
12. AP/IB Teacher Merit Bonuses			\$4,300,000	NR
13. CTE Teacher Merit Bonuses			\$600,000	NR
14. Instructional Supplies <ul style="list-style-type: none"> Revised net appropriation: \$47 million 			\$2,500,000	R
15. AP Summer Professional Development Institutes <ul style="list-style-type: none"> Revised net appropriation for AP partnership: \$1.6 million 			\$126,000	NR
16. Digital Learning Plan			\$4,000,000 \$700,000	R NR
17. Textbooks and Digital Materials <ul style="list-style-type: none"> Revised net appropriation: \$71.5 million 	\$31,030,837	R	\$10,000,000	NR
18. At-Risk Student Supplemental Funding Allotment <ul style="list-style-type: none"> Set-Aside for After-School Grant Program 			(\$4,784,539) \$2,000,000	R NR
19. Central Office <ul style="list-style-type: none"> Reduces funding by 2.6% Revised net appropriation: \$92.6 million 			(\$2,500,000)	R
20. Transportation <ul style="list-style-type: none"> Revised net appropriation: \$399.4 million 	(\$25,079,807)	R	(\$2,000,000)	R
21. Panic Alarms <ul style="list-style-type: none"> Last allocation needed for Installation 			(\$900,000) \$100,000	R NR
22. Teacher Compensation Models and Advanced Teaching Roles			\$1,000,000 \$100,000	R NR
23. NC Education Endowment Fund			\$5,000,000	R
Low Wealth Supplemental Funding Allotment	(\$10,091,091)	R		
Teacher Assistants	\$138,134,525	R		
Classroom Teachers <ul style="list-style-type: none"> Reduce Grade 1 Funded Class Size to 1:16 	\$26,898,798	R		
School Connectivity <ul style="list-style-type: none"> Enhance Wi-Fi Infrastructure 	\$12,000,000	R		

SECTION F: K-12 EDUCATION - PUBLIC SCHOOLS	FY 16-17 Certified		FY 16-17 Adjustments	
Cooperative/Innovative High Schools • New CIHSs in Pitt, Watauga, and Wilson	\$932,007	R		
Cooperative/Innovative High Schools • Tuition for Dual Enrollment	\$800,000	R		
ADM Contingency Reserve • Funds to offset costs associated with Virtual Charter Schools pilots	\$2,500,000	R		
Read to Achieve Reading Camps • Enrollment for 1 st and 2 nd Graders	\$20,000,000	R		
Excellent Public Schools Act	\$8,520,748	R		
EVAAS Capacity Expansion	\$871,474	R		
Driver Education (See Section 5.2 of 2016 Budget)	<i>Funds from Civil Fines and Forfeitures</i>			
NE Regional School of Biotechnology and Agriscience	\$310,669	R		
D. <u>Pass-Through Funds/Grants</u>				
24. Teacher Assistant Tuition Reimbursement Pilot Program			\$112,500	R
25. Triangle Literacy Program			\$690,000	NR
26. Muddy Sneakers			\$500,000	NR
27. Communities in Schools of Cape Fear			\$50,000	NR
Beginnings for Children, Inc.	\$84,486	R		
Eastern NC Summer STEM Program	\$180,000	NR		
E. <u>Department of Public Instruction</u>				
28. DPI Reduction • Revised net appropriation for DPI operations: \$44.6 million	(\$2,500,000)	R	(\$250,000)	NR
29. SBE Legal Services (Note: these funds will revert to the General Fund because SB 867 did not pass)			\$140,000	R
30. Licensure System Update (Note: these funds will revert to the General Fund because SB 867 did not pass)			\$250,000	NR
31. Alternative Teacher Prep Pilot Program			\$500,000	NR
Total Legislative Changes to Base	\$313,231,521	R	\$230,071,120	R
	\$180,000	NR	\$83,859,839	NR
Revised Budget	\$8,419,444,621			
Revised Budget After Adjustments			\$8,733,375,580	

OTHER MONEY PROVISIONS (*Numbering is original to Money Report . Only excerpts relevant to public education listed below; therefore, numbers are not consecutive.)	FY 16-17 Original		FY 16-17 Adjustments	
SECTION F: COMMUNITY COLLEGES				
41. *Youth Apprenticeship Tuition Waiver			\$110,000	NR
46. Competency-Based Education Incubator			\$500,000	NR
NC Works Career Coaches	\$150,000	R		
SECTION F: UNC SYSTEM				
53. UNC Lab School Administration			\$1,000,000	NR
68. Principal Preparation Program • Revised net appropriation: \$4.5 million	\$1,000,000	R	\$3,500,000	R
69. Special Education Scholarships • Revised net appropriation: \$10 million	\$250,000	R	\$5,800,000	R
70. Opportunity Scholarship Grant Fund Reserve	\$14,000,000	R	\$34,840,000	NR
Hunt Institute	(\$737,230)	R		
Academic Summer Bridge Program	(\$1,193,000)	R		
ASU: Recruit Community College Students Pilot	\$140,868	NR		
SECTION G: DEPARTMENT OF HEALTH AND HUMAN SERVICES				
18. NC Pre-K Federal Funds • Replaces state funds with Federal TANF Funds	(\$12,333,981)	R	(\$6,430,899)	NR
19. NC Pre-K Direct Funding • Funding to serve an additional 260 children. Total number of slots: 29,400. • Revised net appropriation: \$47.8 million.	\$2,323,599	R	\$1,325,000	R
58. Union County Schools – Best Start Program			\$250,000	NR
NC Early Childhood Integrated Data System	\$699,690	R		
SECTION H: DEPARTMENT OF COMMERCE				
53. NCWorks – Apprenticeship Program • Revised net appropriations: \$1.4 million			\$500,000	NR
SECTION H: DEPARTMENT OF NATURAL AND CULTURAL RESOURCES				
81. Statewide Children’s Digital Library			\$200,000	NR

OTHER MONEY PROVISIONS (*Numbering is original to Money Report . Only excerpts relevant to public education listed below; therefore, numbers are not consecutive.)	FY 16-17 Original		FY 16-17 Adjustments	
SECTION I: DEPARTMENT OF JUSTICE AND PUBLIC SAFETY				
12. School Risk Management Plans			\$507,784	NR
SECTION J: OFFICE OF STATE BUDGET AND MANAGEMENT – SPECIAL				
38. CTE Education School Renovation Fun <ul style="list-style-type: none"> Onslow County – Funds for a regional CTE center 			\$5,000,000	NR
47. Communities in Schools of Caldwell County <ul style="list-style-type: none"> Funds to relocate a historical building within the City of Lenoir 			\$100,000	NR
54. School Construction Funds <ul style="list-style-type: none"> Jones County – Collocated Middle and High School 			\$3,000,000	NR
57. New Hanover County <ul style="list-style-type: none"> New Hanover County Board of Education – Funds for new CTE High School in partnership with Cape Fear Community College. 			\$1,000,000	NR
SECTION L: STATEWIDE RESERVES				
1. Public Schools Average Daily Membership (ADM) <ul style="list-style-type: none"> Eliminates the ADM Reserve. Funding for increased ADM is in DPI Budget, Section F, #9 above. 	\$107,000,000	R	(\$107,000,000)	R
5. Minimum of Market Adjustment Reserve <ul style="list-style-type: none"> Office of State Human Resource cannot commence implementation of Statewide Compensation System Project until after February 1, 2017. 			(\$12,000,000)	R
6. Pending Legislation (including, but not limited to HB 1080, Achievement School District (SL 2016-110))			\$1,000,000 \$200,000	R NR
SECTION N: INFORMATION TECHNOLOGY				
9. P-20 SchoolWorks System			\$270,000	R

2016 Report on Education Legislation – Summary of Special Provisions

SESSION LAW 2016-94

House Bill 1030

<http://ncleg.net/Sessions/2015/Bills/House/PDF/H1030v8.pdf>

Appropriations Act of 2016

Effective July 1, 2016, except as otherwise provided in SL 2016-94

(Please see reports by the Department of Public Instruction (DPI) and its Financial & Business Services Division for funding-related requirements: <http://www.ncpublicschools.org/fbs/budget>. For complete language on each budget provision summarized below, please see the Session Law 2016-94 link in the title above or the tab in this Report entitled, “Budget Bill Excerpts.” *Listings below only include excerpts involving K-12 public education.*)

PART V. OTHER APPROPRIATIONS

Section 5.1.(a) Education Lottery Funds/Net Revenue Transfers

Appropriations made from the Education Lottery Fund for the 2015-17 fiscal biennium remained unchanged, aside from an increase in funds allotted to non-instructional support personnel. In FY 2015-16, these personnel received \$310,455,157 of lottery funds; in 2016-17, however, that funding increases to \$372,266,860. The table below shows how projected lottery funds are allocated (*Note: Excess lottery revenues from 2015-16 are to be deposited in the Lottery Reserve Fund.*):

	2016-17	% of Total
Noninstructional Support Personnel	\$372,266,860	62.9%
NC Pre-K	\$78,252,110	13.2%
Public School Building Capital Fund	\$100,000,000	16.9%
Scholarships for Needy Students	\$30,450,000	5.1%
UNC Need-Based Financial Aid	\$10,744,733	1.8%
TOTAL	\$591,713,703	

Section 5.2 Civil Penalty and Forfeiture Fund/Revisions

Revises 2015 Session Law and establishes that the proceeds of the newly-established motor vehicle registration late fee charged under G.S. 20-88.03 will be used permanently as a dedicated revenue stream for the drivers education program administered by DPI.

PART VI. GENERAL PROVISIONS

Section 6.25 of SL 2015-241 is Applicable to Both Fiscal Years

Directs agencies to abolish all positions (pursuant to certain conditions) that have been vacant for over 12 months as of April 17, 2016. Modifies 2015 Session Law to require the same process for eliminating vacant positions in 2016 (as was used in 2015). Directs the Office of State Budget and Management to report to the General Assembly's Fiscal Research Division by December 1, 2016, on the implementation of this section.

PART VII. DEPARTMENT OF INFORMATION TECHNOLOGY

Section 7.1 Information Technology Fund Allocations

Funding allocated to the Government Data Analytics Center (GDAC) increased from \$9,101,255 for FY 2015-16 to \$10,061,255 for FY 2016-17. From the Information Technology Reserve Fund: GDAC is to receive \$8,280,000 in funding from this source in FY 2016-17 (was \$8,100,000 in 2015-16).

Section 7.4 IT Reporting Changes

Requires the State Chief Information Officer to develop a biennial State Information Technology plan that now includes the use of cloud-based computing by State agencies.

Section 7.5 Use of Cash Balance for IT Rate Credits

Directs the Department of Information Technology (DIT) to use \$1,534,623 as a credit to DPI for subscription fees, telephone rates, and computer rates that DIT has billed to DPI.

Section 7.9.(b) Data Center Consolidation Exemption for Cloud-Based Solutions

Applications that are sold and delivered as cloud-based solutions are not subject to the requirements of this subsection (with the approval of the State Chief Information Officer).

Section 7.14 Governmental Data Analytics Center/Longitudinal Data System Board

Slightly revises Chapter 116E, "Educational Longitudinal Data System" and essentially strikes the "Board" of the Longitudinal Data System and replaces said Board with GDAC, such that the latter has the responsibilities that the now obsolete Board previously had. Fully repeals 116E-3, the statute that had set forth the members, etc., of the former Board.

PART VIII: PUBLIC SCHOOLS

Section 8.1 Funds for Children with Disabilities

Increases supplemental funding for children with disabilities to \$3,985.53 per child (\$3,926.97 in FY 2015-16). A cap of 12.5% of an LEA's 2016-17 allocated average daily membership (ADM) remains in place.

Section 8.2 Funds for Academically Gifted Children

Increases supplemental funding for academically or intellectually gifted children to \$1,295.27 per child (\$1,280.70 in FY 2015-16). A cap of 4% of an LEA's 2016-17 allocated ADM remains in place.

Section 8.4 Small County Supplemental Funds Eligibility

Adds provisions for FYs 2015-16 and 2016-17 stipulating that an LEA shall not become ineligible for funding if the higher of the first two months of total projected (or total prior year) ADM in either fiscal year would otherwise have made the LEA eligible for funds.

Section 8.5 Drivers Education Program Funds

Removes the repeal of provisions in the 2015 budget (Sections 8.39(a), (b), and (c)) that would have been effective as of December 31, 2017. The effect is that the stated purpose of driver education (as a student driver safety and training program for public school students) remains in statute.

Section 8.7 Teacher Compensation Models and Advanced Teaching Roles

Creates a three-year pilot program to develop "advanced teaching roles." These roles are designed to give highly effective teachers the ability to take on leadership roles within the school and receive added compensation for such leadership work. The program also seeks to explore organizational models that will link teacher performance and professional growth with pay raises. The criteria and requirements for LEA proposals are extensive. Please read the full provision for details. The State Board of Education (SBE) will accept proposals from LEAs until October 15, 2016, and will select up to 10 LEAs by December 15, 2016, to participate in the pilot, which begins with the 2017-18 school year and ends in 2019-20. The General Assembly indicates its intended appropriation for 2017-18 as \$9.8 million for the selected LEAs.

Section 8.8 Advanced Placement/International Baccalaureate Teacher Bonus Pilot Program

Creates a two-year pilot program to pay teachers bonuses up to \$2,000 per year to eligible teachers of Advanced Placement (AP) and International Baccalaureate (IB) diploma programme courses based on their students' performance on AP and IB tests. Teachers will receive \$50 per student who scores a 3 or above on the course's AP test and 4 or above on the relevant IB test, beginning with data from the 2015-16 school year. Said bonuses are payable in January 2017 and January 2018. This pilot is set to expire on June 30, 2018.

Section 8.9 Industry Certifications and Credentials Teacher Bonus Pilot Program

Establishes a two-year pilot program to pay bonuses up to \$2,000 per year to teachers of students earning approved industry certifications and credentials consistent with G.S. 115C-156.2. Bonuses will be paid to such teachers (whose students attain certain industry certifications and credentials) in the amount of \$25 or \$50 per student, depending on the certification the student received. The Department of Commerce, in consultation with SBE, will assign a value of \$25 or \$50 to industry certifications based on a 50:50 formula weighing academic rigor and employment value.

Section 8.11 Certain CIHS Operating Without Additional Funds

Allows certain Cooperative Innovative High Schools (CIHSs), including Early Colleges and other models, to operate as CIHSs under 115C-238.53 through -238.55, but without the customary additional appropriation of approximately \$300,000.

Section 8.12 Report for Schools for Students with Visual and Hearing Impairments/Foreign Exchange Students

Establishes a new statute, 115C-150.15, requiring local superintendents to request consent from parents of hearing- or visually-impaired students to provide contact information and disability information about their child to the 3 North Carolina public residential schools for the hearing and visually impaired to inform such parents of services offered by those schools. Local superintendents will provide reports to said residential schools whose parent(s) signs the consent form, including information on the student's disability or disabilities. Superintendents must present the consent forms by October 1, 2016, and issue the first required report by November 30, 2016.

Revises 115C-150.14 on "Tuition and room and board" for these residential schools. Foreign exchange students may be admitted with the stipulation that said students would pay full, unsubsidized tuition, room, and board. A school seeking to admit such students must submit a plan to SBE for approval.

Section 8.13 Virtual Charter School Changes

Expands the list of allowable student withdrawals in the two virtual charter school pilots, while keeping the 25% cap on the "withdrawal rate" under the revised section of 8.35(c) from the 2014 budget (SL 2014-100). Specifically, the revised law is set forth as follows:

(4) The school shall have a withdrawal rate below twenty-five percent (25%). A student who meets any of the following criteria shall not be counted in measuring the school's withdrawal rate:

- a) A student enrolled in a school with the intent expressed prior to enrollment of only being enrolled for a finite period of time within the school year ~~year shall not be counted in the measured withdrawal rate year.~~ The school shall keep a written record of a student's stated intent for finite enrollment.
- b) A student who is withdrawn from the school pursuant to subdivision (3) of subsection (b) of this section.
- c) A student who is no longer qualified under the laws of this State for admission to a public school in North Carolina, including due to the student relocating to another state.
- d) A student who (i) withdraws from the school for a family, personal, or medical reason and (ii) notifies the school of the reason for withdrawal. The school shall keep a written record of a student's stated reason for withdrawal under this sub-subdivision.
- e) A student who withdraws from the school within the first 30 days following the date of the student's enrollment.

Additionally, the minimum percentage of teachers in the virtual charter school pilots who must reside in North Carolina is adjusted down to 80% (previously 90%). Changes are also made to test administration procedures: 1) allowing tests to be administered to multiple grade levels simultaneously and in the same location, and 2) allowing an outside contractor to serve as a test administrator who must be a certified teacher, passes a criminal background check, and has received NC test administrator training. These changes are effective beginning with the 2016-17 school year.

Section 8.15 School Business System Modernization

Directs SBE to partner with the Friday Institute at NC State University to develop a plan to modernize the systems used by the Financial and Business Services Division of DPI to manage and deliver funds and technical support services to LEAs and charter schools.

Section 8.16 International Exchange Teacher Funds

Clarifies that international exchange teachers in North Carolina must be contracted through a “visiting international exchange teacher program approved by the State” in order for the dollar equivalent conversion for teacher salaries to take place under 115C-105.25(b)(5a). Further revises the restricted uses of said funds as follows:

(5a) Positions allocated for classroom teachers may be converted to dollar equivalents to contract for visiting international exchange ~~teachers~~ teachers through a visiting international exchange teacher program approved by the State. These positions shall be converted at the statewide average salary for classroom teachers, including benefits. The converted funds shall be used only to provide visiting international exchange teachers with salaries commensurate with their experience levels, to provide any State-approved bonuses, and to cover the costs associated with ~~bringings~~ supporting visiting international exchange teachers ~~to within~~ the local school administrative unit through a State-approved visiting international exchange teacher program and supporting the visiting exchange teachers unit, including programming and related activities, background checks, medical coverage, and other program administration services in accordance with the federal regulations for the Exchange Visitor Program, 22 C.F.R. Part 62."

It further specifies that funds for positions that are converted to international exchange teacher positions can only be used to pay the international teacher commensurate to their experience level, to provide State-approved bonuses, and to cover the cost of *supporting* (as opposed to “bringing”) international exchange teachers within their LEA. These supporting costs can include programming and related activities, background checks, medical coverage, and other program administrative services in line with federal regulations.

Section 8.17 K-12 Cybersecurity Study

This section directs DPI to conduct a study on cybersecurity in all North Carolina public schools. Results of the study will be reported to the General Assembly by December 15, 2016.

Section 8.19 Modify School Performance Grades Scale for Three School Years

This provision maintains the current 15-point scale for the A-F School Performance Grades through the 2018-19 school year under G.S. 115C-83.15. The scale is as follows:

85 and above = A
70-84 = B
55-69 = C
40-54 = D
39 and below = F

Section 8.21 Pilot Program to Raise the High School Dropout Age from Sixteen to Eighteen

Establishes a pilot program within three LEAs (Hickory Public Schools, Newton-Conover City Schools, and Rutherford County Schools) to raise the high school dropout age to eighteen. The pilot program will begin with the 2016-17 school year and may continue for subsequent school years. Local school board resolutions are required from the respective LEAs so that SBE can authorize the pilot programs (i.e., a joint resolution for Hickory Public Schools & Newton-Conover City Schools and a free-standing resolution from Rutherford County Schools).

Section 8.23 Digital Learning Plan Funds

Directs SBE to continue collaborating with the Friday Institute at NC State to implement the Digital Learning Plan by: 1) coordinating the implementation of professional learning programs, 2) managing statewide cooperative purchasing of content, 3) developing infrastructure maintenance and support protocols, 4) modifying and updating state policies to provide support and flexibility for digital learning, 5) developing and maintaining a continuous improvement process, and 6) creating assessments to develop best practices.

Section 8.24 Local Board Report on School Start and Release Times

Adds a new subsection (a1) to 115C-84.2 directing LEAs to report to SBE on start and release times at all the LEAs' schools. LEAs must also provide additional information on any schools that have start and release times that do not fit the definition of start and release times set forth in this statute. Initial reports are due to SBE by October 1, 2016, and must include information from school years 2011-17.

Section 8.25 After School Quality Improvement Competitive Grant Funds for Third Year for Certain Recipients

Reduces the funds to be used during the 2016-17 school year for the After-School Quality Improvement Grant Program administered by DPI from \$6,000,000 to \$3,215,371. To the extent funds remain after 2nd year grants are awarded, further authorizes 3rd year grants for FY 2016-17. 3rd year grants shall be awarded proportionally based on that recipient's 2nd year grant from the prior fiscal year.

Section 8.27 Alternative Teacher Preparation

SBE shall issue a request for proposal (RFP) for up to 5 local alternative teacher preparation programs (LATPs) administered by local boards of education to prepare initially licensed lateral entry teachers for continuing licensure. The RFP must include the following criteria:

1. Program of study requirements. – At a minimum, the LATP program shall provide 150 contact hours of appropriate pedagogy and content for continued licensure in the initially licensed teacher's area of licensure that is comparable to the quality of instruction required for a traditional teacher preparation program, as provided in G.S. 115C-296.10. Local boards of education shall include evidence of relevant partnerships with institutions of higher education, including community colleges, private two-year colleges, and public or private colleges or universities.
2. Mentoring and support requirements. – At a minimum, the LATP program shall provide 150 contact hours with mentor teachers, classroom coaching, and periodic evaluations with timely feedback to each individual in the program over the initially licensed teacher's first year of employment.
3. Minimum program size. – The LATP program shall be administrated by a local board of education with a minimum student population of 20,000 or higher or by a coalition of local boards of education that together have a minimum student population of 20,000 or higher.
4. For detailed information on the estimated costs, including a cost per teacher participant and anticipated funding sources for operation of the program, please see Section 8.27(b).

The deadline for proposals to SBE is January 6, 2017. SBE must select up to 5 proposals by March 15, 2017, and the 5-year program is to be implemented beginning with the 2017-18 school year and ending with the 2021-22 school year. LATPs will be required to meet the following annual benchmarks:

1. Completion rate of no less than 70% of initial enrollees.
2. A program shall provide the minimum contact hours and other program elements contained in the proposal approved by SBE.
3. A program shall demonstrate an increase in the retention rate of lateral entry teachers over the previous year.
4. A program shall be fully financed by the local board(s) of education, based on the per teacher cost estimate in the proposal, using public or private funds.

Programs that do not meet these benchmarks are to be terminated by SBE and will not continue the following school year.

LATP Program Evaluation: SBE shall contract with an independent research organization to evaluate how LATPs have accomplished the following:

1. Recruitment of lateral entry teachers into the classroom.
2. Retention rates for lateral entry teachers beyond initial licensure.
3. Lateral entry teachers' quality of classroom instruction by LATP-trained teachers compared to those trained by traditional teacher preparation programs.
4. Teacher vacancy rates in LEAs with an LATP program versus similar LEAs without an LATP program.
5. Funding mechanisms for LATPs.

6. Recommendations regarding the continuation, expansion, or elimination of LATP programs.

The independent research organization shall report annually to SBE beginning October 15, 2017, on the progress of LATP programs. An initial report on the implementation and evaluation of LATP programs shall be submitted to SBE by October 15, 2020, and a final report by October 15, 2022. SBE will provide the report to the Joint Legislative Education Oversight Committee.

Up to \$200,000 of nonrecurring funds are to be used for SBE to contract with the independent research organization. Any remaining funds shall be used to award one-year grants to each LATP for the purpose of implementing the program. Each selected LATP shall be awarded a proportional amount of the funds available.

Section 8.29 Teacher Assistant Tuition Reimbursement Pilot Program

Establishes a pilot program for Anson, Franklin, Moore, Richmond, and Scotland County LEAs to provide “tuition assistance awards” to up to 25 currently employed teacher assistants (TAs) to pursue a college degree which will result in teacher licensure. Each participating LEA may select up to 5 eligible teacher assistants to receive an award up to \$4,500 per academic year for up to 4 years to attend a teacher preparation program at an institution of higher education. LEAs shall set criteria for the application and selection of award recipients as follows: 1) the TA shall be employed by the local board of education in the LEA; 2) the TA shall be enrolled or provide a statement of intent to enroll in an approved teacher preparation program; 3) the TA shall reside in North Carolina. Each participating LEA must enter into a memorandum of understanding with each college or university enrolling the TA. The LEAs shall jointly report to the Joint Legislative Education Oversight Committee by September 1, 2017, and on September 1 of each year thereafter, on the results of the pilot program.

Section 8.30 Use of Department of Public Instruction Budget Reductions

Specifies two areas where DPI cannot reduce funds in order to comply with the agency budget reduction in the 2016 Budget: 1) the Excellent Public Schools Act *Read to Achieve* Program, and 2) the North Carolina School Connectivity Program. DPI is also directed to transfer \$50,000 of its agency funds to the Office of Administrative Hearings for the Rules Review Commission to pay for the latter’s litigation costs in defense of the declaratory judgment action, *North Carolina SBE v. the State of North Carolina and The Rules Review Commission*.

Section 8.31 Remediation Plan for Principals in Low-Performing Schools

Changes the conditions in which a principal in a low-performing school may be maintained in his or her position under revisions to 115C-105.39(a), as follows:

The superintendent may only recommend a principal be retained in the same position without a plan for remediation if the principal has been at the school for less than two years or, in the case of a principal having been at the school for two years or more, if the school has both met student growth and has improved student achievement scores under G.S. 115C-83.15 for the prior school year.

See Section 8.31(a). This provision is effective beginning the 2016-17 school year.

Section 8.32 School Notification Requirements/Teacher Employment/Licensure Changes and Beginning Teacher Support

8.32.(a) – Adds a new subsection (45) to 115C-12 and creates a requirement for SBE to provide written notification to the General Assembly of its intent to conduct any mandatory parent or student surveys in individual LEAs or statewide, including a copy of the proposed survey. DPI shall also notify any given superintendent of its plan to conduct a student or parent survey in that LEA and provide a reasonable amount of time for the superintendent to provide feedback.

8.32.(b) – Notification/Report on Testing Programs: Revises 115C-174.12 and removes language that encouraged LEAs “to continue to develop local testing programs” and requires LEAs to report details on any local testing programs, including funding sources, to SBE by September 1 of each year. This information collected by SBE, along with other information on the statewide administration of tests, shall then be reported to the Joint Legislative Education Oversight Committee by October 15 of each year.

8.32.(c) – Adds a new section 115C-157.1, “Adjunct CTE instructors,” and directs SBE to establish minimum criteria for qualifications of adjunct contracted Career and Technical Education (CTE) instructors. LEAs are permitted to contract with such adjunct instructors as long as certain conditions are met:

- 1) An adjunct instructor may not be employed for more than 10 hours a week.
- 2) An adjunct instructor is subject to a criminal record check pursuant to 115C-332.
- 3) An adjunct instructor shall not be required to hold or apply for a teaching license.
- 4) An adjunct instructor must complete the following pre-service training requirements:
 - a) The identification and education of children with disabilities.
 - b) Positive management of student behavior.
 - c) Effective communication for diffusing disruptive behavior.
 - d) Safe and appropriate use of seclusion and restraint.

8.32.(d) – Adds a new subsection “4” under 115C-296(b)(1)(b)., “Continuing Teacher Licensure Standards,” adding a new standard for continuing licensure as follows:

4. For all teachers employed by a local board of education, evidence of a rating of at least proficient on the most recent annual evaluation to maintain the current license status. A teacher who is unable to satisfy this requirement but has been placed on a mandatory improvement plan may be eligible to receive an initial degree license if that teacher satisfies all other licensure requirements.

8.32.(e) – Adds a new subsection “d” to 115C-296(b)(1), “Out-of-State Licensure Applications,” and requires that initial applicants for teacher licensure who are currently licensed in another state shall provide evidence of their effectiveness as teachers, when available, using the metrics (including any growth measures) of the state where they are currently licensed. Applicants who provide this effectiveness evidence shall be prioritized for initial licensure over out-of-state teachers who do not supply said evidence. Out-of-state teachers who do not supply said evidence shall only be eligible for an “initial degree license.”

8.32.(f) – Amends 115C-296(e), “Mentor Teacher Requirements,” to require mentor teachers to have been “rated, through formal evaluations, at least at the ‘accomplished’ level as part of the North Carolina Teacher Evaluation System and have met expectations for student growth.”

8.32(g) – Adds language to 115C-296.11(b)(4) regarding educator preparation programs requiring field experiences each semester, including at least one-semester field experience in a low-performing school. The number of hours spent in field experiences are to increase in each semester prior to a student’s internship or residency.

8.32(h) – Specifies in revisions to 115C-333A that all teachers in low-performing schools who have been licensed for less than two years shall be “observed at least three times annually by the principal or principal’s designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year.”

8.32(i) – Sets the following observation requirements in 115C-333.1(a) for teachers in schools that are not low-performing and have been licensed for less than two years: observations shall be conducted “at least three times annually by the principal or principal’s designee, at least once annually by a teacher, and at least once annually by a principal.” Two of those observations shall take place during “the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year.”

Section 8.33 K-3 Class Size Allotment Ratios

Revises 115C-301(c) effective beginning the 2017-18 school year. The following tables show the differences in the future class size caps as a result of this change, comparing 2016-17 to 2017-18:

2016-17 Class Sizes			
Grade Level	Funded Allotment Ratio	Max Average Class Size for LEA	Max Individual Class Size
Kindergarten	1:18	1:21	1:24
Grade 1	1:16	1:21	1:24
Grades 2-3	1:17	1:21	1:24

2017-18 Class Sizes			
Grade Level	Funded Allotment Ratio	Max Average Class Size for LEA	Max Individual Class Size
Kindergarten	1:18	1:18	1:21
Grade 1	1:16	1:16	1:19
Grades 2-3	1:17	1:17	1:21

PART IX: COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

(See corresponding salary schedules under the “Budget Bill Excerpts” tab. For detailed information on the state salary schedules and the State Salary Manual, see DPI’s Financial and Business Services resources at <http://www.ncpublicschools.org/fbs/budget/>).

Section 9.1 Teacher Salary Schedule

This chart shows the 2016-17 Teacher Salary Schedule compared to the 2015-16 Schedule:

Years	2015-16 "A" Salary Schedule	Increase to Salary Schedule	2016-17 "A" Salary Schedule	Increase with Step	% Increase with Step
0	\$35,000	\$0	\$35,000		
1	\$35,000	\$750	\$35,750	\$750	2.1%
2	\$35,000	\$1,000	\$36,000	\$1,000	2.9%
3	\$35,000	\$1,250	\$36,250	\$1,250	3.6%
4	\$35,000	\$1,750	\$36,750	\$1,750	5.0%
5	\$36,500	\$750	\$37,250	\$2,250	6.4%
6	\$36,500	\$1,500	\$38,000	\$1,500	4.1%
7	\$36,500	\$2,000	\$38,500	\$2,000	5.5%
8	\$36,500	\$2,500	\$39,000	\$2,500	6.8%
9	\$36,500	\$3,000	\$39,500	\$3,000	8.2%
10	\$40,000	\$250	\$40,250	\$3,750	10.3%
11	\$40,000	\$1,000	\$41,000	\$1,000	2.5%
12	\$40,000	\$1,750	\$41,750	\$1,750	4.4%
13	\$40,000	\$2,500	\$42,500	\$2,500	6.3%
14	\$40,000	\$3,250	\$43,250	\$3,250	8.1%
15	\$43,500	\$1,750	\$45,250	\$5,250	13.1%
16	\$43,500	\$1,750	\$45,250	\$1,750	4.0%
17	\$43,500	\$1,750	\$45,250	\$1,750	4.0%
18	\$43,500	\$1,750	\$45,250	\$1,750	4.0%
19	\$43,500	\$1,750	\$45,250	\$1,750	4.0%
20	\$46,500	\$1,500	\$48,000	\$4,500	10.3%
21	\$46,500	\$1,500	\$48,000	\$1,500	3.2%
22	\$46,500	\$1,500	\$48,000	\$1,500	3.2%
23	\$46,500	\$1,500	\$48,000	\$1,500	3.2%
24	\$46,500	\$1,500	\$48,000	\$1,500	3.2%
25	\$50,000	\$1,000	\$51,000	\$4,500	9.7%
26	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
27	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
28	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
29	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
30	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
31	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
32	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
33	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
34	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
35	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
36	\$50,000	\$1,000	\$51,000	\$1,000	2.0%
37	\$50,000	\$1,000	\$51,000	\$1,000	2.0%

Salary Supplements for teachers paid on this salary schedule:

1. Licensed teachers with NBPTS certification shall receive a 12% monthly salary supplement on the “A” schedule.
2. Licensed teachers who are classified as “M” teachers shall receive a 10% monthly salary supplement on the “A” schedule.
3. Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a monthly salary supplement of \$126 in addition to the supplement provided to them as “M” teachers.
4. Licensed teachers with licensure based on academic preparation at the doctoral level shall receive a monthly salary supplement of \$253 in addition to the supplement provided to them as “M” teachers.
5. Certified school nurses shall receive a monthly salary supplement of 10% of their monthly salary on the “A” schedule.

School psychologists, school speech pathologists (who are licensed at the master’s degree level or higher), and school audiologists at the first step of the salary schedule shall be equivalent to the sixth step of the “A” salary schedule. These employees shall receive a monthly salary supplement of 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 or doctoral degree level.

The 26th step of the salary schedule for school psychologists, school speech pathologists licensed at the six-year degree or doctoral level, and school audiologists licensed at the six-year degree or doctoral level, shall be 7.5% higher than the salary received by these same employees on the 25th step of the salary schedule.

As in previous years (since 2014), the amounts of annual longevity payments are rolled into the monthly amounts under the teacher salary schedule.

The legislation includes a “hold harmless” provision which is intended to ensure that no teacher makes less in 2016-17 than in 2014-15, provided they have no break in service, as follows:

A teacher compensated in accordance with this salary schedule shall receive an amount equal to the greater of:

1. The applicable amount on the salary schedule for 2016-17
OR
2. If the teacher was eligible for longevity in 2013-14, the sum of
 - a. The teacher’s salary per the salary schedule in effect for 2013-14, plus
 - b. The annual longevity payment the teacher would have received in 2013-14, based on current years of service, plus
 - c. The annual bonus provided in 2014-15OR
3. If the teacher was not eligible for longevity in 2013-14
 - a. The sum of the teacher’s salary in effect for 2013-14, plus
 - b. The annual bonus provided in 2014-15.

Note that the \$750 bonus provided in 2015-16 is not included in this hold harmless clause. The definition of “teacher” in this section includes instructional support personnel. Repeals 2015 teacher salary schedule and related provisions (Section 9.1, SL 2015-241), given the newly enacted salary schedule and provisions in the present 2016-17 Budget. Expresses the General Assembly’s intent to enact further teacher salary increases in 2018-19.

Section 9.2 School-Based Administrator (SBA) Salary Schedule

Establishes salary schedules for principals and assistant principals in FY 2016-17. Increases salary steps by an average of 1.5%. Maintains previous salary supplements, longevity pay, and classification guidelines. *See* Section 36.16 below, for 0.5% bonus (not subject to retirement) paid out in October 2016 for SBAs.

Section 9.3 No Pay Loss for Break in Service or for Teachers Who Become Principals

Amends 115C-185(a) to ensure that a teacher who becomes a principal is paid at least as much as he or she would have earned as a teacher employed by that LEA. It also removes “without a break in service” from the statute, such that all assistant principals and principals are eligible to be paid on the higher of the teacher or SBA schedule. No retroactive pay, however, for work performed prior to July 1, 2016.

Section 9.4 Joint Legislative Study Committee on School-Based Administrator Pay

Establishes the Joint Legislative Study Committee on School-Based Administrator Pay to make recommendations to the General Assembly on the following:

1. The feasibility of revising the school-based administrator salary schedule, including principal and assistant principal pay, and whether revisions are needed.
2. The process of recruiting and retaining principals in North Carolina as compared with the same process in relation to executives in other professions.
3. Strategies for recruiting and retaining the most qualified principals in low-performing and hard-to-staff schools.
4. Any other issue the Committee considers relevant to this study.

The Committee is directed to submit its final report on the study’s results, including any proposed legislation, to the General Assembly on or before December 31, 2016. The Committee will dissolve once its final report is submitted.

Section 9.5 Central Office Salaries

Establishes monthly salary ranges for central office administrators, and increases said ranges by 1.5%. Maintains previous salary supplements, longevity pay, and classification guidelines. *See* Section 36.16 below, for 0.5% bonus (not subject to retirement) paid out in October 2016.

Section 9.6 Noncertified Personnel Salaries

Increases salaries by 1.5% for currently employed permanent full-time noncertified personnel who were also employed in 2015-16. Part-time employees receive a pro-rata increase based on hours worked. *See also*, Section 36.16.

Section 9.7 Third Grade Reading Teacher Performance Pilot Program

Directs SBE to establish a two-year pilot program awarding bonus pay to eligible licensed 3rd grade teachers who have an EVAAS student growth index score for third grade reading from the previous school year, beginning with data from the 2015-16 school year, as follows:

1. \$5,000,000 for bonuses for 3rd grade teachers who are in the top 25% of teachers in the State according to EVAAS student growth index score for third grade reading from the previous year. These funds shall be distributed equally among qualifying teachers.
2. \$5,000,000 for bonuses to 3rd grade teachers who are in the top 25% of teachers in their respective LEA according to the EVAAS student growth index from the previous year. These

funds shall be split proportionally based on ADM for each LEA then distributed equally among qualifying teachers, subject to the following conditions:

- a. Teachers in charter schools and regional schools are not eligible.
- b. Teachers working in LEAs that employ 3 or fewer 3rd grade teachers shall receive a bonus if that teacher has an EVAAS student growth index score for 3rd grade reading from the previous school year that exceeds expected growth.
3. Bonuses are to be paid in January 2017 and January 2018 to qualifying 3rd grade teachers who remain employed teaching 3rd grade in the same LEA at least from the school year the data is collected until the corresponding school year that the bonus is paid.
4. A teacher who is eligible to receive a bonus under both subdivisions 1 and 2 shall receive both bonuses.

Bonuses are not subject to retirement. SBE shall study this pilot and report to the General Assembly on March 1, 2017 and 2018. The program is set to end on June 30, 2018.

PART X: COMMUNITY COLLEGES

Section 10.2 Clarify Use of Career Coach Funds

Funds appropriated to the Community Colleges System Office for the 2015-17 fiscal biennium to match non-state funds to implement the NC Works Career Coach Program shall only be used for salary and benefits for career coaches and up to two percent of the direct operating costs related to supporting NC Works Career Coaches.

Section 10.3 Youth Apprenticeship Tuition Waiver

Provides a tuition waiver for community college students meeting certain criteria. The provision adds language that allows students who are enrolled in an apprenticeship program (that requires its participants to be high school students upon entry into the program) to qualify for a waiver from their community college tuition and registration fees. This section applies beginning with the 2016 fall academic term.

Section 10.13 Clarify Career- and College-Ready Graduate Program

Revises 2015 Session Law, “Career and College Ready Graduates” such that “model programs” begin in the 2016-17 school year, and the program shall be fully implemented in all high schools statewide beginning with the 2018-19 school year. Adds three joint reports by the State Board of Community Colleges and SBE as follows:

1. March 15, 2017: outcomes of the 2016-17 model programs’ implementation and suggested statutory changes to ensure successful implementation.
2. March 15, 2018: implementation and professional development efforts in the 2017-18 school year and information on final changes in curriculum, policy, and rules to ensure successful implementation.
3. October 15, 2019 (and annually thereafter): program outcomes, including impact on remediation rates for recent high school graduates entering a NC community college or public university.

PART XI: UNIVERSITIES

Section 11.4(e) Cheatham-White Scholarships

Adds a new Article 35 within Chapter 116 of the General Statutes to create the Cheatham-White Scholarships, a merit-based scholarship program for eligible students to attend NC A&T State University or NC Central University. A new statute, 116-293, sets forth the student nomination guidelines for NC public and nonpublic high schools. The number of nominees from each school is determined by the size of the senior class as follows:

- Up to 199 seniors: 2 nominees
- 200-399 seniors: 3 nominees
- 400-499 seniors: 4 nominees
- 500+ seniors: 5 nominees

The nomination process in schools will be determined by UNC General Administration in collaboration with the two host universities. In certain circumstances, students will be allowed to nominate themselves. The first round of scholarship recipients will attend their respective universities beginning the fall 2018 semester.

Section 11.6 UNC Teacher and Principal Preparation Program Lab School for K-8 Students

Creates “University of North Carolina Laboratory Schools” (lab schools) under new “Article 29A” in Chapter 116 of the General Statutes. The UNC Board of Governors is required to select 8 of its colleges/universities to establish at least 4 lab schools (opening in 2017-18), and 4 more (opening in 2018-19), with its plan for these schools due to the General Assembly by November 1, 2016. Under the new law, a “lab school” is, among other things:

1. a public school for kindergarteners through eighth graders;
2. established by 1 of the designated UNC colleges/universities:
 - a. which has an education preparation program, and
 - b. is located in an LEA with 25% or more low-performing schools;
3. intended to provide an enhanced education for students while also providing training for teachers and principals;
4. provided state and local funding similar to that of charter schools (except for the state transportation allocation because such services will be provided by the local LEA);
5. in operation for at least 5 years by the designated UNC college or university;
6. generally exempt from statutes and rules applicable to a local board of education or local school administrative unit, except as otherwise provided within state law.

Each qualifying LEA can have no more than 1 lab school. Food and transportation services are still to be provided by the LEA to the lab schools. The lab schools shall be distributed geographically throughout the state, and the school calendar adopted by a lab school’s host institution’s Board of Trustees must consist of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

Student Admissions and Assignment

Any child who is residing in an LEA in which a lab school is located and is enrolled in a low-performing school may attend the lab school, but local boards of education cannot require any student to attend a lab school. Priority enrollment is given in the order in which applications are received to a student who did

not meet expected student growth in the prior school year. If the number of applications from other eligible students exceeds the capacity of a program, class, grade level, or building, those students shall be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods. However, a lab school may refuse admission to any student who has been expelled or suspended from a public school until the period of suspension or expulsion has expired.

Employees

Principal: The constituent institution shall employ and contract with a principal for a term not to exceed 3 years. The principal shall meet the requirements for licensure unless waived by SBE upon submission of a request by the Board of Trustees.

Faculty members: Faculty members may serve simultaneously as instructional personnel for the lab school and the constituent institution.

Teachers: The constituent institution shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school. At least 50% of teachers in a given lab school shall hold teacher licenses, unless waived by SBE upon request of the Board of Trustees.

Teachers employed in a lab school-hosting LEA may take one year's leave of absence to teach in the lab school. Employees of the constituent institution shall participate in the Teachers' and State Employees' Retirement System (TSERS) and the State Health Plan.

The nonrecurring funds in the amount of one million dollars (\$1,000,000) appropriated by this act to the Board of Governors for the Lab School Program shall be allocated to The University of North Carolina General Administration to provide administrative and technical assistance to constituent institutions with educator preparation programs to support the establishment of lab schools in accordance with this section.

The UNC Board of Governors, in conjunction with SBE and constituent institutions hosting lab schools, shall submit an initial report to the Joint Legislative Education Oversight Committee on the progress of establishing the lab schools by November 15, 2017. The Board of Governors must submit annual reports, beginning November 15, 2018, on the lab schools to the Joint Legislative Education Oversight Committee.

SUB-PART XI-A: UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

Section 11A.2 Modification to the Special Education Scholarship Grant Program for Children with Disabilities

Expands the eligibility for special needs students to attend nonpublic schools with these scholarships (under 115C-112.5(2)) to include: 1) eligible students enrolled in Department of Defense schools located in North Carolina, 2) the children of active-duty, full-time uniformed service members, including National Guard and Reserve members who are on active duty, and 3) children who have been domiciled in the state for at least 6 months.

Updates the "priority of awards" under 115C-112.6(a2) as follows:

1. First priority: eligible students who received the scholarship the prior semester.
2. Next priority:
 - a. Students who are enrolled in an NC public school or a Dept. of Defense school located in NC during the previous semester,

- b. Students who received special education or related services through the NC public schools as a preschool child with a disability during the previous semester,
 - c. Children who are identified as having a disability prior to the end of the year of initial enrollment in kindergarten or first grade, or
 - d. Children whose parent(s) or legal guardian(s) 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.
3. Last priority: children who have been domiciled in the State for at least six months.

Under a revised 115C-112.6(b1), the State Educational Assistance Authority (SEAA) must disburse the scholarship funds based upon one of two methods as elected by the nonpublic school: 1) scholarship endorsement, or 2) reimbursement.

Assessments for a child's continuing eligibility for a scholarship grant can now be provided by a psychiatrist (in addition to the pre-existing law which required a "licensed psychologist with a school psychology focus" under 115C-112.6(c)(2)). Adds information to be included in the annual report. The report must now include: 1) the total number of applicants by eligibility type, and 2) the total number of scholarships awarded by priority type. Finally, the 2016 Budget appropriates an additional \$5,800,000 (recurring) for the expansion of said scholarships.

Section 11A.3 Opportunity Scholarship Modifications/Program Forward Funding

Modifies the eligibility requirements for Opportunity Scholarships under 115C-562.1(3) as follows:

- 1. Specifies that the child must reside in North Carolina.
- 2. Expands eligibility to students enrolled in Department of Defense elementary and secondary schools located in North Carolina.
- 3. Extends eligibility to children of active-duty service members.
- 4. Requires that eligible students have not enrolled full-time (12 credit hours) in a degree-seeking program at a post-secondary institution.

Increases (from 35%) to 40% the amount of remaining funds (after awards to prior recipients) that shall be awarded to eligible kindergarteners and 1st graders, under 115C-562.2(a)(2)b. These changes are effective beginning with the 2016-17 school year.

Establishes the Opportunity Scholarship Grant Fund Reserve ("Reserve"), thereby creating a new funding mechanism for the Opportunity Scholarships under the new statute, 115C-562.8. This Reserve is to be administered by the UNC Board of Governors for the purpose of providing funds to the SEAA for the awarding of Opportunity Scholarships. Beginning in the 2017-18 school year, and for each year thereafter, SEAA may award an additional 2,000 scholarships in each successive year.

The General Assembly expresses its intent to increase funding for Opportunity Scholarships by \$10 million for each fiscal year through 2026-27 as follows:

Fiscal Year	Appropriation
2017-18	\$44,840,000
2018-19	\$54,840,000
2019-20	\$64,840,000

2020-21	\$74,840,000
2021-22	\$84,840,000
2022-23	\$94,840,000
2023-24	\$104,840,000
2024-25	\$114,840,000
2025-26	\$124,840,000
2026-27	\$134,840,000

Beginning in FY 2027-28 and continuing thereafter, \$144,840,000 is appropriated to the new Reserve. Up to 4%, or up to \$1.5 million dollars, may be used annually for the administrative costs of the program. This replaces the prior (now repealed) limit for administrative costs of \$400,000. This provision is effective beginning with the 2017-18 school year.

Section 11.9.(f) Transforming Principal Preparation/Clarify RFP Grants

Revises 2015 Session Law to allow the selected nonprofit corporation (NC Principals' and Assistant Principals' Association) to issue additional requests for proposal for grant applicants as it deems necessary. Please note further revisions to this 2015 Session Law in HB 805 (SL 2016-123), addressed under tabs entitled "House Bills" and "House Bill Summaries."

PART XII: DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)

SUBPART XII-B: DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

Section 12B.1 NC Pre-K/Clarify Building Standards

Private child care facilities and public schools operating Pre-Kindergarten (Pre-K) classrooms shall meet building standards for preschool students as provided in 115C-521.1; otherwise, facilities must comply with standards of the Division of Child Development and Early Education under 110-91(4).

Section 12B.4 Study Costs and Effectiveness Associated with NC Pre-K Slots

The Division of Child Development and Early Education, part of DHHS, in consultation with DPI,² will study the costs and effectiveness associated with funding slots for the NC Pre-K Program as follows:

1. The total cost to fund a NC Pre-K slot, including administration and any local costs.
2. The program's anticipated effectiveness in preparing eligible 4-year-olds in the 5 developmental domains outlined in the North Carolina Foundations for Early Learning and Development.
3. Whether the program's effectiveness as reviewed pursuant to subdivision (2) of this subsection justifies the costs associated with funding NC Pre-K slots or whether there are other alternatives to achieve the same objectives.
4. The State share needed to fund a NC Pre-K slot by each setting, including public schools, child care facilities, and Head Start.

² HB 805 (SL 2016-123) added DPI consultation requirement.

5. The amount of funds needed to maintain the current number of NC Pre-K slots if the per slot cost was increased to the amount recommended by the study.
6. Recommendations on how often the NC Pre-K slot costs should be evaluated and reported to the General Assembly.
7. Any other relevant issues the Division deems appropriate.

The Division will report its findings to General Assembly committees and Fiscal Research Division by February 1, 2017.

Section 12B.5 State Agency Collaboration on Early Childhood Education/Transition from Preschool to Kindergarten

Directs DHHS to collaborate “on an ongoing basis” with DPI and other state agencies and organizations with involvement in early education to “develop and implement a statewide vision for early education,” among other directives. Early childhood education is defined as birth through 3rd grade. The agencies are also directed to create mechanisms for cross-agency accountability with comprehensive data to monitor and measure the success of early childhood education systems. The initial report is due by January 1, 2017, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee.

DHHS is required to recommend that NC Pre-K teachers and preschool teachers create a preschool-to-kindergarten “transition” plan for each of their students. This “transition plan” is to be utilized until a standardized transition statewide program has been established.

Directs DHHS and DPI to collaborate to develop this standardized statewide transition program for students going from preschool to kindergarten and report on it by January 1, 2018. As part of this process, DHHS will identify at least the following:

1. Methods to standardize student transition information such that it is quantifiable.
2. Recommendations for sharing data contained in a student's transition plan between preschool teachers and either kindergarten teachers or the schools that receive the incoming kindergarten students.
3. Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.
4. Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.
5. Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.
6. Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.
7. Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

Section 12E.2 Healthy Out-of-School Time (HOST) Recognition Program

Establishes the HOST recognition program to be administered by DHHS’ Division of Public Health in collaboration with the Public School Forum’s NC Center for Afterschool Programs. Defines an “out-of-school time program” as any non-licensed program provided to children and youth ages 17 and under or any other qualified out-of-school time programs that serve school-age children outside of regular school hours.

The Division of Public Health is required to set up a process for after-school time programs to be recognized as compliant with HEPA guidelines (HEPA: The National Institute on Out-of-School Time Healthy Eating and Physical Activity Standards). This process will be administered via web site which will include access to resources and information that an eligible program may use to achieve recognition, including renewable 1-year certificates. The Division will also develop a verification process to ensure that such programs are assessing themselves accurately. This verification process may include site visits or other forms of assessment. The Division shall review and, as necessary, revise the program standards to reflect advancements in nutrition science, dietary data, and physical activity standards. Information on this HOST recognition program will be available on the Division's website, the websites of the individual programs and at their physical locations.

Section 12H.9 Study Medicaid Coverage for School-Based Health Services

DHHS's Division of Medical Assistance (DMA) shall conduct a study to identify all school-based health services that are eligible for Medicaid federal matching funds pursuant to federal Medicaid law and regulations but which currently are not reimbursable under North Carolina's Medicaid State Plan. By November 1, 2016, DMA shall report the following to the Joint Legislative Oversight Committee on Medicaid & NC Health Choice and to the Fiscal Research Division:

1. An analysis of the fiscal impact both to DMA and to all local education agencies of adding Medicaid coverage for the school-based health service.
2. A description of any plans for adding coverage for the school-based health service, including the anticipated time line for submission of any State Plan Amendments to the Centers for Medicare and Medicaid Services.

SUBPART XII-K: DHHS BLOCK GRANTS

Section 12I.1.(x) Maternal and Child Health Block Grant

If federal funds are received under the federal Maternal and Child Health Block Grant for abstinence education for FY 2015-16 or 2016-17, those funds shall be transferred to SBE for DPI to establish an abstinence until marriage education program, delegating at least one person the responsibility of implementing the program under G.S. 115C-81(e1)(4) and (4a). DPI shall follow federal guidelines to implement and administer the grant funds.

PART XIII: DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

Section 13.3.(a) Future Farmers of America Pilot Program

The Tobacco Trust Fund will transfer \$120,000 for local Future Farmers of America (FFA) programs as follows:

1. \$60,000: Southern Guilford High School to begin an animal science pilot program.
2. \$60,000 to be divided equally among the following to establish an animal science and agricultural planting program:
 - a. Mountain Heritage High School (Yancey County)
 - b. Madison High School (Madison County)
 - c. Central Haywood High School (Haywood County)
 - d. Pisgah High School (Haywood County)
 - e. Tuscola High School (Haywood County)

PART XXV: GENERAL ASSEMBLY

Section 25.1 School Construction Needs Study

Directs the Program Evaluation Division (PED) of the General Assembly to contract with an outside entity to assess school construction needs and determine which LEAs have the highest facility needs in relation to their capacity to raise revenue to meet those needs. PED will report the results of this study by March 15, 2017.

PART XXVII: OFFICE OF STATE BUDGET AND MANAGEMENT

Section 27.4 Disposition of Certain Funds

Exempts the unexpended school construction funds for the new collocated Jones County middle and high school from reverting to the state for FYs 2015-16 and 2016-17.

PART XXXV: DEPARTMENT OF TRANSPORTATION

Section 35.13 Repeal Sunset on Late Fee for Motor Vehicle Registrations

Revises 2015 Session Law by removing the former December 31, 2017 expiration of the late vehicle registration fee; thereby dedicating such proceeds to the Civil Penalty and Forfeiture Fund for the funding of Driver Education under 115C-457.2. *See also*, Section 5.2 above.

PART XXXVI: SALARIES AND BENEFITS

Section 36.1A State Funded Personnel/Merit-Based Bonuses Authorized

Appropriates \$17,242,627 (nonrecurring) for merit-based bonuses for eligible non-educators, including school-based administrators, central office and non-certified personnel. Educators (teachers and instructional support personnel paid on the teacher salary schedules) are not eligible. LEAs shall provide to DPI details of how these funds are distributed by district and school. Funding by LEAs was approved by SBE in August 2016.

DPI and other relevant state agencies are to report on the use of these funds to the chairs of the Senate Appropriations/Base Budget Committee, the House of Representatives Committee on Appropriations, and the Fiscal Research Division by February 1, 2017.

Section 36.12 State Agency Teachers

Employees (who are paid on the Teacher Salary Schedule) of schools operated by the Department of Public Safety, SBE, the Department of Health and Human Services, and the North Carolina School of Science and Mathematics shall receive the same salary increases as authorized in Section 9.1. *See also*, Section 9.1 above.

Section 36.14 All State-Supported Personnel

Grants a 1.5% salary increase to all state employees who are either subject to or exempt from the NC Human Resources Act. Eligible employees will receive an across-the-board 0.5% bonus. It also enables state agencies to give one-time merit bonuses to their employees.

Section 36.16 Compensation Bonus/Across-the-Board/Awarded for FY 2016-17

Provides a 0.5% one-time, lump sum bonus to all non-teacher state funded personnel as of September 1, 2016, payable in October 2016. Said bonus is not part of annual salary and shall be paid out separately. Permanent part-time employees shall have their bonuses adjusted pro rata.

Section 36.17 Use of Funds Appropriated for Legislatively Mandated Salary Increases, Compensation Bonuses, Employee Benefits

Among each state agency's funds for legislatively-mandated salary increases, compensation bonuses, and employee benefits, the State Budget Director may reallocate funds between agencies in the event of insufficient funds for any given agency. 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, compensation bonuses, and employee benefits.

Section 36.18 Mitigate Bonus Leave

During FY 2016-17, state agencies, the North Carolina Community College System, and the University of North Carolina may offer state employees the opportunity to use or to cash in accrued special bonus leave benefits under certain conditions. This provision does not apply to LEAs or charters.

Section 36.19A Delay Statewide Compensation System Project Implementation

The Office of State Human Resources shall not commence the implementation phase of the Statewide Compensation System Project (Project) prior to February 1, 2017. *See* tab herein labeled "Money Report," Section L.5. (elimination of \$12 million that had been appropriated in the 2015 budget).

Section 36.20 Salary-Related Contributions

For FY 2016-17, the state's employer contribution rate to the retirement system is 16.12% for teachers and state employees (up from 15.32% in 2015-16). The state's employer contribution rate to the State Health Plan for teachers and state employees is \$5,471 for non-Medicare-eligible employees/retirees and \$4,251 for Medicare-eligible employees/retirees.

The State Budget Office may increase the health benefit contribution in January 2017 up to \$5,659 and may increase the retirement rate in January 2017 up to 16.54%.

Section 36.21 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

Provides a one-time cost-of-living adjustment of 1.6% for those whose retirement began on or before September 1, 2016.

Section 36.23 Qualified Excess Benefit Arrangement (“QEBA”)

Amends G.S. 135-151 and extends eligibility for QEBA to those who became members of TSERS before January 1, 2015 (previously, an eligible employee had to retire before August 1, 2016). Adds a new statutory subsection such that QEBA can recoup supplemental payments from the last employer of a QEBA beneficiary who retires on or after August 1, 2016.

Section 36.24 State Health Plan Cost-Controlling Measures and Reallocation of Reserve for Future Benefit Needs

Directs the State Treasurer and Board to adopt measures to limit the growth rate of projected employer contributions to the State Health Plan for 2017 through 2019.

Section 37.4 Repairs and Renovations Changes

Allocates \$250,000 for repairs and renovations at the Eastern School for the Deaf, in relevant part.

2016 Report on Education Legislation – Excerpts from the Budget Bill

Excerpts from the Budget Bill Affecting Public Schools*

GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2015

SESSION LAW 2016-94 HOUSE BILL 1030

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2015 AND TO MAKE OTHER CHANGES IN THE BUDGET OPERATIONS OF THE STATE.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be affected where the total amounts appropriated are not required to perform these services and accomplish these purposes, and, except as allowed by the State Budget Act or this act, the savings shall revert to the appropriate fund at the end of each fiscal year, except as otherwise provided by G.S. 143C-1-2(b).

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2016."

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 adjusted for the fiscal year ending June 30, 2017, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2016-2017 fiscal year:

Current Operations – General Fund	FY 2016-2017
EDUCATION	
Community Colleges System Office	30,095,192
Department of Public Instruction	313,930,959
University of North Carolina – Board of Governors	
Appalachian State University	
East Carolina University	
Academic Affairs	
Health Affairs	

*The asterisk line in pages that follow denotes a skip in budget text (i.e., budget text deleted).

Elizabeth City State University	250,000
Fayetteville State University	
NC A&T State University	
NC Central University	
NC State University	
Academic Affairs	200,000
Agricultural Extension	
Agricultural Research	
UNC-Asheville	
UNC-Chapel Hill	
Academic Affairs	1,500,000
Health Affairs	3,000,000
AHEC	
UNC-Charlotte	
UNC-Greensboro	
UNC-Pembroke	675,000
UNC-School of the Arts	630,000
UNC-Wilmington	
Western Carolina University	
Winston-Salem State University	
General Administration	
University Institutional Programs	118,285,194
Related Educational Programs	300,000
NC School of Science & Math	
Aid to Private Institutions	44,140,000
Total University of North Carolina – Board of Governors	168,980,194

HEALTH AND HUMAN SERVICES

Department of Health and Human Services	
Central Management and Support	8,942,769
Division of Aging & Adult Services	809,321
Division of Blind Services/Deaf/HH	91,653
Division of Child Development & Early Education	(6,675,783)
Health Service Regulation	469,252
Division of Medical Assistance	(310,324,922)
Division of Mental Health, Developmental Disabilities, & Substance Abuse Services	25,173,816
NC Health Choice	350,831
Division of Public Health	19,638,226
Division of Social Services	14,370,213
Division of Vocational Rehabilitation	456,517
Total Health and Human Services	(246,698,107)

AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	9,572,830
Department of Commerce	
Commerce	20,320,848
Commerce State-Aid	650,000
Department of Natural and Cultural Resources	
Natural and Cultural Resources	14,718,687
Roanoke Island Commission	0
Wildlife Resources Commission	305,608
Department of Environmental Quality	19,767,076
Department of Labor	298,430

JUSTICE AND PUBLIC SAFETY

Department of Public Safety	61,149,731
Judicial Department	27,643,723
Judicial Department – Indigent Defense	6,541,345
Department of Justice	5,540,436

GENERAL GOVERNMENT

Department of Administration	5,405,307
Office of Administrative Hearings	103,296
Department of State Auditor	501,059
Office of State Controller	361,006
State Board of Elections	117,012
General Assembly	7,806,816
Office of the Governor	
Office of the Governor	107,248
Office of the Governor – Special Projects	313
Office of State Budget and Management	440,763
OSBM – Reserve for Special Appropriations	20,700,000

Housing Finance Agency	5,000,000
Department of Insurance	2,532,502
Office of Lieutenant Governor	25,637
Department of Military and Veterans Affairs	213,347
Department of Revenue	1,891,151
Department of Secretary of State	878,913
Department of State Treasurer	
State Treasurer	319,008
State Treasurer – Retirement for Fire and Rescue Squad Workers	5,197,982
Department of Information Technology	43,297,929

RESERVES, ADJUSTMENTS AND DEBT SERVICE

Compensation Bonus Reserve – Executive Branch	28,103,159
OSHR Minimum of Market Adjustment	(12,000,000)
Reserve for Future Benefit Needs	(867,331)
Information Technology Reserve	(21,320,843)
Information Technology Fund	(21,681,854)
Job Development Investment Grants (JDIG)	(10,000,000)
One North Carolina Fund	(417,883)
Pending Legislation Reserve	1,200,000
Public Schools Average Daily Membership (ADM)	(107,000,000)
UNC System Enrollment Growth Reserve	(31,000,000)
State Emergency Response and Disaster Relief Fund	10,000,000
Debt Service	
General Debt Service	1,253,023
Federal Reimbursement	38,000,000

TOTAL CURRENT OPERATIONS – GENERAL FUND **401,984,512**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability statement set out in Section 2.2(a) of S.L. 2015-241 applies to the 2015-2016 fiscal year only. The General Fund availability used in adjusting the 2016-2017 budget is shown below:

	FY 2016-2017
Unappropriated Balance	175,488,544
Over Collections FY 2015-16	330,200,000
Reversions FY 2015-16	420,815,473
Earmarkings of Year End Fund Balance:	
Savings Reserve	(473,616,801)
Repairs and Renovations	(81,400,000)

Beginning Unreserved Fund Balance	371,487,216
Revenues Based on Existing Tax Structure	21,417,800,000
Non-tax Revenues	
Investment Income	37,500,000
Judicial Fees	242,600,000
Disproportionate Share	147,000,000
Insurance	77,000,000
Master Settlement Agreement (MSA)	127,400,000
Other Non-tax Revenues	178,700,000
Subtotal Non-tax Revenues	810,200,000
Adjustment for Medicaid Transformation Fund (S.L. 2015-241)	(150,000,000)
Total General Fund Availability	22,449,487,216
Adjustments to Availability: 2016 Session	
Individual Income Tax – Increase Standard Deduction	(145,000,000)
Sales Tax – Exempt Styrofoam Pellets for Alternative Wastewater System Materials	(1,000,000)
Sales Tax – Limit Repair and Maintenance Tax on Airplanes and Boats (Direct Pay Option)	(500,000)
Sales Tax – Repeal Automotive Service Contracts (RMI Services Taxable)	(1,600,000)
Sales Tax – Modify Base on RMI – Removes Retail/Non-retail Distinction, Applies Capital Improvement Test	22,400,000
Sales Tax – Elimination of State Contribution to Local Sales Tax Distribution	17,600,000
Mill Machinery Tax – Expand 1%/\$80 rate to Secondary and Precious Metal Recyclers, Metal Fabricators, and Ports	(6,000,000)
Adjustment for Transfer from Treasurer's Office	517,872
Adjustment for Transfer from Insurance Regulatory Fund	2,532,502
Adjustment for Transfer from NCGA Special Fund	3,000,000
Subtotal Adjustments to Availability: 2016 Session	(108,049,626)
Revised General Fund Availability	22,341,437,590
Less General Fund Appropriations	(22,341,437,590)
Unappropriated Balance Remaining	0

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3(a), the State Controller shall transfer a total of eighty-one million four hundred thousand dollars (\$81,400,000) from the unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2016. Funds transferred under this section to the Repairs and Renovations Reserve are hereby appropriated for the 2016-2017 fiscal year and shall be used in accordance with Section 31.5 of S.L. 2015-241, as amended by Section 37.4 of this act. This subsection becomes effective June 30, 2016.

SECTION 2.2.(c) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer a total of four hundred seventy-three million six hundred sixteen thousand eight hundred one dollars (\$473,616,801) from the unreserved fund balance to the Savings Reserve Account on June 30, 2016. This

transfer is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2016.

SECTION 2.2.(d) Notwithstanding any other provision of law to the contrary, effective July 1, 2016, three million dollars (\$3,000,000) from the Special Fund – Non-Interest Bearing (Budget Code 21000) shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2016-2017 fiscal year.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2017, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2016-2017 fiscal year.

Current Operations – Highway Fund	FY 2016-2017
Department of Transportation	
Administration	\$ 0
Division of Highways	
Administration	0
Construction	2,500,000
Maintenance	1,554,090
Planning and Research	0
OSHA Program	0
State Aid to Municipalities	0
Intermodal Divisions	
Ferry	10,000,000
Public Transportation	4,000,000
Aviation	14,817,417
Rail	13,750,000
Bicycle and Pedestrian	0
Governor's Highway Safety	0
Division of Motor Vehicles	4,973,177
Other State Agencies, Reserves, Transfers	7,494,167
Capital Improvements	0
Total Highway Fund Appropriations	\$ 2,048,690,000

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Section 3.2 of S.L. 2015-241 is repealed. The Highway Fund availability used in adjusting the 2016-2017 fiscal year budget is shown below:

Highway Fund Availability Statement	FY 2016-2017
Unreserved Fund Balance	\$ 0
Estimated Revenue	2,048,910,000
Adjustment to Revenue Availability:	
Vehicle Registration Fees (Permanent Plates)	(220,000)
Total Highway Fund Availability	\$ 2,048,690,000
Unappropriated Balance	\$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

CURRENT OPERATIONS/HIGHWAY TRUST FUND

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2017, according to the following schedule. Amounts set out in parentheses are reductions from Highway Trust Fund Appropriations for the 2016-2017 fiscal year.

Current Operations – Highway Trust Fund	FY 2016-2017
Program Administration	\$ 0
Turnpike Authority	0
Transfer to Highway Fund	0
Debt Service	0
Strategic Prioritization Funding Plan for Transportation Investments	32,045,000
Total Highway Trust Fund Appropriations	\$ 1,371,280,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2015-241 is repealed. The Highway Trust Fund availability used in adjusting the 2016-2017 fiscal year budget is shown below:

Highway Trust Fund Availability Statement	FY 2016-2017
Unreserved Fund Balance	\$ 0
Estimated Revenue	1,370,080,000
Adjustment to Revenue Availability:	
Title Fees (Mercury Switch Removal)	1,200,000
Total Highway Trust Fund Availability	\$ 1,371,280,000
Unappropriated Balance	\$ 0

PART V. OTHER APPROPRIATIONS

EDUCATION LOTTERY FUNDS/NET REVENUE TRANSFERS

SECTION 5.1.(a) Section 5.2 of S.L. 2015-241 reads as rewritten:

"SECTION 5.2.(a) The appropriations made from the Education Lottery Fund for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
Noninstructional Support Personnel	\$ 310,455,157	\$ 314,950,482 <u>\$ 372,266,860</u>
Prekindergarten Program	78,252,110	78,252,110
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
TOTAL	\$ 529,902,000	\$ 534,397,325 <u>\$ 591,713,703</u>

~~"SECTION 5.2.(b) Notwithstanding G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for either year of the 2015-2017 fiscal biennium.~~ G.S. 18C-164(b), the net revenues deposited in the Education Lottery Fund from the 2015-2016 fiscal year that are in excess of the amounts appropriated in subsection (a) of this section for the 2015-2016 fiscal year shall be transferred to the Lottery Reserve Fund.

...."

SECTION 5.1.(b) G.S. 18C-164(a) reads as rewritten:

"§ 18C-164. Transfer of net revenues.

(a) The funds remaining in the North Carolina State Lottery Fund after receipt of all revenues to the Lottery Fund and after accrual of all obligations of the Commission for prizes and expenses shall be considered to be the net revenues of the North Carolina State Lottery Fund. The net revenues of the North Carolina State Lottery Fund shall be transferred at least four times a year to the Education Lottery Fund, which shall be created in the State treasury."

CIVIL PENALTY AND FORFEITURE FUND/REVISIONS

SECTION 5.2. Section 5.3(c) of S.L. 2015-241 reads as rewritten:

"SECTION 5.3.(c) The clear proceeds of the newly established motor vehicle registration late fee charged pursuant to G.S. 20-88.03, as enacted by this act, shall be used to provide a dedicated source of revenue for the drivers education program administered by the Department of Public Instruction in accordance with G.S. 115C-215 and shall be appropriated by the General Assembly for this purpose for the 2016-2017 ~~and 2017-2018 fiscal years.~~ fiscal year and subsequent fiscal years thereafter."

PART VI. GENERAL PROVISIONS

ESTABLISHING OR INCREASING FEES

SECTION 6.1.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated in this act.

SECTION 6.1.(b) Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET STABILITY AND CONTINUITY

SECTION 6.3.(a) G.S. 143C-5-4 reads as rewritten:

"§ 143C-5-4. Enactment ~~deadline~~; procedures to be followed when the Current Operations Appropriations Act does not become law prior to the end of certain fiscal years.

(a) Enactment Deadline. – The General Assembly shall enact the Current Operations Appropriations Act by June 15 of odd-numbered years and by June 30 of even-numbered years in which a Current Operations Appropriations Act is enacted.

(b) Procedure for Budget Continuation. – If a fiscal year begins for which no Current Operations Appropriations Act providing for current operations of State government during that fiscal year has become law, then the following procedures shall be followed and the following limitations shall apply:

- (1) Authority. – Unless otherwise provided by law, the Director of the Budget may continue to allocate funds from all funds for expenditure by State departments, institutions, and agencies at a level not to exceed the level of recurring expenditures from those funds for the prior fiscal year. If the Director of the Budget finds that projected revenues for the fiscal year will not support expenditures at the level of recurring expenditures for the prior fiscal year, the Director of the Budget shall allot funds at a lower level. In making these allocations, the Director of the Budget shall ensure the prompt payment of the principal and interest on bonds and notes of the State according to their terms. Except as otherwise provided by this section, the limitations and directions on the expenditure of funds for the prior fiscal biennium shall remain in effect.
- (2) Appropriation of funds necessary to implement. – There is appropriated from the appropriate State funds, cash balances, federal receipts, and departmental receipts sums sufficient to implement the authority described in this subsection for the applicable fiscal year.
- (3) Relation to Current Operations Appropriations Act. – The appropriations and the authorizations to allocate and spend funds which are set out in this subsection shall remain in effect until the Current Operations Appropriations Act for the applicable fiscal year becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations Appropriations Act for that fiscal year becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1 of the fiscal year.
- (4) Vacant positions. – If both houses of the General Assembly have passed their respective versions of the Current Operations Appropriations Act on the third reading and ordered them sent to the other chamber, then vacant positions subject to proposed budget reductions in either or both versions of the bill shall not be filled.
- (5) State employee salaries. – The salary schedules and specific salaries established for the prior fiscal year and in effect on June 30 of the prior fiscal year for offices and positions shall remain in effect until the Current Operations Appropriations Act for the current fiscal year becomes law. State employees subject to G.S. 7A-102(c), 7A-171.1, 20-187.3, or any other statutory salary schedule, shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly. State employees, including those exempt from the classification and compensation rules established by the State Human Resources Commission, shall

- not receive any automatic step increases, annual, performance, merit, bonuses, or other increments until authorized by the General Assembly.
- (6) School Employee Salaries. – Public school employees paid on the teacher salary schedule, the school-based administrator salary schedule, or any other salary schedule established by State law shall not move up on salary schedules or receive automatic step increases until authorized by the General Assembly.
- (7) State's employer contribution rate. – The State's employer contribution rates budgeted for retirement and related benefits for the current fiscal year shall remain the same as they are on June 30 of the prior fiscal year. These rates are effective until the Current Operations Appropriations Act for the current fiscal year becomes law and are subject to revision in that act. If that act modifies those rates, the Director of the Budget shall further modify the rates set in that act for the remainder of the fiscal year so as to compensate for the different amount contributed between July 1 and the date the Current Operations Appropriations Act becomes law so that the effective rates for the entire year reflect the rates set in the Current Operations Appropriations Act.
- (8) Statutory transfers to reserves. – Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3, funds shall not be reserved to the Savings Reserve Account or the Repairs and Renovations Reserve Account and the State Controller shall not transfer funds from the unreserved credit balance to the those accounts on June 30 of the prior fiscal year.
- (9) Federal block grant funds and other grant funds. – Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded during the current fiscal year, including federal block grants, that are for less than two million five hundred thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a capital project. State agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of receipt of such funds. State agencies may spend all other funds from grants awarded during the current fiscal year, including federal block grants, only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, except that consultation with the Joint Legislative Commission on Governmental Operations shall not be required prior to an expenditure to respond to an emergency, as that term is defined in G.S. 166A-19.3(6). The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient State agency. Notwithstanding the provisions of this subdivision, no State agency may accept a grant if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds. Nothing in this subdivision shall be construed to prohibit or limit expenditures that are authorized under subdivision (1) of this subsection."

SECTION 6.3.(b) This section is effective when it becomes law.

SECTION 6.25 OF S.L. 2015-241 IS APPLICABLE TO BOTH FISCAL YEARS

SECTION 6.4. Section 6.25 of S.L. 2015-241 reads as rewritten:

"SECTION 6.25.(a) Elimination of Certain Vacant Positions. – Notwithstanding G.S. 143C-6-4, and except as otherwise provided in subsection (c) of this section, for each fiscal year of the 2015-2017 fiscal biennium, each State agency, in conjunction with the Office of State Budget and Management, shall do all of the following:

- (1) Abolish all positions that have been vacant for more than 12 months as of April 17, 2015, and as of April 17, 2016, other than those positions required to exist as part of the State's maintenance of effort requirements related to a federal grant that cannot be addressed with other State funds, or for which the Director of the Budget provides an exception, in the Director's sole discretion. This requirement shall apply regardless of the source of funding for affected positions.
- (2) Fund objects or line items in the certified budget for recurring obligations that have been funded from nonrecurring sources in two or more of the previous three fiscal years. The amount funded shall not exceed the average amount expended for each object or line item during the previous three fiscal years.
- (3) Fund objects or line items in the following priority order if funds generated pursuant to subdivision (1) of this subsection are insufficient to adequately fund all of the objects and line items described in subdivision (2) of this subsection:
 - a. Fund legal obligations of the agency that have been funded with lapsed salaries in prior years.
 - b. Fund operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with lapsed salaries in prior years.
 - c. Fund legal obligations of the agency or operational requirements directly related to the health, safety, or well-being of individuals in the care or custody of the State that have been funded with other nonrecurring sources in prior years.
 - d. Fund operational deficiencies where the obligation cannot be reduced and where no other source of funding exists and failure to fund will result in operational disruptions or unfunded liabilities at fiscal year-end.
- (4) Adjust the appropriate objects or line items in the next recommended base budget submitted pursuant to G.S. 143C-3-5 to reflect the actions taken pursuant to this subsection.

"SECTION 6.25.(b) Reporting. – No later than December 1, 2015, and December 1, 2016, the Office of State Budget and Management shall report to the Fiscal Research Division on the implementation of this section. The report shall include all of the following, by budget code and fund code:

- (1) A list of positions abolished pursuant to subdivision (1) of subsection (a) of this section.
- (2) A list of positions that were exempted from being abolished pursuant to subdivision (1) of subsection (a) of this section.
- (3) A list of objects or line items funded pursuant to subdivision (2) of subsection (a) of this section and the associated amount for each object or line item.
- (4) The amount and disposition of savings from the Highway Fund, federal funds, and other non-State agency dedicated receipt sources.
- (5) A list of objects or line items that were not funded because the funds generated pursuant to subdivision (1) of this subsection were insufficient.

"SECTION 6.25.(c) Section Inapplicable to Certain Vacant Positions. – This section shall not apply to vacant positions (i) within the Department of Transportation or (ii) reclassified pursuant to Section 30.18(e) of this act."

EXEMPT GOLDEN L.E.A.F. FROM CERTAIN GRANT REQUIREMENTS

SECTION 6.6. G.S. 143C-9-3(a1) reads as rewritten:

"(a1) Each year, the sum of ten million dollars (\$10,000,000) from the Settlement Reserve Fund is appropriated to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., a nonprofit ~~corporation~~. corporation, and these funds shall not be subject to G.S. 143C-6-23. The remainder of the

funds credited to the Settlement Reserve Fund each fiscal year shall be transferred to the General Fund and included in General Fund availability as nontax revenue."

PART VII. DEPARTMENT OF INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND ALLOCATIONS

SECTION 7.1. Section 7.1 of S.L. 2015-241 reads as rewritten:

"**SECTION 7.1.** ~~The availability used to support appropriations made in this act from the Information Technology Fund established in G.S. 147-33.72H is as follows:~~

	FY 2015-2016	FY 2016-2017
General Fund Appropriation for IT Fund	\$21,755,191	\$21,681,854

~~Appropriations~~Allocations are made from the Information Technology Fund for the 2015-2017 fiscal biennium as follows:

	FY 2015-2016	FY 2016-2017
Criminal Justice Information Network	\$193,085	\$193,085
Center for Geographic Information and Analysis	\$503,810	\$503,810
Enterprise Security Risk Management	\$871,497	\$871,497 <u>\$1,021,497</u>
Staffing and Strategic Projects	\$7,873,903	\$7,873,903 <u>\$7,917,951</u>
First Net (State Match)	\$140,000	\$140,000
Enterprise Project Management Office	\$1,501,234	\$1,501,234
IT Strategy and Standards	\$865,326	\$865,326
State Portal	\$233,510	\$233,510
Process Management	\$398,234	\$398,234
IT Consolidation	—	—
Government Data Analytics Center	\$9,101,255	\$9,101,255 <u>\$10,061,255</u>
Compensation Reserve	\$73,337	

Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the Information Technology Fund shall be spent only as specified in this section. Changes shall not result in any degradation to the information technology operations or projects listed in this section for which the funds were originally appropriated.

Any changes to the specified uses shall be reported in writing to the chairs of the Joint Legislative Oversight Committee on Information Technology, the chair and cochair of the House Appropriations Committee on Information Technology, and the Fiscal Research Division."

INFORMATION TECHNOLOGY RESERVE ALLOCATIONS

SECTION 7.2. Section 7.3(a) of S.L. 2015-241, as amended by Section 2.1 of S.L. 2015-268, reads as rewritten:

"**SECTION 7.3.(a)** ~~The appropriations for the Information Technology Reserve Fund~~ allocations for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
Government Data Analytics Center	\$8,100,000	\$8,100,000 <u>\$8,280,000</u>
Improve Efficiency and Customer Service through IT Modernization	\$8,127,991	\$8,061,512
IT Restructuring	\$2,775,184	\$2,978,812 <u>\$2,140,178</u>
Economic Modeling Initiative	\$500,000	\$500,000

Maintenance Management System Replacement	\$173,180	\$129,901
NC Connect	\$593,899	\$788,503 <u>\$736,899</u>
E-Forms/Digital Signatures	\$762,115	\$762,115 <u>\$318,305</u>
Law Enforcement Information Exchange	\$288,474	0

ESTABLISH GENERAL FUND BUDGET

SECTION 7.3.(a) Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management shall establish a general fund budget for the Department of Information Technology in Budget Code 14660 for the purpose of establishing the Department's operating budget. The Department's general fund budget shall include Information Technology Fund fund codes (27xx) from Budget Code 24667. The Office of State Budget and Management shall also establish a reserve in Budget Code 14660 for the transfer of Information Technology Reserve appropriations. The changes authorized by this section shall be completed by September 30, 2016, but are effective from July 1, 2016, and shall be reflected in the base budget for the 2017-2019 fiscal biennium.

SECTION 7.3.(b) The general fund budget for the Department of Information Technology established pursuant to this section shall include nonrate-based information technology expenditures, as appropriate, from participating agencies and from exempt agencies that have elected to participate with the Department pursuant to Part 1 of Article 15 of Chapter 143B of the General Statutes prior to the submission of the Governor's proposed budget for the 2019-2021 fiscal biennium. Adjustments made pursuant to this requirement shall be made with consideration of the effect those changes may have on the State's ability to draw down federal receipts and utilize non-net appropriation funding sources for information technology projects.

SECTION 7.3.(c) It is the intent of the General Assembly to appropriate funds during the 2017 Regular Session for the Department of Information Technology internal service fund overhead costs upon removal of agency costs from the service rate structure, thereby eliminating the use of a subscription fee to agencies.

IT REPORTING CHANGES

SECTION 7.4.(a) G.S. 143B-1355(c) reads as rewritten:

"§ 143B-1355. Award review.

...

(c) The State CIO shall provide a report of all contract awards approved through the Statewide Procurement Office as indicated below. The report shall include the amount of the award, the contract term, the award recipient, the using agency, and a short description of the nature of the award, as follows:

- (1) For contract awards greater than twenty-five thousand dollars (\$25,000), to the cochairs of the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on a monthly basis as requested.
- (2) For all contract awards outside the established purchasing system, to the Department of Administration, Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division on a quarterly basis, March 1 and September 1 of each year."

SECTION 7.4.(b) G.S. 143B-1360 reads as rewritten:

"§ 143B-1360. Data on reliability and other issues; report.

The Department of Information Technology shall maintain data on equipment reliability, potential cost savings, and any issues associated with the refurbished computer equipment initiative and shall report the results of the initiative to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016, and then quarterly-annually thereafter."

SECTION 7.4.(c) G.S. 143B-1344 reads as rewritten:

"§ 143B-1344. Legacy applications.

Participating agency legacy applications shall be moved to the Department once a detailed plan is coordinated and in place for the successful transition of a specific application to the Department. The Department shall identify situations where multiple agencies are using legacy systems with similar capabilities and shall prepare plans to consolidate these systems. ~~Initial identification of similar capabilities shall be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by March 1, 2016. The initial report shall include a schedule for the consolidation. The report shall also include the costs for operating and maintaining the current systems, the estimated costs for an enterprise replacement system, and the operations and maintenance costs associated with an enterprise system.~~"

SECTION 7.4.(d) G.S. 143B-1333 reads as rewritten:

"§ 143B-1333. Internal Service Fund.

...

(b) ~~Receipts shall be used solely for the purpose for which they were collected. Any uses of the Information Technology Internal Service Fund not specifically related to providing receipt supported services to State agencies shall immediately be reported to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.~~

(c) Receipts shall be used solely for the purpose for which they were collected. In coordination with the Office of the State Controller and the Office of State Budget Management, the State CIO shall ensure processes are established to manage federal receipts, maximize those receipts, and ensure that federal receipts are correctly utilized. ~~By September 1 of each year, the State CIO shall certify that federal receipts for participating agency information technology programs have been properly used during the previous State fiscal year.~~"

SECTION 7.4.(e) G.S. 143B-1334 is repealed.

SECTION 7.4.(f) Section 7.22(c) of S.L. 2015-241 reads as rewritten:

"SECTION 7.22.(c) Beginning January 1, 2016, and ~~quarterly~~ semiannually thereafter, the DIT, in conjunction with OSC and OSBM, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the program. The report shall include all of the following:

...."

SECTION 7.4.(g) Section 7.24(b) of S.L. 2015-241 reads as rewritten:

"SECTION 7.24.(b) On or before March 1, 2016, the State CIO shall provide the completed plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. On or before March 1, 2016, and then at least ~~semiannually~~ annually each January 1 for the duration of the 2015-2017 fiscal biennium, the State CIO shall provide progress reports regarding the establishment and use of the business Internet Web site to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division."

SECTION 7.4.(h) G.S. 143B-1330(a)(2) reads as rewritten:

"§ 143B-1330. Planning and financing State information technology resources.

(a) The State CIO shall develop policies for agency information technology planning and financing. Agencies shall prepare and submit such plans as required in this section, as follows:

...

(2) The State CIO shall develop a biennial State Information Technology Plan ~~(Plan)-(Plan), including, but not limited to, the use of cloud-based utility computing for use by State agencies.~~"

USE OF CASH BALANCE FOR IT RATE CREDITS

SECTION 7.5. The Department of Information Technology shall use funds available in cash balance available in Fund Code 24667 as a credit to the following agencies for subscription fees, telephone rates, and computer rates billed to the agency for the Internal Service Fund for the 2016-2017 fiscal year:

- (1) North Carolina Community Colleges System Office – \$102,023
- (2) Department of Public Instruction – \$1,534,623
- (3) The University of North Carolina:
 - a. Appalachian State University – \$19,725
 - b. Elizabeth City State University – \$389.00
 - c. North Carolina A & T State University – \$13,994
 - d. North Carolina School of the Arts – \$17,033
 - e. Winston Salem State University – \$26,382
 - f. University of North Carolina at Asheville – \$1,244
 - g. University of North Carolina at Chapel Hill – \$1,313
 - h. University of North Carolina at Pembroke – \$6,741
 - i. University of North Carolina at Wilmington – \$194.00
 - j. Western Carolina University – \$10,469
- (4) The Department of Administration – \$190,187
- (5) The Department of Insurance – \$26,504
- (6) The Department of Revenue – \$972,197
- (7) General Assembly – \$14,432
- (8) Office of State Budget and Management – \$176,700
- (9) Office of Lieutenant Governor – \$6,474
- (10) Office of Administrative Hearings – \$38,405
- (11) Department of State Auditor – \$20,832
- (12) Office of State Controller – \$619,802
- (13) Department of Secretary of State – \$4,346
- (14) State Board of Elections – \$43,880
- (15) Department of State Treasurer – \$6,491
- (16) Department of Health and Human Services – \$559,461
- (17) Administrative Office of the Courts – \$101,812
- (18) Department of Public Safety – \$693,292
- (19) Department of Agriculture – \$30,556
- (20) Department of Environmental Quality – \$910,564
- (21) Department of Natural and Cultural Resources – \$665,262
- (22) Industrial Commission – \$232,000
- (23) Department of Labor – \$300,000

INFORMATION TECHNOLOGY SPENDING TRANSPARENCY

SECTION 7.6.(a) All participating agencies, pursuant to Part 1 of Article 15 of Chapter 143B of the General Statutes, including all divisions, boards, commissions, and other State entities for which the participating agencies have budgetary authority, shall realign information technology budgets and expenditures within existing programs and divisions in a manner that provides transparency for information technology, program, and division budgets. Changes shall be completed in a timely manner such that the changes may be included in the 2017-2019 biennial budget.

SECTION 7.6.(b) In conjunction with the budget realignment required by subsection (a) of this section, the OSBM shall submit a report that identifies the following:

- (1) The line-item budgeted requirements for each State agency's information technology expenditures.
- (2) Actual information technology expenditures for each State agency.
- (3) The sources of funds transferred from other line items to cover information technology expenditures in excess of budgeted requirements.

OSBM shall submit this information, by agency, to the Fiscal Research Division along with its submission of the Governor's proposed budget for the 2017-2019 fiscal biennium.

DATA CENTER CONSOLIDATION EXEMPTION FOR CLOUD-BASED SOLUTIONS

SECTION 7.9. Section 7.9(b) of S.L. 2015-241 reads as rewritten:

"SECTION 7.9.(b) State agencies shall use the State infrastructure to host their projects, services, data, and applications, except that the State Chief Information Officer may grant an exception if the State agency demonstrates any of the following:

- (1) Using an outside contractor would be more cost effective for the State.
- (2) The Department of Information Technology does not have the technical capabilities required to host the application.
- (3) Valid security requirements preclude the use of State infrastructure, and a vendor can provide a more secure environment.

With the prior approval of the State Chief Information Officer, applications that are natively or commercially sold and delivered as cloud-based solutions are not subject to the requirements of this subsection."

ENTERPRISE RESOURCE PLANNING DESIGN AND IMPLEMENTATION

SECTION 7.10.(a) The Department of Information Technology, in coordination with the Office of the State Controller and the Office of State Budget and Management, shall conduct the planning and design of an enterprise resource planning system (ERP) for State agencies by utilizing business process reengineering to identify and organize processes and workflow in order to prioritize and link work activities to realize efficiencies and organize around outcomes. The ERP system shall address, at a minimum, core financial management, grants, assets and inventory, fleet management, and human resource management. A request for proposal for a replacement system implementation shall be prepared for release no later than July 1, 2017. The Department may use savings generated through efficiencies gained from transition of participating agencies to the Department and overall Department operations, including procurement, to fund the project.

SECTION 7.10.(b) The Department of Information Technology shall submit a report to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. The report shall identify results from the business process reengineering efforts for State agencies and shall include at least all of the following:

- (1) Proposed sequence of functional and site implementation.
- (2) A phased-in contracting plan with checkpoints to facilitate budgeting and program management.
- (3) The feasibility of a cloud-based component.
- (4) Cost estimate for full implementation.
- (5) Detailed information relating to project funding from the savings generated through efficiencies gained from agency transition and overall Department operations.

COMMUNITY COLLEGES SYSTEM ERP DESIGN AND IMPLEMENTATION

SECTION 7.10A.(a) The North Carolina Community Colleges System Office, in consultation with the Department of Information Technology, shall begin planning and design of a modernized ERP for the State's 58 community colleges. The ERP system shall address, at a minimum, student information system, core financial management, grants, human resource management, and payroll. The planning and design of the ERP system may include either a modernization of the current system or a replacement system. A request for proposal for a replacement system implementation shall be prepared for release no later than October 1, 2017. The North Carolina Community Colleges System Office may use funds from the North Carolina Community College IT Systems Budget Code 26802 to support planning and request for proposal development efforts; provided, that the total amount expended

for the project does not exceed one million dollars (\$1,000,000). To the extent that these funds have not been appropriated for the 2016-2017 fiscal year elsewhere, they are hereby appropriated.

SECTION 7.10A.(b) The North Carolina Community Colleges System Office shall submit a report to the Joint Legislative Oversight Committee on Information Technology on or before January 15, 2017. The report shall identify the results of the planning and design effort, including at least all of the following information:

- (1) Proposed sequence of functional and site implementation.
- (2) A phased-in contracting plan with checkpoints to facilitate budgeting and program management.
- (3) The feasibility of a cloud-based component.
- (4) Cost estimate for full implementation.

AGENCY EXEMPTIONS FROM DIT OVERSIGHT

SECTION 7.11.(a) G.S. 143B-1325 reads as rewritten:

"§ 143B-1325. Transition to Department of Information Technology.

...

(c) Participating Agencies. – The State CIO shall prepare detailed plans to transition each of the participating agencies. As the transition plans are completed, the following participating agencies shall transfer information technology personnel, operations, projects, assets, and appropriate funding to the Department of Information Technology:

- (1) Department of Natural and Cultural Resources.
- (2) Department of Health and Human Services.
- (3) Department of Revenue.
- (4) Department of Environmental Quality.
- (5) Department of Transportation.
- (6) Department of Administration.
- (7) Department of Commerce.
- (8) Governor's Office.
- (9) Office of State Budget and Management.
- (10) Office of State Human Resources.
- ~~(11) Office of the State Controller.~~
- (12) Department of Military and Veterans Affairs.
- (13) Department of Public Safety, with the exception of the following:
 - a. State Bureau of Investigation.
 - b. State Highway Patrol.
 - c. Division of Emergency Management.

The State CIO shall ensure that agencies' operations are not adversely impacted during the transition.

(d) Report on Transition Planning. – ~~The Department of Public Safety, the~~ The Community College System ~~Office,~~ Office and the State Board of Elections shall work with the State CIO to plan their transition to the Department. By October 1, 2018, these agencies, in conjunction with the State CIO, shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on their respective transition plans.

...."

GOVERNMENTAL DATA ANALYTICS CENTER/LONGITUDINAL DATA SYSTEM BOARD

SECTION 7.14.(a) G.S. 116E-1(1) reads as rewritten:

- "(1) ~~"Board" means the governing board of the North Carolina Longitudinal Data System.~~ "Center" means the Governmental Data Analytics Center as established in Part 8 of Article 15 of Chapter 143B of the General Statutes."

SECTION 7.14.(b) G.S. 116E-4 reads as rewritten:

"§ 116E-4. Powers and duties of the Board-Center.

(a) The Board-Center shall have the following powers and ~~duties~~duties with respect to the System:

...

(4) Before the use of any individual data in the System, the Board-Center shall do the following:

...

b. Develop and implement policies to comply with FERPA and any other privacy measures, as required by law or the Board-Center.

...

(9) Establish an advisory committee on data quality to advise the Board-Center on issues related to data auditing and tracking to ensure data validity.

(b) The Board-Center shall adopt rules according to Chapter 150B of the General Statutes as provided in G.S. 116E-6 to implement the provisions of this Article.

(c) The Board-Center shall report quarterly to the Joint Legislative Education Oversight Committee, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Information Technology beginning September 30, 2013. The report shall include the following:

...

(3) Any other recommendations made by the Board-Center, including the most effective and efficient configuration for the System."

SECTION 7.14.(c) G.S. 116E-6 reads as rewritten:

"§ 116E-6. Data sharing.

(a) Local school administrative units, charter schools, community colleges, constituent institutions of The University of North Carolina, and State agencies shall do all of the following:

(1) Comply with the data requirements and implementation schedule for the System as set forth by the Board-Center.

(2) Transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed by the Board-Center under G.S. 116E-5.

(b) Private colleges and universities, the North Carolina Independent Colleges and Universities, Inc., and nonpublic schools may transfer student data and workforce data to the System in accordance with the data security and safeguarding plan developed ~~by the Board~~ under G.S. 116E-5."

SECTION 7.14.(d) G.S. 116E-3, 120-123(81), 143B-1321(a)(31), and 143B-1322(c)(21) are repealed.

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand nine hundred eighty-five dollars and fifty-three cents (\$3,985.53) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2016-2017 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 8.2. Section 8.2 of S.L. 2015-241 reads as rewritten:

"SECTION 8.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred eighty dollars and seventy cents (\$1,280.70) per child for fiscal ~~years-year~~ 2015-2016 and one thousand two hundred ninety-five dollars and twenty-seven cents (\$1,295.27) per child for fiscal year 2016-2017. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2015-2016 allocated average daily ~~membership, membership~~ membership for the 2015-2016 fiscal year and a maximum of four percent (4%) of its 2016-2017 allocated average daily membership for the 2016-2017 fiscal year, 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."

SMALL COUNTY SUPPLEMENTAL FUNDS ELIGIBILITY

SECTION 8.4. Section 8.4 of S.L. 2015-241 reads as rewritten:

"SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

...

"SECTION 8.4.(b) Phase-Out Provision for the 2015-2016 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2015-2016 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local school administrative units shall be reduced in equal increments in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local school administrative unit becomes ineligible.

Allotments for eligible local school administrative units under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2014-2015 in any fiscal year. A local school administrative unit shall not become ineligible for funding if either the higher of the first two months total projected average daily membership for the current year or the higher of the first two months total prior year average daily membership would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this section.

"SECTION 8.4.(c) Phase-Out Provision for the 2016-2017 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2016-2017 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local school administrative units shall be reduced in equal increments in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.

Allotments for eligible local school administrative units under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2015-2016 in any fiscal year. A local school administrative unit shall not become ineligible for funding if either the higher of the first two months total projected average daily membership for the current year or the higher of the first two months total prior year average daily membership would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this section.

...."

DRIVERS EDUCATION PROGRAM FUNDS

SECTION 8.5. Section 8.39(h) of S.L. 2015-241 reads as rewritten:

"SECTION 8.39.(h) Subsections (a), (b), and (c) of this section are effective July 1, 2016, and apply beginning with the 2016-2017 school year. ~~Subsections (a), (b), and (c) of this section are repealed effective December 31, 2017.~~ The remainder of this section is effective when this act becomes law."

TEACHER COMPENSATION MODELS AND ADVANCED TEACHING ROLES

SECTION 8.7.(a) Purpose. – The State Board of Education shall establish a three-year pilot program (pilot) to develop advanced teaching roles and organizational models that link teacher performance and professional growth to salary increases in selected local school administrative units for classroom teachers. For the purposes of this section, a classroom teacher is a teacher who works in the classroom providing instruction at least seventy percent (70%) of the instructional day and who is not instructional support personnel. The purpose of the pilot shall be to do the following:

- (1) Allow highly effective classroom teachers to teach an increased number of students by assuming accountability for additional students, by becoming a lead classroom teacher accountable for the student performance of all of the students taught by teachers on that lead classroom teacher's team, or by leading a larger effort in the school to implement new instructional models to improve school-wide performance.
- (2) Enable local school administrative units to provide salary supplements to classroom teachers in advanced teaching roles. Selection of an advanced teaching role classroom teacher and award of related salary supplements shall be made on the basis of demonstrated effectiveness and additional responsibilities.
- (3) Enable local school administrative units to create innovative compensation models that focus on classroom teacher professional growth and student outcomes.
- (4) Utilize local plans to establish organizational changes related to compensation in order to sustain evidenced-based teaching practices that have the capacity to be replicated throughout the State.

SECTION 8.7.(b) Request for Proposal. – By September 15, 2016, the State Board of Education shall issue a Request for Proposal (RFP) for the pilot. Local boards of education shall submit their proposals by October 15, 2016. The RFP shall require that proposals include the following information at a minimum:

- (1) Description of the program structure, including the process for teacher advancement based on performance, professional growth, or the specific teacher roles assumed by the teacher.
- (2) Descriptions of the advanced teaching roles, including minimum qualifications for the positions that must include at least one of the following:
 - a. Advanced certifications, such as National Board for Professional Teaching Standards Certification, or a master's degree in the area in which the classroom teacher is licensed and teaching.
 - b. A rating of at least accomplished on each of the Teacher Evaluation Standards 1-5 on the North Carolina Teacher Evaluation instrument or the equivalent on an out-of-state evaluation system.
 - c. Evidence that the teacher has exceeded expected student growth based on three years of teacher evaluation data as calculated by the State Board of Education.
 - d. Equivalent demonstrated mastery of teaching skills as required by the new local compensation model.
- (3) Job responsibilities that include at least one of the following:
 - a. Teaching an increased number of students and being accountable for their performance as the teacher of record for those students.
 - b. Becoming a lead classroom teacher among a group of teachers and being the teacher of record for all students taught by that group of teachers.
 - c. Leading a school-wide effort to implement data-driven instructional models that include blended learning environments, utilizing digital learning and resources, and focusing on methods of improvement for school-wide performance issues.

- d. Completing training that certifies the teacher as an in-house provider of professional development or functioning as an instructional content area coach or a coach in another professional development area.
- (4) Description of how the local school administrative unit will inform all employees and the public on the criteria and selection for the advanced teaching roles, the continued eligibility requirements for the advanced teaching roles, and how the individuals selected for the advanced teaching roles will be evaluated.
- (5) Description of how the local school administrative unit will inform all employees and the public on the criteria for movement on the proposed new local compensation model.
- (6) The process for the voluntary relinquishment of an advanced teaching role, including the associated additional duties. Voluntary relinquishment of the advanced teaching role shall not be considered a demotion under Part 3 of Article 22 of Chapter 115C of the General Statutes.
- (7) Salary supplement information including the following:
 - a. The amount of the salary supplements that will be provided to those selected for the advanced teaching roles. The supplements may be up to thirty percent (30%) of the State teacher salary schedule.
 - b. A statement by the local school administrative unit that the salary supplements will be paid as a supplement to the classroom teacher's regular salary and not be included in the average salary calculation used for budgeting State allotments.
 - c. A statement by the local school administrative unit that if a classroom teacher in an advanced teaching role (i) fails to maintain the minimum criteria established for the position, (ii) is not successfully performing the additional duties associated with the advanced teaching role, or (iii) voluntarily relinquishes the advanced teaching role, the teacher shall only be paid the salary applicable to that individual on the State teacher salary schedule and any other local supplements that would otherwise apply to the classroom teacher's compensation.
 - d. The amount of the salary supplements at all levels of the proposed new local school administrative unit compensation model in relation to the State teacher salary schedule.
- (8) The implementation plan, including the number of schools in the local school administrative unit that will have advanced teaching roles and any new proposed compensation model, the number of advanced teaching roles at each of those schools, the number of students whose teacher of record will be a teacher in an advanced teaching role, and the number of teachers overall who would be eligible for the proposed new local school administrative unit compensation model.
- (9) Plans for financial sustainability once any grant money that may be awarded to the local school administrative unit is no longer available.

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

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

SECTION 8.7.(d) Pilot Implementation. – The selected local school administrative units shall implement their approved pilots beginning with the 2017-2018 school year and ending with the 2019-2020 school year. The local board of education for each selected pilot local school administrative

unit shall provide any requested information and access to the independent research organization selected by the State Board of Education to evaluate the pilots pursuant to subsection (f) of this section.

SECTION 8.7.(e) Use of Grant Funds. – Funds awarded to local school administrative units shall be used for any of the following:

- (1) Salary supplements for advanced teaching roles.
- (2) Development of advanced teaching role plans.
- (3) Development of professional development courses.
- (4) Transition costs associated with designing and implementing advanced teaching role models in schools within the local school administrative unit. Transition costs may include employing staff members or contractors to assist with design and implementation of the pilot plan.
- (5) Development of the design and implementation of compensation plans that focus on teacher professional growth and student outcomes and the transition costs associated with designing and implementing new compensation plans, including employing staff members or contractors to assist with design and implementation of the pilot plan.

SECTION 8.7.(f) Pilot Evaluation. – The State Board of Education shall contract with an independent research organization to evaluate how the advanced teaching roles and new compensation plan pilots have accomplished, at a minimum, the following:

- (1) Improvement in the quality of classroom instruction and increases in school-wide growth.
- (2) An increase in the attractiveness of teaching.
- (3) Recognition, impact, and retention of high-quality classroom teachers.
- (4) Assistance to and retention of beginning classroom teachers.
- (5) Improvement in and expansion of the use of technology and digital learning.

The independent research organization shall report annually beginning October 15, 2017, until the conclusion of the pilot to the State Board on all aspects of the implementation and evaluation of the pilot. The independent research organization shall also evaluate, as part of the annual report, the existing Project LIFT, Inc., program in Charlotte-Mecklenburg Schools, and the proposed Project Advance in Chapel Hill-Carrboro City Schools, if that project is implemented. The State Board shall provide the annual report to the offices of the President Pro Tempore of the Senate and the Speaker of the House of Representatives, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Committee on Education, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee.

SECTION 8.7.(g) Of the funds appropriated to the Department of Public Instruction by this act for the 2016-2017 fiscal year to support teacher compensation models and advanced teaching roles, the Department may use up to two hundred thousand dollars (\$200,000) for the State Board of Education to contract with an independent research organization for the pilot evaluations. Any remaining funds may be used to award funds to selected local school administrative units for the implementation of the pilots in accordance with this section. Funds appropriated to the Department of Public Instruction for the 2016-2017 fiscal year for the pilot shall not revert at the end of the fiscal year but shall remain available until expended.

SECTION 8.7.(h) It is the intent of the General Assembly to appropriate from the General Fund to the Department of Public Instruction for the 2017-2018 fiscal year the sum of nine million eight hundred thousand dollars (\$9,800,000) for the award of funds to selected local school administrative units for the pilots in accordance with this section. Funds awarded to the local school administrative units shall be awarded in proportion to the current expenditure of the pilot local school administrative unit on teacher salaries.

SECTION 8.7.(i) Flexibility for Local School Administrative Units. – Notwithstanding G.S. 115C-301, local school administrative units receiving grants under this program may exceed the maximum class size requirements for kindergarten through third grade.

ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER BONUS PILOT PROGRAM

SECTION 8.8.(a) The State Board of Education shall establish the Advanced Placement/International Baccalaureate Pilot Program (pilot program) to reward advanced course teacher performance and to encourage student learning and improvement. To attain this goal, the Department of Public Instruction shall administer bonus pay for two school years to licensed teachers of advanced courses, beginning with data from the 2015-2016 school year, in accordance with the following:

- (1) A bonus in the amount of fifty dollars (\$50.00) for each student taught by an advanced course teacher in each advanced course who receives the following score:
 - a. For Advanced Placement courses, a score of three or higher on the College Board Advanced Placement Examination.
 - b. For International Baccalaureate Diploma Programme courses, a score of four or higher on the International Baccalaureate course examination.
- (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds two thousand dollars (\$2,000) in any given school year. The bonus awarded to a teacher pursuant to this subsection shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.
- (3) For advanced course scores collected from the 2015-2016 school year and the 2016-2017 school year, bonuses awarded pursuant to this subsection are payable in January 2017 and January 2018, respectively, to qualifying advanced course teachers who remain employed teaching advanced courses in the same local school administrative unit at least from the school year the data is collected until the corresponding school year that the bonus is paid.

SECTION 8.8.(b) For the purposes of this section, an "advanced course" shall mean an Advanced Placement or International Baccalaureate Diploma Programme course.

SECTION 8.8.(c) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded under this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 8.8.(d) The State Board of Education shall report on and study the pilot program as follows:

- (1) The State Board shall report on the amount of bonuses awarded to advanced course teachers, including the amount awarded for Advanced Placement courses and the amount awarded for International Baccalaureate Diploma Programme courses, to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division by March 15, 2017, and again by March 15, 2018.
- (2) The State Board shall study the effect of the pilot program on advanced course teacher performance and retention. The State Board shall report the results of its findings to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee by March 15, 2018.

SECTION 8.8.(e) For the 2017-2018 fiscal year only, the Director of the Budget shall also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of nonrecurring funds needed to support the pilot program.

SECTION 8.8.(f) This section expires June 30, 2018.

INDUSTRY CERTIFICATIONS AND CREDENTIALS TEACHER BONUS PILOT PROGRAM

SECTION 8.9.(a) The State Board of Education, in collaboration with the Department of Commerce, shall establish the Industry Certifications and Credentials Teacher Bonus Pilot Program (pilot program) to reward the performance of teachers who teach students earning approved industry certifications or credentials consistent with G.S. 115C-156.2 and to encourage student learning and improvement. To attain this goal, the Department of Public Instruction shall administer bonus pay for two school years to teachers who teach students earning approved industry certifications or credentials, beginning with data from the 2015-2016 school year, in accordance with the following:

- (1) For teachers who provide direct instruction to students, bonuses shall be provided in the following amounts:
 - a. A bonus in the amount of twenty-five dollars (\$25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification or credential with a twenty-five-dollar (\$25.00) value ranking as determined under subdivision (3) of this subsection.
 - b. A bonus in the amount of fifty dollars (\$50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification or credential with a fifty-dollar (\$50.00) value ranking as determined under subdivision (3) of this subsection.
- (2) No teacher shall be awarded a bonus pursuant to this subsection that exceeds two thousand dollars (\$2,000) in any given school year. The bonus awarded to a teacher pursuant to this subsection shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.
- (3) The Department of Commerce, in consultation with the State Board, shall assign a value ranking for each industry certification and credential based on academic rigor and employment value in accordance with this subdivision. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:
 - a. Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with extra weight given for coursework that also provides community college credit.
 - b. Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.
- (4) For data on courses leading to student attainment of industry certifications and credentials collected from the 2015-2016 school year and the 2016-2017 school year, bonuses awarded pursuant to this subsection are payable in January 2017 and January 2018, respectively, to qualifying teachers who remain employed teaching students earning approved industry certifications or credentials in the same local school administrative unit at least from the school year the data is collected until the corresponding school year that the bonus is paid.

SECTION 8.9.(b) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded under this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 8.9.(c) The State Board of Education shall report on and study the pilot program as follows:

- (1) The State Board shall report on the amount of bonuses awarded to teachers who teach students earning approved industry certifications or credentials and the type of industry certifications and credentials earned by their students to the President Pro Tempore of

the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division by March 15, 2017, and again by March 15, 2018.

- (2) The State Board shall study the effect of the pilot program on teacher performance and retention. The State Board shall report the results of its findings to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee by March 15, 2018.

SECTION 8.9.(d) For the 2017-2018 fiscal year only, the Director of the Budget shall also include in the base budget, as defined by G.S. 143C-1-1(d)(1c), the amount of nonrecurring funds needed to support the pilot program.

SECTION 8.9.(e) This section expires June 30, 2018.

CERTAIN CIHS OPERATING WITHOUT ADDITIONAL FUNDS

SECTION 8.11. Beginning with the 2016-2017 school year and for subsequent school years thereafter, notwithstanding G.S. 115C-238.51A(c) and G.S. 115C-238.54, Alamance-Burlington Early College, Alexander Early College, Cabarrus Early College of Technology, Camden Early College, Chatham County School of Science and Engineering, City of Medicine Cooperative Innovative High School, Gaston Early College High School, Hillside New Tech Cooperative Innovative High School, Johnston County Career and Technical Academy, Northampton County New Tech Early College, Person Early College for Innovation and Leadership, Stanly County School of Engineering and Design, and Wayne School of Engineering at Goldsboro High School shall be permitted to operate in accordance with G.S. 115C-238.53 and G.S. 115C-238.54 as cooperative innovative high schools approved under G.S. 115C-238.51A(c) and shall be subject to the evaluation requirements of G.S. 115C-238.55.

REPORT FOR SCHOOLS FOR STUDENTS WITH VISUAL AND HEARING IMPAIRMENTS/FOREIGN EXCHANGE STUDENTS

SECTION 8.12.(a) Article 9C of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-150.15. Reporting to residential schools on deaf and blind children.

(a) Request for Consent. – Local superintendents shall require that the following request for written consent be presented to parents, guardians, or custodians of any hearing impaired or visually impaired children no later than October 1 of each school year: "North Carolina provides three public residential schools serving visually and hearing impaired students: the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf. Do you consent to the release of your contact information and information regarding your child and his or her impairment to these schools so that you can receive more information on services offered by those campuses?"

(b) Annual Report to Residential Schools. – Local superintendents shall report by November 30 each year the names and addresses of parents, guardians, or custodians of any hearing impaired or visually impaired children who have given written consent to the directors of the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf. The report shall include the type of disability of each child, including whether the hearing and visual impairments range from partial to total disability, and if the child has multiple disabilities with the visual or hearing impairment not identified as the primary disability of the student. The report shall also be made to the Department of Public Instruction.

(c) Confidentiality of Records. – The directors of the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf shall treat any information reported to the schools by a local superintendent under subsection (b) of this section as confidential, except that a director or the director's designee may contact the parents, guardians, or

custodians of any hearing impaired or visually impaired children whose information was included in the report. The information shall not be considered a public record under G.S. 132-1."

SECTION 8.12.(b) G.S. 115C-150.14 reads as rewritten:

"§ 115C-150.14. Tuition and room and board.

(a) Only children who are residents of North Carolina are entitled to free tuition and room and board at a school governed by this Article.

(b) A school governed by this Article may enroll a foreign exchange student and shall charge the student the full, unsubsidized per capita cost of providing education at the school for the period of the student's attendance. A school that seeks to enroll foreign exchange students under this section shall submit a plan prior to enrolling any of those students to the State Board of Education for approval, including the proposed costs to be charged to the students for attendance and information on compliance with federal law requirements. For the purposes of this section, a foreign exchange student is a student who is domiciled in a foreign country and has come to the United States on a valid, eligible student visa.

(c) Notwithstanding subsection (b) of this section, foreign exchange students who have obtained the status of nonimmigrants pursuant to the Immigration and Nationality Act, 8 U.S.C. § 1101(a)(15)(F) may only be enrolled in a school governed by this Article in grades nine through 12 for a maximum of 12 months at the school."

SECTION 8.12.(c) This section applies beginning with the 2016-2017 school year. Local superintendents shall present the consent form to parents, guardians, or custodians of any hearing impaired or visually impaired children required by subsection (a) of this section by October 1, 2016, and shall make the first report required under subsection (a) of this section no later than November 30, 2016.

VIRTUAL CHARTER SCHOOL CHANGES

SECTION 8.13.(a) Section 8.35(c) of S.L. 2014-100 reads as rewritten:

"SECTION 8.35.(c) In addition to the operating requirements applicable to a virtual charter school participating in the pilot program pursuant to Part 6A of Article 16 of Chapter 115C of the General Statutes, the following requirements shall apply to a participating virtual charter school:

- (1) The school shall maintain an administrative office within North Carolina. In addition, the school shall maintain at least one testing center or meeting place within each of the eight State Board of Education districts where the participating students reside, to allow educators and administrators from the school to meet students and parents. When utilizing the testing center or meeting place for test administration, the school is permitted to do the following:
 - a. Administer tests to multiple grade levels at the same time and location.
 - b. Contract with a test administrator who is not employed by the board of directors of the school and meets the following criteria:
 1. Holds a valid, North Carolina educator license.
 2. Passes a criminal history check as defined in G.S. 115C-332(a)(1) performed by the school.
 3. Is trained on test administration in accordance with the North Carolina Testing Program.
- (2) If the school contracts with a third party for the provision of administrative staff, such staff fulfilling the equivalent positions of superintendent, principal, or business officer shall be residents of North Carolina.
- (3) All teaching staff shall carry the appropriate State certification to instruct any course and shall receive professional development in virtual instruction pursuant to the school's application to the State Board of Education to participate in the pilot program within 30 days of the employee's date of hire. At least ~~ninety percent (90%)~~ eighty percent (80%) of the teaching staff shall reside within North Carolina.

- (4) The school shall have a withdrawal rate below twenty-five percent (25%). A student who meets any of the following criteria shall not be counted in measuring the school's withdrawal rate:
- a. A student enrolled in a school with the intent expressed prior to enrollment of only being enrolled for a finite period of time within the school ~~year shall not be counted in the measured withdrawal rate year.~~ The school shall keep a written record of a student's stated intent for finite enrollment.
 - b. A student who is withdrawn from the school pursuant to subdivision (3) of subsection (b) of this section.
 - c. A student who is no longer qualified under the laws of this State for admission to a public school in North Carolina, including due to the student relocating to another state.
 - d. A student who (i) withdraws from the school for a family, personal, or medical reason and (ii) notifies the school of the reason for withdrawal. The school shall keep a written record of a student's stated reason for withdrawal under this sub-subdivision.
 - e. A student who withdraws from the school within the first 30 days following the date of the student's enrollment.
- (4a) A count of school attendance shall be taken at least once during each semester for funding purposes.
- (5) The school shall ensure that each student is assigned a learning coach. The learning coach shall provide (i) daily support and supervision of students, (ii) ensure student participation in online lessons, and (iii) coordinate teacher-led instructional sessions and State assessments."

SECTION 8.13.(b) This section applies beginning with the 2016-2017 school year.

SCHOOL BUSINESS SYSTEM MODERNIZATION

SECTION 8.15.(a) The State Board of Education shall collaborate with the Friday Institute for Educational Innovation at North Carolina State University (Friday Institute) to develop a plan to modernize the systems used by the Department of Public Instruction, Financial and Business Services Division, to manage and deliver funds and technical support services to local school administrative units and charter schools. This process shall include modernization of the Division's systems for student information management, financial and payroll information, human resources information, and capital and repairs and renovations planning information.

SECTION 8.15.(b) By May 15, 2017, the State Board of Education shall report to the Joint Legislative Education Oversight Committee on the plan developed in accordance with this section for modernization of the systems used by the Financial and Business Services Division. The plan shall include the scope of work necessary to procure and transition the systems, an estimate of the costs of modernization of the systems, and a time line for implementation.

SECTION 8.15.(c) By October 1, 2017, the Department of Public Instruction, in collaboration with the Friday Institute, local school administrative units, and charter schools, shall issue a Request for Proposal to outside vendors and entities for implementation of the plan.

INTERNATIONAL EXCHANGE TEACHER FUNDS

SECTION 8.16. G.S. 115C-105.25(b)(5a) reads as rewritten:

- "(5a) Positions allocated for classroom teachers may be converted to dollar equivalents to contract for visiting international exchange ~~teachers-teachers through a visiting~~ international exchange teacher program approved by the State. These positions shall be converted at the statewide average salary for classroom teachers, including benefits. The converted funds shall be used only to provide visiting international exchange

teachers with salaries commensurate with their experience levels, to provide any State-approved bonuses, and to cover the costs associated with bringing supporting visiting international exchange teachers to within the local school administrative unit through a State approved visiting international exchange teacher program and supporting the visiting exchange teachers unit, including programming and related activities, background checks, medical coverage, and other program administration services in accordance with the federal regulations for the Exchange Visitor Program, 22 C.F.R. Part 62."

K-12 CYBERSECURITY STUDY

SECTION 8.17. The Department of Public Instruction shall conduct a study on cybersecurity in North Carolina public schools, including charter schools. As part of the study, the Department may request local school administrative units and charter schools to submit a summary of their current policies and procedures on cybersecurity practices and procedures to protect student and employee personally identifiable data. By December 15, 2016, the Department shall report the results of the study to the General Assembly in accordance with G.S. 120-29.5.

MODIFY SCHOOL PERFORMANCE GRADES SCALE FOR THREE SCHOOL YEARS

SECTION 8.19. Notwithstanding G.S. 115C-83.15(d), for the 2016-2017 school year, the 2017-2018 school year, and the 2018-2019 school year only, for all schools the total school performance score shall be converted to a 100-point scale and used to determine a school performance grade based on the following scale:

- (1) A school performance score of at least 85 is equivalent to an overall school performance grade of A.
- (2) A school performance score of at least 70 is equivalent to an overall school performance grade of B.
- (3) A school performance score of at least 55 is equivalent to an overall school performance grade of C.
- (4) A school performance score of at least 40 is equivalent to an overall school performance grade of D.
- (5) A school performance score of less than 40 is equivalent to an overall school performance grade of F.

PILOT PROGRAM TO RAISE THE HIGH SCHOOL DROPOUT AGE FROM SIXTEEN TO EIGHTEEN

SECTION 8.21.(a) Notwithstanding any provisions in Part 1 of Article 26 of Chapter 115C of the General Statutes, G.S. 7B-1501(27), 115C-238.66(3), 116-235(b)(2), and 143B-805(20) to the contrary, the State Board of Education shall authorize the Hickory Public Schools, the Newton-Conover City Schools, and the Rutherford County Schools to establish and implement a pilot program pursuant to this section to increase the high school dropout age from 16 years of age to the completion of the school year coinciding with the calendar year in which a student reaches 18 years of age, unless the student has previously graduated from high school. The pilot program may be implemented beginning with the 2016-2017 school year and may continue for subsequent school years following the end of the 2015-2017 fiscal biennium.

SECTION 8.21.(b) For the purposes of implementing the pilot program authorized by this section, a local school administrative unit that is participating in the pilot program shall have the authority to provide that, if the principal or the principal's designee determines that a student's parent, guardian, or custodian, or a student who is 18 years of age, has not made a good-faith effort to comply with the compulsory attendance requirements of the pilot program, the principal shall notify the district attorney and, if the student is less than 18 years of age, the director of social services of the county where the

student resides. If the principal or the principal's designee determines that a parent, guardian, or custodian of a student less than 18 years of age has made a good-faith effort to comply with the law, the principal may file a complaint with the juvenile court counselor pursuant to Chapter 7B of the General Statutes that the student is habitually absent from school without a valid excuse. Upon receiving notification by the principal or the principal's designee, the director of social services shall determine whether to undertake an investigation under G.S. 7B-302.

SECTION 8.21.(c) The local boards of education of the participating local school administrative units shall prescribe specific rules to address under what circumstances a student who is 18 years of age who is required to attend school as part of the pilot program shall be excused from attendance, including if the student has attained a high school equivalency certificate or a student has enlisted as a member of the Armed Forces.

SECTION 8.21.(d) For the purposes of implementing the pilot program authorized by this section, any (i) parent, guardian, or other person having charge or control of a student enrolled in a school located within a participating local school administrative unit and (ii) student who is 18 years of age enrolled in a school located within a participating local school administrative unit who violates the compulsory attendance provisions of the pilot program without a lawful exception recognized under Part 1 of Article 26 of Chapter 115C of the General Statutes or the provisions of this section shall be guilty of a Class 1 misdemeanor.

SECTION 8.21.(e) If an affidavit is made by the student, parent of the student, or by any other person that any student who is required to attend school under the requirements of the pilot program is not able to attend school by reason of necessity to work or labor for the support of himself or herself or the support of the family, then the school social worker of the applicable school located within the participating school administrative unit shall diligently inquire into the matter and bring it to the attention of an appropriate court, depending on the age of the student. The court shall proceed to find whether as a matter of fact the student is unable to attend the school or such parents, or persons standing in loco parentis, are unable to send the student to school for the term of compulsory attendance for the reasons given. If the court finds, after careful investigation, that the student or the parents have made or are making a bona fide effort to comply with the compulsory attendance law, and by reason of illness, lack of earning capacity, or any other cause which the court may deem valid and sufficient, the student is unable to attend school, then the court shall find and state what help is needed for the student or family to enable compliance with the attendance requirements under the pilot program.

SECTION 8.21.(f) Each local school administrative unit may use any funds available to it to implement the pilot program in accordance with this section to (i) employ up to three additional teachers and (ii) fund additional student-related costs, such as transportation and technology costs, including additional computers, to serve a greater number of students as a result of the pilot program. Each local school administrative unit may also use any funds available to it to operate a night school program for students at risk of dropping out of high school. For Hickory Public Schools and Newton-Conover City Schools, to the extent possible, the local school administrative units shall partner with Catawba Valley Community College in administering the pilot program. For Rutherford County Schools, to the extent possible, the local school administrative unit shall partner with Isothermal Community College in administering the pilot program.

SECTION 8.21.(g) The local school administrative units, in collaboration with the State Board of Education, shall report to the Joint Legislative Education Oversight Committee, the House Appropriations Subcommittee on Education, and the Senate Appropriations Committee on Education/Higher Education by January 15, 2018, and by January 15 of each even-numbered year thereafter until the end of the operation of the pilot programs. The report shall include at least all of the following information:

- (1) An analysis of the graduation rate in each local school administrative unit and the impact of the pilot program on the graduation rate.
- (2) The teen crime statistics for Catawba County and for Rutherford County.

- (3) The number of reported cases of violations of compulsory attendance laws in Catawba County and Rutherford County and the disposition of those cases.
- (4) Implementation of enforcement mechanisms for violations of the compulsory attendance requirements of the pilot program, including the imposition of criminal penalties.
- (5) The number of at-risk students served in any night programs established as part of the pilot program and student graduation and performance outcomes for those students.
- (6) All relevant data to assist in determining the effectiveness of the program and specific legislative recommendations, including the continuation, modification, or expansion of the program statewide.

SECTION 8.21.(h) The State Board of Education shall not authorize a pilot program under subsection (a) of this section in Catawba County except upon receipt of a copy of a joint resolution adopted by the boards of education for the Hickory Public Schools and the Newton-Conover City Schools setting forth a date to begin establishment and implementation of the pilot program. The State Board of Education shall not authorize a pilot program under subsection (a) of this section in Rutherford County except upon receipt of a copy of a resolution adopted by the board of education for the Rutherford County Schools setting forth a date to begin establishment and implementation of the pilot program.

DIGITAL LEARNING PLAN FUNDS

SECTION 8.23. The State Board of Education shall collaborate with the Friday Institute for Educational Innovation at North Carolina State University to continue the progress in implementing the Digital Learning Plan in North Carolina public schools by doing at least the following:

- (1) Coordinate the implementation of professional learning programs that support teachers and school administrators in transitioning to digital-age learning.
- (2) Manage statewide cooperative purchasing of content, including statewide shared resources for teachers to use for lesson planning and formative student assessments.
- (3) Develop infrastructure maintenance and support protocols.
- (4) Modify and update State policies to provide the support and flexibility necessary for local digital learning innovation.
- (5) Develop and maintain a continuous improvement process.
- (6) Create assessments for technological and pedagogic skills and identify best practices from those assessments.

LOCAL BOARD REPORT ON SCHOOL START AND RELEASE TIMES

SECTION 8.24.(a) G.S. 115C-84.2 is amended by adding a new subsection to read:

"(a1) Report on School Start and Release Times. – As part of the reporting requirements under the Uniform Education Reporting System pursuant to G.S. 115C-12(18), each local board of education shall report to the State Board of Education on the start time and release time for each school under control of the local board of education. For the purposes of this subsection, "start time" shall mean the time of day when academic classes begin for the majority of students enrolled in the school, and "release time" shall mean the time of day when academic classes end for the majority of students enrolled in the school. Each local board of education shall also identify and include additional information in the report regarding any schools that have a start time or release time that does not conform to the definitions set forth in this subsection."

SECTION 8.24.(b) By October 1, 2016, each local board of education shall submit an initial report to the State Board of Education as required by G.S. 115C-84.2(a1), as enacted by this section, that includes information on the start times and release times for the 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, and 2016-2017 school years.

AFTER SCHOOL QUALITY IMPROVEMENT COMPETITIVE GRANT FUNDS FOR THIRD YEAR FOR CERTAIN RECIPIENTS

SECTION 8.25. Section 8.29(a) of S.L. 2015-241 reads as rewritten:

"SECTION 8.29.(a) Of the funds appropriated by this act for the At-Risk Student Services Alternative School Allotment for the 2015-2017 fiscal biennium, the State Board of Education shall use up to six million dollars (\$6,000,000) for the 2015-2016 fiscal year and up to ~~six million dollars (\$6,000,000)~~ three million two hundred fifteen thousand three hundred seventy-one dollars (\$3,215,371) for the 2016-2017 fiscal year for the After-School Quality Improvement Grant Program administered by the Department of Public Instruction. The Notwithstanding any other provision of this section, the Department may use these funds to provide a second-year or a third-year grant to grant recipients approved under the After-School Quality Improvement Grant Program pursuant to Section 8.19 of S.L. 2014-100. The Department shall award third-year grants for the 2016-2017 fiscal year with any of the funds remaining after awarding second-year grants to recipients approved under this section. From the funds available, a third-year grant recipient shall be awarded a proportional share of funds based upon the amount of the second-year grant awarded to the recipient in the prior fiscal year.

Of the funds appropriated for the program, the Department of Public Instruction may use up to two hundred thousand dollars (\$200,000) for each fiscal year to administer the program."

ALTERNATIVE TEACHER PREPARATION

SECTION 8.27.(a) Purpose. – The State Board of Education shall establish a Request for Proposal (RFP) for up to five local alternative teacher preparation programs (LATP programs) administered by local boards of education to prepare, support, and recommend initially licensed lateral entry teachers for continuing licensure.

SECTION 8.27.(b) Request for Proposal. – By September 15, 2016, the State Board of Education shall issue the RFP to local boards of education. The RFP shall include the following criteria:

- (1) Program of study requirements. – At a minimum, the LATP program shall provide 150 contact hours of appropriate pedagogy and content for continued licensure in the initially licensed teacher's area of licensure that is comparable to the quality of instruction required for a traditional teacher preparation program, as provided in G.S. 115C-296.10. Local boards of education shall include evidence of relevant partnerships with institutions of higher education, including community colleges, private two-year colleges, and public or private colleges or universities.
- (2) Mentoring and support requirements. – At a minimum, the LATP program shall provide 150 contact hours with mentor teachers, classroom coaching, and periodic evaluations with timely feedback to each individual in the program over the initially licensed teacher's first year of employment.
- (3) Minimum program size. – The LATP program shall be administrated by a local board of education with a minimum student population of 20,000 or higher or by a coalition of local boards of education that together have a minimum student population of 20,000 or higher.

Local boards of education shall submit their proposals to the State Board by January 6, 2017. Proposals may be submitted by individual local boards of education or by coalitions of multiple local boards of education. Proposals shall contain detailed information on the estimated costs, including a cost per teacher participant and anticipated funding sources for operation of the program.

SECTION 8.27.(c) Selection by State Board of Education. – By March 15, 2017, the State Board of Education shall review the proposals submitted by local boards of education and shall select up to five proposals for approval based on program quality, viability, and use of evidence-based principles in program design.

SECTION 8.27.(d) Program Implementation. – The selected LATP programs shall be implemented beginning with the 2017-2018 school year and ending with the 2021-2022 school year. The

local board or boards of education for each selected LATP program shall provide any requested information and access to the independent research organization selected by the State Board of Education to evaluate the programs pursuant to subsection (f) of this section.

SECTION 8.27.(e) Program Continuation. – The selected LATP programs shall meet the following annual benchmark standards:

- (1) A program shall have a completion rate of no less than seventy percent (70%) of initial enrollees.
- (2) A program shall provide the minimum contact hour requirements and other program elements contained in the proposal approved by the State Board of Education.
- (3) A program shall demonstrate an increase in retention of lateral entry teachers over the previous year's retention rate.
- (4) A program shall be fully financed by the local board of education, based on the per teacher cost estimate contained in the proposal approved by the State Board. Funding may be through public or private funds, as available.

A program that fails to meet any of the benchmark standards shall be terminated by the State Board and shall not be continued in the following school year.

SECTION 8.27.(f) LATP Program Evaluation. – The State Board of Education shall contract with an independent research organization to evaluate how the LATP programs have accomplished, at a minimum, the following:

- (1) Recruitment of lateral entry teachers into the classroom.
- (2) Retention rates for lateral entry teachers beyond initial licensure.
- (3) Quality of classroom instruction by lateral entry teachers prepared through the LATP program as compared to those prepared by traditional teacher education programs as demonstrated by multiple measures, including student performance.
- (4) Teacher vacancy rates in local school administrative units participating in the LATP program as compared to similarly situated local school administrative units.
- (5) Funding mechanisms used to support the LATP program, including sources and stability of funding.
- (6) Recommendations regarding the continuation, expansion, or elimination of LATP programs.

The independent research organization shall report annually to the State Board beginning October 15, 2017, on the progress of local boards of education in implementing the LATP programs. The independent research organization shall submit an initial report no later than October 15, 2020, to the State Board on the implementation and evaluation of the LATP programs and shall submit a final report no later than October 15, 2022, to the State Board on all aspects of the implementation and evaluation of the LATP programs. The State Board shall provide the report to the Joint Legislative Education Oversight Committee by December 15, 2020, and by December 15 of each year thereafter through 2022.

SECTION 8.27.(g) Issuance of Licenses. – The Department of Public Instruction shall issue a license to all individuals who (i) successfully complete LATP programs, (ii) are recommended by the local board of education, and (iii) otherwise meet licensure requirements.

SECTION 8.27.(h) Credit for Work Successfully Completed. – If an initially licensed lateral entry teacher leaves a local board of education with a LATP program before completing the program and is hired to teach by another local board of education in the State, that teacher shall receive credit for any work successfully completed as part of the program.

SECTION 8.27.(i) Use of Funds. – Of the funds appropriated to the Department of Public Instruction for the 2016-2017 fiscal year to implement the LATP programs, the Department may use up to two hundred thousand dollars (\$200,000) in nonrecurring funds for the State Board of Education to contract with the independent research organization as required by this section. Any remaining funds shall be used to award one-year grants to each LATP program selected under subsection (c) of this section for

the purposes of implementing the program. Each selected LATP program shall be awarded a proportional amount of the funds available.

TEACHER ASSISTANT TUITION REIMBURSEMENT PILOT PROGRAM

SECTION 8.29.(a) Purpose. – The purpose of this section is to establish a pilot program for the local boards of education of the Anson County, Franklin County, Moore County, Richmond County, and Scotland County school administrative units to provide tuition assistance awards to part-time or full-time teacher assistants working in those local school administrative units to pursue a college degree that will result in teacher licensure. Tuition assistance awards under the program may be provided for part-time or full-time coursework. A local board of education may grant a teacher assistant academic leave to pursue coursework that may only be taken during working hours. A teacher assistant receiving an award under the program shall fulfill the student teaching requirements of an educator preparation program by working in the teacher assistant's employing local school administrative unit.

SECTION 8.29.(b) Selection of applicants. – Each local board of education participating in the pilot program may select up to five teacher assistants to receive an award of up to four thousand five hundred dollars (\$4,500) per academic year for a period of up to four years to be used towards the cost of tuition and fees for a teacher assistant to attend an educator preparation program at an institution of higher education. Priority for awards shall be given to a teacher assistant who received a tuition assistance award for the previous academic year and who is making satisfactory academic progress towards achieving teacher licensure. The local board of education shall set criteria for the application and selection of teacher assistants to receive tuition assistance awards that includes at least the following:

- (1) The teacher assistant shall be employed by the local board of education in the local school administrative unit.
- (2) The teacher assistant shall be enrolled or provide a statement of intent to enroll in an accredited institution of higher education in North Carolina with an educator preparation program approved by the State Board of Education to pursue teacher licensure.
- (3) The teacher assistant shall be a resident of North Carolina. For purposes of this subdivision, residency shall be determined by the same standard as residency for tuition purposes pursuant to G.S. 116-143.1.

SECTION 8.29.(c) Endorsement of tuition assistance awards for recipients. – Each local board of education participating in the pilot program shall enter into a memorandum of understanding with the institution of higher education in which a recipient of a tuition assistance award under this program is enrolled that includes procedures for at least the following:

- (1) Remittance of the award from the local board of education to the institution of higher education.
- (2) Endorsement of the funds awarded to the recipient to the institution of higher education for deposit into the account of the institution.
- (3) Return of a pro rata share of funds to the local board of education in the event a recipient (i) withdraws from the institution of higher education prior to the end of a term or (ii) the recipient's employment with the local board of education is terminated. The return of funds shall be consistent with procedures used by the institution under federal Title IV programs.

SECTION 8.29.(d) The local boards of education participating in the pilot program shall jointly report to the Joint Legislative Education Oversight Committee by September 1, 2017, and by September 1 of each year thereafter on the results of the pilot program, including at least the following information:

- (1) The number and amount of funds in tuition assistance awards provided to teacher assistants.

- (2) The number of teacher assistant recipients who achieved teacher licensure, including the period of time from the issue of an initial tuition assistance award to the time of achieving licensure.
- (3) The number of recipients who remained employed in the local school administrative unit after achieving teacher licensure.

USE OF DEPARTMENT OF PUBLIC INSTRUCTION BUDGET REDUCTIONS

SECTION 8.30. Section 8.37 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 8.37.(c) In implementing budget reductions for the 2016-2017 fiscal year, the Department of Public Instruction shall do all of the following:

- (1) In addition to the prohibition on a reduction to funding and positions for the items listed in subsection (b) of this section, the Department shall make no transfers from or reduction to funding or positions for the following:
 - a. The Excellent Public Schools Act, Read to Achieve Program, initially established under Section 7A.1 of S.L. 2012-142.
 - b. The North Carolina School Connectivity Program.
- (2) The Department shall transfer the sum of fifty thousand dollars (\$50,000) to the Office of Administrative Hearings to be allocated to the Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred in the defense of *North Carolina State Board of Education v. The State of North Carolina and The Rules Review Commission*, Wake County Superior Court, File No. 14 CVS 14791 (filed November 7, 2014). These funds shall not revert at the end of the 2016-2017 fiscal year but shall remain available during the 2017-2018 fiscal year for expenditure in accordance with the provisions of this subdivision."

REMEDIATION PLAN FOR PRINCIPALS IN LOW-PERFORMING SCHOOLS

SECTION 8.31.(a) G.S. 115C-105.39(a) reads as rewritten:

"(a) Within 30 days of the initial identification of a school as ~~low performing, whether by the local school administrative unit under G.S. 115C-105.37(a1) or~~ low-performing by the State Board under G.S. 115C-105.37(a), the superintendent shall take one of the following actions concerning the school's principal: (i) recommend to the local board that the principal be retained in the same position, (ii) recommend to the local board that the principal be retained in the same position and a plan of remediation should be developed, (iii) recommend to the local board that the principal be transferred, or (iv) proceed under G.S. 115C-325.4 to dismiss or demote the principal. ~~The principal may be retained in the same position without a plan for remediation only if the principal was in that position for no more than two years before the school is identified as low performing.~~ The superintendent may only recommend a principal be retained in the same position without a plan for remediation if the principal has been at the school for less than two years or, in the case of a principal having been at the school for two years or more, if the school has both met student growth and has improved student achievement scores under G.S. 115C-83.15 for the prior school year. The principal shall not be transferred to another principal position unless (i) it is in a school classification in which the principal previously demonstrated at least 2 years of success, (ii) there is a plan to evaluate and provide remediation to the principal for at least one year following the transfer to assure the principal does not impede student performance at the school to which the principal is being transferred; and (iii) the parents of the students at the school to which the principal is being transferred are notified. The principal shall not be transferred to another low-performing school in the local school administrative unit. If the superintendent intends to recommend demotion or dismissal, the superintendent shall notify the local board. Within 15 days of (i) receiving notification that the superintendent intends to proceed under G.S. 115C-325.4 or (ii) its decision concerning the superintendent's recommendation, but no later than September 30, the local board shall submit to the State

Board a written notice of the action taken and the basis for that action. If the State Board does not assign an assistance team to that school or if the State Board assigns an assistance team to that school and the superintendent proceeds under G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall take no further action. If the State Board assigns an assistance team to the school and the superintendent is not proceeding under G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall vote to accept, reject, or modify the local board's recommendations. The State Board shall notify the local board of its action within five days. If the State Board rejects or modifies the local board's recommendations and does not recommend dismissal of the principal, the State Board's notification shall include recommended action concerning the principal's assignment or terms of employment. Upon receipt of the State Board's notification, the local board shall implement the State Board's recommended action concerning the principal's assignment or terms of employment unless the local board asks the State Board to reconsider that recommendation. The State Board shall provide an opportunity for the local board to be heard before the State Board acts on the local board's request for a reconsideration. The State Board shall vote to affirm or modify its original recommended action and shall notify the local board of its action within five days. Upon receipt of the State Board's notification, the local board shall implement the State Board's final recommended action concerning the principal's assignment or terms of employment. If the State Board rejects or modifies the local board's action and recommends dismissal of the principal, the State Board shall proceed under G.S. 115C-325.12."

SECTION 8.31.(b) This section applies beginning with the 2016-2017 school year.

SCHOOL NOTIFICATION REQUIREMENTS/TEACHER EMPLOYMENT/LICENSURE CHANGES AND BEGINNING TEACHER SUPPORT

SECTION 8.32.(a) State Board of Education Survey Notification. – G.S. 115C-12 is amended by adding a new subdivision to read:

"(45) To provide notification of student and parent surveys. – The State Board of Education shall provide written notification to the General Assembly in accordance with G.S. 120-29.5 of its intent to conduct any mandatory student or parent surveys in individual local school administrative units or on a statewide basis, including a copy of the proposed survey. The Department of Public Instruction shall also notify a superintendent of any plan to conduct a student or parent survey in the local school administrative unit. The superintendent shall be given a reasonable amount of time following notification to contact the Department with feedback on the survey prior to the survey being conducted in the local school administrative unit."

SECTION 8.32.(b) Notification/Report on Testing Programs. – G.S. 115C-174.12 reads as rewritten:

"§ 115C-174.12. Responsibilities of agencies.

...

(c) Local boards of education shall cooperate with the State Board of Education in implementing the provisions of this Article, including the regulations and policies established by the State Board of Education. Local school administrative units shall use the annual tests to fulfill the purposes set out in this Article. ~~Local school administrative units are encouraged to continue to develop local testing programs designed to diagnose student needs.~~

(d) By September 1 of each year, each local board of education shall notify the State Board of Education of any local testing to be administered to students by the local school administrative unit in its schools and the calendar for administering those tests. The local board of education shall include information on the source of funds supporting the local testing program.

(e) By October 15 of each year, the State Board of Education shall submit a report to the Joint Legislative Education Oversight Committee containing information regarding the statewide administration of the testing program, including the number and type of tests and the testing schedule, and

a summary of any local testing programs reported by local boards of education to the State Board of Education in accordance with subsection (d) of this section."

SECTION 8.32.(c) Employment of Career and Technical Education Personnel. – Article 10 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-157.1 Adjunct CTE instructors.

(a) Adjunct Hiring Criteria. – The State Board of Education shall develop minimum criteria of relevant education or employment experience to qualify to contract as an adjunct instructor in each career and technical education career cluster and shall make such criteria available to local boards of education.

(b) Contracting with Adjunct Instructors. – Notwithstanding Article 20 and Part 3 of Article 22 of this Chapter, a local board of education may contract with an individual to serve as an adjunct instructor who meets the adjunct hiring criteria established by the State Board of Education for a specific career and technical education career cluster. The local board of education may contract with an adjunct instructor on an annual or semester basis, subject to the following requirements:

- (1) An adjunct instructor may be employed for no more than 10 hours per week.
- (2) An adjunct instructor shall be subject to a criminal history check, to ensure that the person has not been convicted of any crime listed in G.S. 115C-332.
- (3) An adjunct instructor shall not be required to hold or apply for licensure as a teacher.
- (4) An adjunct instructor must complete preservice training in all of the following areas prior to beginning instruction:
 - a. The identification and education of children with disabilities.
 - b. Positive management of student behavior.
 - c. Effective communication for defusing and deescalating disruptive or dangerous behavior.
 - d. Safe and appropriate use of seclusion and restraint."

SECTION 8.32.(d) Continuing Teacher Licensure Standards. – G.S. 115C-296(b)(1)b. reads as rewritten:

- "b. The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and shall be aligned with high-quality professional development programs that reflect State priorities for improving student achievement. Standards for continuing licensure shall include the following:

...

4. For all teachers employed by a local board of education, evidence of a rating of at least proficient on the most recent annual evaluation to maintain the current license status. A teacher who is unable to satisfy this requirement but has been placed on a mandatory improvement plan may be eligible to receive an initial degree license if that teacher satisfies all other licensure requirements."

SECTION 8.32.(e) Out-of-State Licensure Applications. – G.S. 115C-296(b)(1) is amended by adding a new sub-subdivision to read:

- "d. Initial applications from an applicant with an out-of-state license shall require the applicant to provide evidence of that teacher's effectiveness, when available, as measured by the evaluation system used in that applicant's state of current licensure at the time of application, including any growth measures included in that evaluation system. Applications that include the evidence of that teacher's effectiveness shall be prioritized for review over initial applications from applicants with out-of-state licenses that do not include that information. An

individual who does not include evidence of that teacher's effectiveness with the initial application shall only be eligible for an initial degree license."

SECTION 8.32.(f) Mentor Teacher Requirements. – G.S. 115C-296(e) reads as rewritten:

"(e) The State Board of Education shall develop a mentor program to provide ongoing support for teachers entering the profession. In developing the mentor program, the State Board shall conduct a comprehensive study of the needs of new teachers and how those needs can be met through an orientation and mentor support program. For the purpose of helping local boards to support new teachers, the State Board shall develop and distribute guidelines which address optimum teaching load, extracurricular duties, student assignment, and other working condition considerations. These guidelines shall provide that initially licensed teachers not be assigned extracurricular activities unless they request the assignments in writing and that other noninstructional duties of these teachers be minimized. The State Board shall develop and coordinate a mentor teacher training program. The State Board shall develop criteria for selecting excellent, experienced, and qualified teachers to be participants in the mentor teacher training ~~program-program~~, including requiring that mentor teachers have been rated, through formal evaluations, at least at the "accomplished" level as part of the North Carolina Teacher Evaluation System and have met expectations for student growth."

SECTION 8.32.(g) Field Experience for Educator Preparation Programs. – G.S. 115C-296.11(b)(4) reads as rewritten:

"(4) Educator preparation programs shall require, in all programs leading to initial licensure, field experiences in every semester that include organized and sequenced engagement of students in settings that provide them with opportunities to observe, practice, and demonstrate knowledge and skills. The experiences shall be systematically designed and sequenced to increase the complexity and levels of engagement with which students apply, reflect upon, and expand their knowledge and ~~skills-skills~~ and to increase in each semester prior to the student's residency or internship the number of hours spent in field experiences. All programs shall include a field experience in a low-performing school for at least one semester."

SECTION 8.32.(h) Beginning Teacher Evaluations in Low-Performing Schools. – G.S. 115C-333(a) reads as rewritten:

"(a) Annual Evaluations; Low-Performing Schools. – Local school administrative units shall evaluate at least once each year all licensed employees assigned to a school that has been identified as low-performing. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of a mandatory improvement plan if one is recommended under subsection (b) of this section. If the employee is a teacher with career status as defined under G.S. 115C-325(a)(6), or a teacher as defined under G.S. 115C-325.1(6), either the principal, the assistant principal who supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct the evaluation.

All teachers in low-performing schools who have been employed for less than three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers in low-performing schools who have been licensed as a teacher for less than two years shall be observed at least three times annually by the principal or the principal's designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school under G.S. 115C-105.38.

A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board."

SECTION 8.32.(i) Beginning Teacher Evaluations in All Other Schools. – G.S. 115C-333.1(a) reads as rewritten:

"(a) Annual Evaluations. – All teachers who are assigned to schools that are not designated as low-performing and who have not been employed for at least three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers who are assigned to schools that are not designated as low-performing and who have been licensed as a teacher for less than two years shall be observed at least three times annually by the principal or the principal's designee, at least once annually by a teacher, and at least once annually by a principal, and at least two of those observations shall be conducted in the first semester of the school year, and if practicable, at least one of those observations shall be conducted within the first grading period of the school year. All teachers with career status or on a four-year contract who are assigned to schools that are not designated as low-performing shall be evaluated annually unless a local board adopts rules that allow teachers with career status or on a four-year contract to be evaluated more or less frequently, provided that such rules are not inconsistent with State or federal requirements. Local boards also may adopt rules requiring the annual evaluation of nonlicensed employees. A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board."

SECTION 8.32.(j) This section is effective the date this act becomes law. Subsections (d) and (e) of this section apply to applications submitted on or after that date. The remainder of this section applies beginning with the 2016-2017 school year.

K-3 CLASS SIZE ALLOTMENT RATIOS

SECTION 8.33.(a) G.S. 115C-301(c) reads as rewritten:

"(c) Maximum Class Size for Kindergarten Through Third Grade. – The average class size for kindergarten through third grade in a local school administrative unit shall at no time exceed the funded allotment ratio of teachers to students in kindergarten through third grade. At the end of the second school month and for the remainder of the school year, the size of an individual class in kindergarten through third grade shall not exceed the allotment ratio by more than three students. The funded class size allotment ratio for kindergarten through third grade shall be as follows:

- (1) For kindergarten, one teacher per 18 students.
- (2) For first grade, one teacher per 16 students.
- (3) For second grade, one teacher per 17 students.
- (4) For third grade, one teacher per 17 students.

In grades four through 12, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement."

SECTION 8.33.(b) Notwithstanding G.S. 115C-301, as amended by this section, and any other provision of law, for the 2016-2017 school year, class size requirements in kindergarten through third grade shall remain unchanged. The class size requirements set forth in G.S. 115C-301 shall apply beginning with the 2017-2018 school year.

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly teacher salary schedule shall apply for the 2016-2017 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule is based on years of teaching experience.

2016-2017 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	\$3,500
1	\$3,575
2	\$3,600
3	\$3,625
4	\$3,675
5	\$3,725
6	\$3,800
7	\$3,850
8	\$3,900
9	\$3,950
10	\$4,025
11	\$4,100
12	\$4,175
13	\$4,250
14	\$4,325
15-19	\$4,525
20-24	\$4,800
25+	\$5,100

SECTION 9.1.(b) Salary Supplements for Teachers Paid on This Salary Schedule. –

- (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 9.1.(c) 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 9.1.(d) 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 seven and one-half percent (7.5%) higher than the salary received by these same employees on the twenty-fifth step of the salary schedule.

SECTION 9.1.(e) Beginning with the 2014-2015 fiscal year, in lieu of providing annual longevity payments to teachers paid on the teacher salary schedule, the amounts of those longevity payments are included in the monthly amounts under the teacher salary schedule.

SECTION 9.1.(f) A teacher compensated in accordance with this salary schedule for the 2016-2017 school year 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 teachers who were eligible for longevity for the 2013-2014 school year, the sum of the following:
 - a. The teacher's salary provided in Section 35.11 of S.L. 2013-360.
 - b. The longevity that the teacher would have received under the longevity system in effect for the 2013-2014 school year provided in Section 35.11 of S.L. 2013-360 based on the teacher's current years of service.
 - c. The annual bonus provided in Section 9.1(e) of S.L. 2014-100.
- (3) For teachers who were not eligible for longevity for the 2013-2014 school year, the sum of the teacher's salary and annual bonus provided in Section 9.1 of S.L. 2014-100.

SECTION 9.1.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SECTION 9.1.(h) Section 9.1 of S.L. 2015-241 is repealed.

SECTION 9.1.(i) It is the intent of the General Assembly to implement the following base monthly teacher salary schedule for the 2018-2019 fiscal year to licensed personnel of the public schools who are classified as teachers. The salary schedule will be based on years of teaching experience.

2018-2019 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0	\$3,500
1	\$3,600
2	\$3,700
3	\$3,800
4	\$3,900
5	\$4,000
6	\$4,100
7	\$4,200
8	\$4,300
9	\$4,400
10	\$4,500
11	\$4,600
12	\$4,700
13	\$4,800
14	\$4,900
15-24	\$5,000
25+	\$5,100

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 9.2.(a) The following base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2016-2017 fiscal year commencing July 1, 2016.

2016-2017 Principal and Assistant Principal Salary Schedules

Years of Exp	Classification				
	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-9	\$3,968	-	-	-	-
10	\$4,037	-	-	-	-
11	\$4,185	-	-	-	-
12	\$4,304	-	-	-	-
13	\$4,388	\$4,388	-	-	-

14	\$4,443	\$4,443	-	-	-
15	\$4,501	\$4,501	\$4,556	-	-
16	\$4,556	\$4,556	\$4,615	-	-
17	\$4,615	\$4,615	\$4,675	\$4,735	-
18	\$4,675	\$4,675	\$4,735	\$4,797	\$4,860
19	\$4,735	\$4,735	\$4,797	\$4,860	\$4,924
20	\$4,797	\$4,797	\$4,860	\$4,924	\$4,992
21	\$4,860	\$4,860	\$4,924	\$4,992	\$5,058
22	\$4,924	\$4,924	\$4,992	\$5,058	\$5,126
23	\$4,992	\$4,992	\$5,058	\$5,126	\$5,196
24	\$5,058	\$5,058	\$5,126	\$5,196	\$5,266
25	\$5,126	\$5,126	\$5,196	\$5,266	\$5,342
26	\$5,196	\$5,196	\$5,266	\$5,342	\$5,415
27	\$5,266	\$5,266	\$5,342	\$5,415	\$5,490
28	\$5,342	\$5,342	\$5,415	\$5,490	\$5,565
29	\$5,415	\$5,415	\$5,490	\$5,565	\$5,644
30	\$5,490	\$5,490	\$5,565	\$5,644	\$5,726
31	\$5,565	\$5,565	\$5,644	\$5,726	\$5,808
32	\$5,644	\$5,644	\$5,726	\$5,808	\$5,881
33	\$5,726	\$5,726	\$5,808	\$5,881	\$5,998
34	\$5,808	\$5,808	\$5,881	\$5,998	\$6,117
35	\$5,881	\$5,881	\$5,998	\$6,117	\$6,240
36	\$5,998	\$5,998	\$6,117	\$6,240	\$6,365
37	-	\$6,117	\$6,240	\$6,365	\$6,492
38	-	-	\$6,365	\$6,492	\$6,622
39	-	-	\$6,492	\$6,622	\$6,754
40	-	-	-	\$6,754	\$6,889
41	-	-	-	\$6,889	\$7,027
42	-	-	-	-	\$7,167

2016-2017 Principal and Assistant Principal Salary Schedules

Years of Exp	Classification			
	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-19	\$4,992	-	-	-
20	\$5,058	-	-	-
21	\$5,126	\$5,196	-	-
22	\$5,196	\$5,266	\$5,415	-
23	\$5,266	\$5,342	\$5,490	\$5,565
24	\$5,342	\$5,415	\$5,565	\$5,644
25	\$5,415	\$5,490	\$5,644	\$5,726
26	\$5,490	\$5,565	\$5,726	\$5,808
27	\$5,565	\$5,644	\$5,808	\$5,881
28	\$5,644	\$5,726	\$5,881	\$5,998
29	\$5,726	\$5,808	\$5,998	\$6,117
30	\$5,808	\$5,881	\$6,117	\$6,240
31	\$5,881	\$5,998	\$6,240	\$6,365
32	\$5,998	\$6,117	\$6,365	\$6,492
33	\$6,117	\$6,240	\$6,492	\$6,622
34	\$6,240	\$6,365	\$6,622	\$6,754
35	\$6,365	\$6,492	\$6,754	\$6,889

36	\$6,492	\$6,622	\$6,889	\$7,027
37	\$6,622	\$6,754	\$7,027	\$7,167
38	\$6,754	\$6,889	\$7,167	\$7,310
39	\$6,889	\$7,027	\$7,310	\$7,456
40	\$7,027	\$7,167	\$7,456	\$7,605
41	\$7,167	\$7,310	\$7,605	\$7,758
42	\$7,310	\$7,456	\$7,758	\$7,913
43	\$7,456	\$7,605	\$7,913	\$8,071
44	-	\$7,758	\$8,071	\$8,233
45	-	\$7,913	\$8,233	\$8,397
46+	-	-	\$8,397	\$8,565

SECTION 9.2.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

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

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

SECTION 9.2.(c) A principal shall be placed on the step on the salary schedule that reflects the total number of years of experience as a certified employee of the public schools and an additional step for every three years of experience serving as a principal on or before June 30, 2009. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 9.2.(d) Principals and assistant 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 at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per month.

SECTION 9.2.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the North Carolina Human Resources Act.

SECTION 9.2.(f) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

If a principal is reassigned to a lower job classification because the principal is transferred to a school within a local school administrative unit with a smaller number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the lower job classification.

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

SECTION 9.2.(g) Participants in an approved full-time master's in-school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the master's program. The stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time master's in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 9.2.(h) During the 2016-2017 fiscal year, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 9.2.(i) Section 9.2 of S.L. 2015-241 is repealed.

NO PAY LOSS FOR BREAK IN SERVICE OR FOR TEACHERS WHO BECOME PRINCIPALS

SECTION 9.3.(a) G.S. 115C-285(a) reads as rewritten:

"§ 115C-285. Salary.

(a) Principals and supervisors shall be paid promptly when their salaries are due provided the legal requirements for their employment and service have been met. All principals and supervisors employed by any local school administrative unit who are to be paid from local funds shall be paid promptly as provided by law and as state-allotted principals and supervisors are paid.

Principals and supervisors paid from State funds shall be paid as follows:

- ...
- (8) A teacher who becomes an assistant principal ~~without a break in service~~ shall be paid, on a monthly basis, at least as much as he or she would earn as a teacher employed by that local school administrative unit.
 - (8a) A teacher who becomes a principal shall be paid on a monthly basis, at least as much as he or she would earn as a teacher employed by that local school administrative unit.
 - (9) An assistant principal who becomes a principal ~~without a break in service~~ shall be paid, on a monthly basis, at least as much as he or she would earn as an assistant principal employed by that local school administrative unit."

SECTION 9.3.(b) Subsection (a) of this section shall not be construed to modify the compensation of persons initially employed as principals or assistant principals prior to July 1, 2016, for work performed prior to July 1, 2016.

JOINT LEGISLATIVE STUDY COMMITTEE ON SCHOOL-BASED ADMINISTRATOR PAY

SECTION 9.4.(a) There is established the Joint Legislative Study Committee on School-Based Administrator Pay (Committee). The Committee shall consist of three members of the Senate appointed by the President Pro Tempore of the Senate and three members of the House of Representatives appointed by the Speaker of the House of Representatives. The President Pro Tempore and the Speaker of the House of Representatives shall each appoint a cochair of the Committee from among its membership. The Committee and the terms of the members shall expire when the Committee submits a final report to the General Assembly. Members shall serve at the pleasure of the appointing officer.

SECTION 9.4.(b) The Committee shall study and make recommendations on the following:

- (1) The feasibility of revising the school-based administrator salary schedule, including principal and assistant principal pay, and whether revisions are needed.

- (2) The process of recruiting and retaining principals in North Carolina as compared with the process of recruiting and retaining executives in other professions.
- (3) Strategies for recruiting and retaining the most qualified principals in low-performing and hard-to-staff schools.
- (4) Any other issue the Committee considers relevant to this study.

SECTION 9.4.(c) The Committee shall meet upon the call of its cochairs. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly.

SECTION 9.4.(d) The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

SECTION 9.4.(e) The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives on or before December 31, 2016, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, the Joint Legislative Education Oversight Committee, and the Legislative Library. The Committee shall terminate on December 31, 2016, or upon the filing of its final report, whichever occurs first.

CENTRAL OFFICE SALARIES

SECTION 9.5.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2016-2017 fiscal year, beginning July 1, 2016, and shall be increased by one and one-half percent (1.50%) annually as follows:

School Administrator I	\$3,442	\$6,418
School Administrator II	\$3,646	\$6,805
School Administrator III	\$3,868	\$7,217
School Administrator IV	\$4,021	\$7,502
School Administrator V	\$4,182	\$7,804
School Administrator VI	\$4,434	\$8,273
School Administrator VII	\$4,610	\$8,605

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

SECTION 9.5.(b) The monthly salary ranges that follow apply to public school superintendents for the 2016-2017 fiscal year, beginning July 1, 2016, and shall be increased by one and one-half percent (1.50%) annually as follows:

Superintendent I	\$4,891	\$9,126
Superintendent II	\$5,190	\$9,675
Superintendent III	\$5,503	\$10,261
Superintendent IV	\$5,838	\$10,882
Superintendent V	\$6,194	\$11,543

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

SECTION 9.5.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 9.5.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this section.

SECTION 9.5.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 9.5.(f) Section 9.3 of S.L. 2015-241 is repealed.

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.6.(a) The annual salary increase for permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund shall be one and one-half percent (1.50%), commencing July 1, 2016.

SECTION 9.6.(b) Local boards of education shall increase the rates of pay for such employees who were employed for all or part of fiscal year 2015-2016 and who continue their employment for fiscal year 2016-2017 by providing an annual salary increase for employees of one and one-half percent (1.50%).

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

SECTION 9.6.(c) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of one and one-half percent (1.50%) for the 2016-2017 fiscal year.

SECTION 9.6.(d) Section 9.4 of S.L. 2015-241 is repealed.

THIRD GRADE READING TEACHER PERFORMANCE PILOT PROGRAM

SECTION 9.7.(a) The State Board of Education shall establish the Third Grade Reading Teacher Performance Pilot Program to reward teacher performance and encourage student learning and improvement. To attain this goal, the Department of Public Instruction shall administer bonus pay to licensed third grade teachers who have an Education Value-Added Assessment System (EVAAS) student growth index score for third grade reading from the previous school year, beginning with the data from the 2015-2016 school year, as follows:

- (1) Of the funds appropriated for this program, five million dollars (\$5,000,000) shall be allocated for bonuses to licensed third grade teachers who are in the top twenty-five percent (25%) of teachers in the State according to the EVAAS student growth index score for third grade reading from the previous year. These funds shall be allocated equally among qualifying teachers.
- (2) Of the funds appropriated for this program, five million dollars (\$5,000,000) shall be allocated to pay bonuses to licensed third grade teachers who are in the top twenty-five percent (25%) of teachers in their respective local school administrative units according to the EVAAS student growth index score for third grade reading from the previous year. These funds shall be split proportionally based on average daily

membership for each local school administrative unit and then distributed equally among qualifying teachers in each local school administrative unit, subject to the following conditions:

- a. Teachers employed in charter schools and regional schools are not eligible to receive a bonus under this subdivision.
 - b. Any teacher working in a local school administrative unit that employs three or fewer third grade teachers shall receive a bonus under this subdivision if that teacher has an EVAAS student growth index score for third grade reading from the previous school year that exceeds expected growth.
- (3) For EVAAS student growth index score data collected during the 2015-2016 school year and the 2016-2017 school year, bonuses awarded pursuant to subdivisions (1) and (2) of this subsection are payable in January of 2017 and January of 2018, respectively, to qualifying third grade teachers who remain employed teaching third grade in the same local school administrative unit at least from the school year the data is collected until the corresponding school year that the bonus is paid.
- (4) A teacher who is eligible to receive a bonus under both subdivisions (1) and (2) of this subsection shall receive both bonuses.

SECTION 9.7.(b) Notwithstanding G.S. 135-1(7a), the compensation bonuses awarded by this section are not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 9.7.(c) The State Board of Education shall report on and study the Third Grade Reading Teacher Performance Pilot Program (Program) as follows:

- (1) The State Board of Education shall report on the distribution of statewide bonuses as among local school administrative units and the distribution of bonuses within local school administrative units as among individual schools to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division on March 1, 2017, and again on March 1, 2018.
- (2) The State Board of Education shall study the effect of the Program on teacher performance and retention. The State Board of Education shall report the results of its findings to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee no later than March 1, 2018.

SECTION 9.7.(d) For the 2017-2018 fiscal year only, the Director of the Budget shall also include in the Base Budget, as defined by G.S. 143C-1-1(d)(1c), the amount of nonrecurring funds needed to support the Program.

SECTION 9.7.(e) This section expires June 30, 2018.

PART X. COMMUNITY COLLEGES

CLARIFY USE OF CAREER COACH FUNDS

SECTION 10.2. Section 10.14(c) of S.L. 2015-241 reads as rewritten:

"**SECTION 10.14.(c)** The funds appropriated under this act to the Community Colleges System Office for the 2015-2017 fiscal biennium to match non-State funds to implement the NC Works Career Coach Program shall only be used for (i) salary and benefits for career coaches and (ii) up to two percent (2%) of the direct operating costs related to supporting NC Works Career Coaches."

YOUTH APPRENTICESHIP TUITION WAIVER

SECTION 10.3.(a) G.S. 115D-5(b) reads as rewritten:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:

...

(16) Courses provided to students who are participating in an apprenticeship program that meets all of the following criteria:

- a. Is a registered apprenticeship program recognized by the United States Department of Labor.
- b. Has a documented plan of study with courses relating to a job-specific occupational or technical skill.
- c. Requires the participants in the program to be high school students when entering the program.

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

SECTION 10.3.(b) This section applies beginning with the 2016 fall academic term.

CLARIFY CAREER- AND COLLEGE-READY GRADUATE PROGRAM

SECTION 10.5. Section 10.13 of S.L. 2015-241 reads as rewritten:

"CAREER- AND COLLEGE-READY GRADUATES

"**SECTION 10.13.(a)** The State Board of Community Colleges, in consultation with the State Board of Education, shall develop a program for implementation beginning with model programs in the 2016-2017 school year that introduces the college developmental mathematics and developmental reading and English curriculums in the high school senior year and provides opportunities for college remediation for students prior to high school graduation through cooperation with community college partners. The program shall be fully implemented in all high schools statewide beginning with the 2018-2019 school year. Students who are enrolled in the Occupational Course of Study to receive their high school diplomas shall not be required to participate in the program or be required to take mandatory remedial courses as provided for in this section, unless a parent specifically requests through the individualized education program (IEP) process that the student participates. The program shall require the following:

- (1) Establishment by the State Board of Community Colleges of measures for determining student readiness and preparation for college coursework by using ACT scores, student grade point averages, or other measures currently used by the State Board of Community Colleges to determine college readiness for entering students.
- (2) Changes in curriculum, policy, and rules as needed by the State Board of Community Colleges and State Board of Education to make remedial courses mandatory for students who do not meet readiness indicators by their junior year to ensure college readiness prior to high school graduation. These changes shall include the flexibility for students to fulfill senior mathematics and English graduation requirements through enrollment in mandatory remedial courses or to enroll in those courses as electives.
- (3) High schools to use curriculum approved by the State Board of Community Colleges, in consultation with the State Board of Education.

- (4) Determinations by the State Board of Community Colleges on the following:
 - a. Appropriate measures of successful completion of the remedial courses to ensure students are prepared for coursework at a North Carolina community college without need for further remediation in mathematics or reading and English.
 - b. The length of time following high school graduation in which a student who successfully completed high school remedial courses will not be required to enroll in developmental courses at a North Carolina community college.
- (5) Delivery of remedial courses by high school faculty consistent with policies adopted by the State Board of Community Colleges and the State Board of Education. The policies shall include, at a minimum, the following requirements:
 - a. High school faculty teaching the approved remedial courses must successfully complete training requirements as determined by the State Board of Community Colleges, in consultation with the State Board of Education.
 - b. The North Carolina Community College System shall provide oversight of the remedial courses to ensure appropriate instructional delivery.

"SECTION 10.13.(b) The State Board of Community Colleges and the State Board of Education shall report on progress of implementation of the program statewide, including the requirements in subsection (a) of this section, to the Joint Legislative Education Oversight Committee no later than March 15, 2016. The State Board of Community Colleges and the State Board of Education shall jointly report to the Joint Legislative Education Oversight Committee as follows:

- (1) No later than March 15, 2017, on the outcomes of model programs implemented in the 2016-2017 school year and suggested statutory changes to ensure successful implementation of the program statewide.
- (2) No later than March 15, 2018, on implementation and professional development efforts in the 2017-2018 school year and information on final changes in curriculum, policy, and rules to ensure successful implementation of the program statewide in the 2018-2019 school year.
- (3) No later than October 15, 2019, and annually thereafter, on program outcomes, including impact on remediation rates in both mathematics and reading and English for recent high school graduates entering a North Carolina community college or constituent institution of The University of North Carolina."

PART XI. UNIVERSITIES

ACCESS TO AFFORDABLE COLLEGE EDUCATION

SECTION 11.4.(a) Guarantee of No In-State Tuition Increase for Standard College Term. – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-143.9. Fixed tuition payment.

(a) There is established the fixed tuition payment program. The rate of tuition of any freshman or transfer undergraduate student who is admitted to any constituent institution of The University of North Carolina and deemed to be a North Carolina resident for purposes of tuition shall be guaranteed as provided by this section. The program shall have the following components:

- (1) A guarantee that the rate of tuition approved by either the Board of Governors or the Board of Trustees of the constituent institution will remain constant or decrease during the tuition period.

- (2) Except as provided in subsection (b) of this section, the tuition period shall be (i) eight consecutive academic semesters for a student seeking a baccalaureate degree in a four-year program or 10 consecutive academic semesters for a student seeking a baccalaureate degree in a program officially designated by the Board of Governors as a five-year program, not including any summer sessions, or (ii) the appropriate balance of a designated program length after making the proper adjustments for a student who transfers to the constituent institution.
- (3) Except as provided in subsection (b) of this section, the student must remain enrolled continuously at the constituent institution during the entire tuition period.
- (4) At the end of the tuition period, the cost of tuition for any additional academic semesters reverts to the amount of the current tuition for that constituent institution and a tuition surcharge imposed under G.S. 116-143.7, if applicable.

(b) The tuition period may be tolled if the student is able to demonstrate a substantial disruption or interruption in the student's pursuit of a degree as provided in G.S. 116-143.7(c).

(c) The Board of Governors shall adopt the policies needed to implement this section and shall also determine what the fixed tuition rates and the tuition periods shall be for undergraduate transfer students who are North Carolina residents for purposes of tuition."

SECTION 11.4.(a1) Subsection (a) of this section is effective when it becomes law and beginning with the 2016 fall academic semester, applies to the rate of tuition for freshmen and transfer students who enroll at a constituent institution and to the rate of tuition for freshmen and transfer students who enroll at a constituent institution in subsequent academic semesters.

SECTION 11.4.(b) Cap on Student Fees. – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-143.10. Cap on student fees.

Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina and the Board of Trustees at each constituent institution may increase the cumulative total of all undergraduate student fees approved by either the Board of Governors or the Board of Trustees by no more than three percent (3%) per academic year."

SECTION 11.4.(b1) Subsection (b) of this section is effective when it becomes law and applies beginning with the 2017-2018 academic year. The student fees charged for the 2016-2017 academic year shall be the baseline used to determine the amount of the three percent (3%) increase in student fees that is permissible for the 2017-2018 academic year.

SECTION 11.4.(c) NC Promise Tuition Plan and "Buy Down." – Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-143.11. NC Promise Tuition Plan; State "buy down" of certain financial obligations.

(a) The NC Promise Tuition Plan shall be established and implemented as provided by this section. Notwithstanding G.S. 116-143 and G.S. 116-11(7), the Board of Governors of The University of North Carolina shall set the rate of undergraduate tuition for Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University as follows: beginning with the 2018 fall academic semester, the rate of tuition for students deemed to be North Carolina residents for purposes of tuition shall be five hundred dollars (\$500.00) per academic semester and the rate of tuition for nonresident students shall be two thousand five hundred dollars (\$2,500) per academic semester.

(b) Notwithstanding any other provision of law, the State shall "buy down" the amount of any financial obligation resulting from the established tuition rate that may be incurred by Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University as provided by this subsection. Beginning with the 2018-2019 fiscal year, the Director of the Budget shall determine each fiscal year, based on information provided by the Board of Governors and the Chancellor of each constituent institution, the amount required to offset the forgone tuition receipts at each of the three institutions as a result of the tuition rate established by this section. The Director of the Budget shall authorize an increase in the base budget of The University of North Carolina of up to forty million dollars

(\$40,000,000) each fiscal year to cover the cost of the "buy down" that fiscal year and shall allocate the appropriate sum to each constituent institution. Any increase in the base budget authorized pursuant to this subsection shall not be included in the calculation of projected enrollment growth under G.S. 116-30.7.

(c) When implementing the provisions of this section, the Board of Governors shall give due consideration to maintaining the unique historical character of each institution, including service to students who are first generation, college-going, economically disadvantaged, or minority."

SECTION 11.4.(c1) By January 16, 2017, the Board of Governors shall develop and implement a marketing strategy utilizing advertising means with historically successful results that is designed to increase enrollment at Elizabeth City State University and to effectively market the NC Promise Tuition Plan at that campus. Of the funds appropriated by this act to the Board of Governors of The University of North Carolina for the 2016-2017 fiscal year, the Board of Governors may use a sum of up to two hundred fifty thousand dollars (\$250,000) to accomplish the purpose provided in this subsection.

SECTION 11.4.(c2) G.S. 116-144 reads as rewritten:

"§ 116-144. Higher tuition to be charged nonresidents.

~~The~~Unless provided otherwise by law, the Board of Governors shall fix the tuition and required fees charged nonresidents of North Carolina who attend the institutions enumerated in G.S. 116-4 at rates higher than the rates charged residents of North Carolina and comparable to the rates charged nonresident students by comparable public institutions nationwide, except that a person who serves as a graduate teaching assistant or graduate research assistant or in a similar instructional or research assignment and is at the same time enrolled as a graduate student in the same institution may, in the discretion of the Board of Governors, be charged a lower rate fixed by the Board, provided the rate is not lower than the North Carolina resident rate."

SECTION 11.4.(d) Evaluation of Admission Cap on Nonresident Students Entering the Freshman Class of a Constituent Institution. – The Board of Governors shall consider what effect, if any, the elimination of or an increase in the current cap of eighteen percent (18%) on the enrollment of nonresident students entering the freshman class at the constituent institutions listed in subsection (d1) of this section may have regarding the student applications to those institutions. If the Board of Governors determines that eliminating or increasing such cap may increase the number, academic strength, and diversity of student applications at those institutions, then the Board of Governors may, in its discretion, adopt a policy that eliminates or establishes a different cap and the period of time for which the modification of the cap shall be implemented at those institutions.

SECTION 11.4.(d1) Subsection (d) of this section applies only to Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University.

SECTION 11.4.(e) Establish Merit Scholarships at North Carolina Agricultural and Technical State University and North Carolina Central University. – Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 35.

"Cheatham-White Scholarships.

"§ 116-290. Cheatham-White Scholarships; establishment and purpose; benefits.

(a) Scholarships Established; Purpose. – The Cheatham-White Scholarships are established as a merit scholarship program at North Carolina Agricultural and Technical State University and at North Carolina Central University. The purpose of the scholarships is to provide an outstanding educational experience for students who are exceptional scholars, versatile and well-rounded individuals with a broad range of interests, and who are accomplished and proficient in areas of both the arts and the sciences. They must also demonstrate leadership potential and a strong commitment to service.

(b) Scholarship Benefits. – Each scholarship is a fully funded four-year scholarship that covers the cost of all of the following: full tuition, student fees, housing, meals, textbooks, a laptop, supplies,

travel, and personal expenses. Each scholarship also provides four summers of fully funded enrichment and networking opportunities that may include international travel and study.

(c) Number of Scholarships Awarded. – Up to 50 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each academic year to students admitted to North Carolina Agricultural and Technical State University. Up to 50 scholarships, 40 for resident students and 10 for nonresident students, may be awarded each academic year to students admitted to North Carolina Central University.

"§ 116-291. Cheatham-White Scholarships; fund established; administration of fund.

(a) Fund Established. – There is established the Cheatham-White Scholarships Fund to be used to fund scholarships awarded pursuant to this Article. Both private and public funds may be solicited in the creation of the fund.

(b) Matching Funds. – The funds appropriated each fiscal year to the Cheatham-White Scholarships Fund shall be matched by non-State funds and disbursed pursuant to G.S. 143C-4-5.

(c) Administration of Fund. – The University of North Carolina General Administration shall administer the Cheatham-White Scholarships Fund and the Cheatham-White Scholarships program.

"§ 116-292. Cheatham-White Scholarships; eligibility and selection criteria.

(a) Eligibility. – To be eligible to be nominated as a potential candidate for a Cheatham-White Scholarship, a person must satisfy all of the following criteria:

- (1) Be a competitive applicant for admission as a freshman in the fall semester into a baccalaureate program at either North Carolina Agricultural and Technical State University or North Carolina Central University.
- (2) Be a United States citizen or permanent resident.
- (3) Be on course to graduate from high school in the spring semester prior to college admission.

(b) Selection Criteria. – Candidates for Cheatham-White Scholarships shall be selected on the basis of academic merit, honorable character, outstanding leadership potential, and a demonstrable commitment to service. Financial need shall not be a consideration.

"§ 116-293. Cheatham-White Scholarships; school nomination of candidates.

All North Carolina high schools are eligible to nominate a student to be considered as a candidate for a Cheatham-White Scholarship. For purposes of this section, a high school includes a public school under the direction of a local board of education, a charter school, a regional school, a high school operated as part of The University of North Carolina, a school operated by the Department of Health and Human Services, a school operated by the State Board of Education, or a nonpublic school regulated under Article 39 of Chapter 115C of the General Statutes.

The number of nominees from each school is determined by the size of the senior class as follows:

- (1)..... Up to 199 seniors..... 2 nominees.
- (2)..... 200-399 seniors..... 3 nominees.
- (3)..... 400-499 seniors..... 4 nominees.
- (4)..... 500 or more seniors..... 5 nominees.

"§ 116-294. Cheatham-White Scholarships; administration of scholarships.

The University of North Carolina General Administration shall administer the Cheatham-White Scholarships, in consultation and collaboration with North Carolina Agricultural and Technical State University and North Carolina Central University, pursuant to policies adopted by the Board of Trustees of both constituent institutions. As part of its administrative responsibilities, The University of North Carolina General Administration, in consultation and collaboration with North Carolina Agricultural and Technical State University and North Carolina Central University, shall do all of the following:

- (1) Design and implement an application and school nomination process to be used to identify potential scholarship candidates and a process for awarding the scholarships.

- (2) Develop a direct nomination process, in addition to the school nomination process, that allows a student to nominate himself or herself to be considered as a candidate for the scholarship in certain circumstances.
- (3) Define and describe more fully the selection criteria to be considered when choosing a scholarship candidate and recipient.
- (4) Identify the parties that will (i) evaluate scholarship applications and nominations and (ii) determine which candidates shall be awarded scholarships.
- (5) Design the framework and add the necessary substantive detail for the scholarship program, including courses of study that will be available, summer enrichment programs, and other extraordinary educational opportunities, and oversee its implementation.
- (6) Establish a mentoring and networking system for scholarship recipients.
- (7) Administer the Cheatham-White Scholarships Fund.
- (8) Establish a Cheatham-White Scholarships alumni association and network.
- (9) Any other function necessary for the successful implementation of the Cheatham-White Scholarships program and administration of the Cheatham-White Scholarships Fund."

SECTION 11.4.(e1) G.S. 116-291, as enacted by subsection (e) of this section, becomes effective July 1, 2016. The remainder of subsection (e) of this section becomes effective beginning with the 2017 fall academic semester so that students may be nominated for the scholarship during the 2017-2018 academic year, and recipients of the scholarship may enroll to begin a course of study at the constituent institution beginning with the 2018 fall academic semester.

SECTION 11.4.(f) Scope. – Subsections (a) through (d) of this section do not apply to high schools governed by The University of North Carolina General Administration.

SECTION 11.4.(f1) Effective Date. – Except as provided otherwise, this section is effective when it becomes law and applies to the 2016 fall academic semester and each subsequent academic semester.

DISCLOSURE OF STUDENT DATA AND RECORDS BY PRIVATE INSTITUTIONS OF HIGHER EDUCATION/LIABILITY PROTECTION

SECTION 11.5. G.S. 116-229.1(a) reads as rewritten:

"(a) A private college or university that discloses personally identifiable information in student data or records according to the terms of a written agreement with a State agency, local school administrative unit, community college, constituent institution of The University of North Carolina, or the North Carolina Independent Colleges and Universities, Inc., in compliance with the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g, shall not be liable for a breach of confidentiality, disclosure, use, retention, or destruction of the student data or records if the breach, disclosure, use, retention, or destruction results from actions or omissions of either (i) the North Carolina Independent Colleges and Universities, Inc., the State agency, local school administrative unit, community college, or constituent institution of The University of North Carolina to which the data was provided or (ii) persons provided access to the data or records by those entities."

UNC TEACHER AND PRINCIPAL PREPARATION PROGRAM LAB SCHOOL FOR K-8 STUDENTS

SECTION 11.6.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 29A.

"University of North Carolina Laboratory Schools.

"§ 116-239.5. University of North Carolina laboratory schools; purpose.

(a) The Board of Governors, in consultation with the constituent institutions of The University of North Carolina with educator preparation programs, shall designate eight constituent institutions to establish laboratory schools to serve public school students in accordance with the provisions of this

Article. The Board of Governors shall select eight constituent institutions with quality educator preparation programs as demonstrated by the annual performance measures reported by the constituent institutions in accordance with G.S. 115C-296.13.

(b) The mission of a laboratory school shall be to improve student performance in local school administrative units with low-performing schools by providing an enhanced education program for students residing in those units and to provide exposure and training for teachers and principals to successfully address challenges existing in high-needs school settings. A laboratory school shall provide an opportunity for research, demonstration, student support, and expansion of the teaching experience and evaluation regarding management, teaching, and learning.

(c) Each laboratory school shall expand student opportunities for educational success through high-quality instructional programming and innovative instruction and research by using the resources available to the constituent institution. Each constituent institution operating a laboratory school shall incorporate best practices gained from State initiatives focused on leadership development for both teachers and principals in low-performing schools and local school administrative units.

(d) Except as otherwise provided in this Article, a laboratory school is exempt from statutes and rules applicable to a local board of education or local school administrative unit.

"§ 116-239.6. Definitions.

The following definitions apply in this Article:

- (1) Advisory board. – An advisory board established by the board of trustees under G.S. 116-239.8.
- (2) Board of trustees. – The board of trustees of a constituent institution that is the governing body of the lab school established under this Article.
- (3) Constituent institution. – A constituent institution of The University of North Carolina with an educator preparation program that has been designated by the Board of Governors to establish a laboratory school under G.S. 116-239.5.
- (4) Laboratory school or lab school. – A public school created under G.S. 116-239.7 that (i) is located in a local school administrative unit that has twenty five percent (25%) or more of the schools located in the unit identified as low-performing under G.S. 115C-105.37 and (ii) serves students in kindergarten through eighth grade.
- (5) Principal. – The principal of a lab school.

"§ 116-239.7. Plan for the location of lab schools; creation of a lab school; dissolution.

(a) Plan for the Location of Lab Schools. – The Board of Governors, in collaboration with the boards of trustees of the constituent institutions, shall adopt a plan for the location of the lab schools in local school administrative units that meet the minimum threshold for the number of low-performing schools located in the units under G.S. 116-239.6(4). The plan shall include a geographically diverse distribution of the lab schools throughout the State and a maximum of one lab school located in a qualifying local school administrative unit. The Board of Governors shall update the plan as necessary to reflect any changes to the status of a constituent institution operating a lab school and the status of qualifying local school administrative units at the end of the term of operation of a lab school. A constituent institution shall not adopt a resolution to create a lab school under this section prior to receiving approval from the Board of Governors on the location of the lab school. At least 90 days prior to implementation, the Board of Governors shall submit the plan and any revisions to the plan to the Joint Legislative Commission on Governmental Operations.

(b) Resolution to Create a Lab School. – The board of trustees of a constituent institution shall adopt a resolution stating its intent to create a lab school, which shall include the following:

- (1) Name of the lab school.
- (2) The local school administrative unit in which the lab school shall be located. The local school administrative unit in which the lab school is located shall meet the requirement under G.S. 116-239.6(4) that twenty-five percent (25%) or more of the schools located in the unit are identified as low-performing under G.S. 115C-105.37 at the time the

resolution is adopted. However, the board of trustees shall continue to operate the lab school within the local school administrative unit for at least five years as provided under subdivision (3) of this subsection regardless of whether the local school administrative unit continues to qualify under G.S. 116-239.6(4).

- (3) A term of operation for the lab school of five years from the date of initial operation. At the end of five years of operation, if the lab school is still located in a local school administrative unit that has twenty-five percent (25%) or more of the schools located in the unit identified as low-performing under G.S. 115C-105.37, the resolution may be renewed by the constituent institution at the end of the term for an additional five years. If the lab school is no longer located in a qualifying local school administrative unit at the end of five years, the board of trustees shall notify the Board of Governors to request consultation on determining the location of creating a new lab school in accordance with subsection (a) of this section and the provisions of this Article.

(c) Recognition of a Lab School. – Each board of trustees that adopts a resolution as provided in this section shall file a copy of the resolution with the State Board of Education. Upon receipt of a resolution from a board of trustees for a named lab school, the State Board of Education shall approve the creation of the lab school.

(d) Dissolution or Assumption of a Lab School. – In the event of the potential dissolution of a lab school at the end of the term of the school's operation or due to the termination of an educator preparation program at the constituent institution, subject to approval by the Board of Governors, the board of trustees shall adopt a plan for the dissolution or the assumption of the lab school by a new entity. A local board of education of the local school administrative unit in which the lab school is located may transition the lab school to a public school under the governance of the local board or, if the local school administrative unit still qualifies under G.S. 116-239.6(4), the board of trustees of another constituent institution with an educator preparation program may assume operation of the lab school. If the lab school is dissolved or a local board of education assumes operation of the school, all net assets of the lab school purchased with public funds shall be deemed property of the local school administrative unit in which the lab school is located. The State Board of Education shall be notified in the event of the dissolution or assumption of a lab school, including the identity of the entity assuming operation of the school.

"§ 116-239.8. Board of trustees; powers and duties.

The board of trustees shall have the following powers and duties:

- (1) Advisory board. – A board of trustees shall appoint an advisory board to provide general oversight and guidance to the board of trustees of the lab school as follows:
- a. Composition of the advisory board.– The dean of the constituent institution's educator preparation program shall be a standing member of the advisory board and the board of trustees, upon recommendation of the president of the constituent institution, shall appoint four faculty members from the institution, at least two of whom are from the educator preparation program, one public member who resides in the local school administrative unit in which the lab school is located, two parents or guardians of students who attend the lab school, and one lab school student appointed by the principal to serve on the advisory board. The term of each member shall be for two years, and any vacancy shall be filled with a person of the same classification as his or her predecessor for the balance of the unexpired term. The board of trustees shall stagger the terms of the initial appointees in a manner that results in the expiration of terms of no more than two members in any year. The board of trustees shall call the organizational meeting of the advisory board. The advisory board shall annually elect a chair and a vice-chair. There shall be no limitation on successive appointments to the advisory board or successive terms that may be served by a chair or vice-chair. The advisory board shall adopt

- internal organizational procedures or bylaws necessary for efficient operation. Advisory board members shall not receive per diem or travel expenses for the performance of their duties.
- b. The advisory board shall meet at least quarterly and shall have the following duties:
1. Monitor the operations of the lab school and the distribution of moneys allocated for such operations.
 2. Recommend to the board of trustees necessary policy, program, and administration modifications.
 3. Evaluate biennially the performance of the principal and recommend corresponding action to the board of trustees.
 4. Annually review evaluations of the lab school's operation and research findings.
- (2) Academic program. –
- a. The board of trustees shall establish the standard course of study for the lab school. This course of study shall set forth the subjects to be taught in each grade and the texts and other educational materials on each subject to be used in each grade. The board of trustees shall design its programs to meet at least the student performance standards adopted by the State Board of Education and the student performance standards contained in Chapter 115C of the General Statutes.
 - b. The board of trustees shall conduct student assessments required by the State Board of Education.
 - c. The board of trustees shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.
- (3) Standards of performance and conduct. – The board of trustees shall establish policies and standards for academic performance, attendance, and conduct for students of the lab school. The policies of the board of trustees shall comply with Article 27 of Chapter 115C of the General Statutes.
- (4) Food and transportation services. – The local school administrative unit in which the lab school is located shall continue to provide food services and transportation to students attending the lab school. The board of trustees shall arrange for the provision of these services from the local school administrative unit.
- (5) School attendance. – Every parent, guardian, or other person in this State having charge or control of a child who is enrolled in the lab school and who is less than 16 years of age shall cause such child to attend school continuously for a period equal to the time that the lab school shall be in session. No person shall encourage, entice, or counsel any child to be unlawfully absent from the lab school. Any person who aids or abets a student's unlawful absence from the lab school shall, upon conviction, be guilty of a Class 1 misdemeanor. The principal shall be responsible for implementing such additional policies concerning compulsory attendance as shall be adopted by the board of trustees, including regulations concerning lawful and unlawful absences, permissible excuses for temporary absences, maintenance of attendance records, and attendance counseling.
- (6) Reporting. – The board of trustees shall comply with the reporting requirements established by the State Board of Education in the Uniform Education Reporting System.
- (7) Assessment results. – The board of trustees shall provide data to the local school administrative unit on the performance of that student on any testing required by the State Board of Education.

- (8) Education of children with disabilities. – The board of trustees shall require compliance with laws and policies relating to the education of children with disabilities.
- (9) Health and safety. – The board of trustees shall require that the lab school meet the same health and safety standards required of a local school administrative unit. The Department of Public Instruction shall ensure that lab schools comply with G.S. 115C-375.2A. The board of trustees of a lab school shall provide the school with a supply of emergency epinephrine auto-injectors necessary to carry out the provisions of G.S. 115C-375.2A.
- (10) School Risk Management Plan. – Each lab school, in coordination with local law enforcement agencies, is encouraged to adopt a School Risk Management Plan (SRMP) relating to incidents of school violence. In constructing and maintaining these plans, a lab school may utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.
- (11) Schematic diagrams and school crisis kits. – Lab schools are encouraged to provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies, in addition to implementing the provisions in G.S. 115C-105.52.
- (12) School safety exercises. – At least once a year, a lab school is encouraged to hold a full schoolwide lockdown exercise with local law enforcement and emergency management agencies that are part of the lab school's SRMP.
- (13) Safety information provided to the Department of Public Safety, Division of Emergency Management. – A lab school is encouraged to provide the following: (i) schematic diagrams, including digital schematic diagrams and (ii) emergency response information requested by the Division for the SRMP. The schematic diagrams and emergency response information are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.
- (14) North Carolina school report cards. – A lab school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A lab school shall ensure that the overall school performance score and grade earned by the lab school for the current and previous four school years is prominently displayed on the school Web site. If a lab school is awarded a grade of D or F, the lab school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school.
- (15) Policy against bullying. – A lab school is encouraged to adopt a policy against bullying or harassing behavior, including cyberbullying, that is consistent with the provisions of Article 29C of Chapter 115C of the General Statutes. If a lab school adopts a policy to prohibit bullying and harassing behavior, the lab school shall, at the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8).
- (16) Access for youth groups. – Lab schools are encouraged to facilitate access for students to participate in activities provided by any youth group listed in Title 36 of the United States Code as a patriotic society, such as the Boy Scouts of America, and its affiliated North Carolina groups and councils, and the Girl Scouts of the United States of America, and its affiliated North Carolina groups and councils. Student participation in any activities offered by these organizations shall not interfere with instructional time during the school day for the purposes of encouraging civic education.

"§ 116-239.9. Student admissions and assignment.

(a) Any child who is residing in a local school administrative unit in which a lab school is located and is enrolled in a low-performing school, as defined by G.S. 115C-105.37 at the time of the student's application, may attend the lab school.

(b) No local board of education shall require any student enrolled in the local school administrative unit to attend a lab school.

(c) During each period of enrollment, the lab school shall enroll an eligible student who submits a timely application, with priority enrollment given in the order in which applications are received to a student who did not meet expected student growth in the prior school year based on any of the following: (i) grades, (ii) observations, (iii) diagnostic and formative assessments, (iv) State assessments, or (v) other factors, including reading on grade level. If the number of applications from other eligible students exceeds the capacity of a program, class, grade level, or building, those students shall be accepted by lot. Once enrolled, students are not required to reapply in subsequent enrollment periods.

(d) Notwithstanding any law to the contrary, a lab school may refuse admission to any student who has been expelled or suspended from a public school under G.S. 115C-390.5 through G.S. 115C-390.11 until the period of suspension or expulsion has expired.

"§ 116-239.10. Employees.

The board of trustees shall appoint all licensed and nonlicensed staff in accordance with the following:

- (1) Principal. – The constituent institution shall employ and contract with a principal for a term not to exceed three years. The principal shall meet the requirements for licensure set out in G.S. 115C-284, unless waived by the State Board of Education upon submission of a request by the board of trustees. The principal shall be responsible for school operations and shall exercise those duties and powers delegated by the board of trustees.
- (2) Faculty members. – Faculty members may serve simultaneously as instructional personnel for the lab school and the constituent institution.
- (3) Teachers. – The constituent institution shall employ and contract with necessary teachers to perform the particular service for which they are employed in the school. At least fifty percent (50%) of teachers employed by the constituent institution shall hold teacher licenses, unless waived by the State Board of Education upon submission of a request by the board of trustees.
- (4) Leave of absence from local school administrative unit. – If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the lab school, the local school administrative unit shall grant the leave for one year. For the initial year of the lab school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the lab school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that local board under this subdivision. A teacher who has career status under G.S. 115C-325 prior to receiving a leave of absence to teach at the lab school may return to a public school in the local school administrative unit with career status at the end of the leave of absence or upon the end of employment at the lab school if an appropriate position is available. If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).

- (5) Nonlicensed employees. – The constituent institution also may employ necessary employees who are not required to hold teacher licenses to perform duties other than teaching and may contract for other services.
- (6) Employment dismissal. – An employee of the constituent institution is not an employee of the local school administrative unit in which the lab school is located. The constituent institution may discharge licensed and nonlicensed employees according to the terms of the employment contract.
- (7) Employee benefits. – Employees of the constituent institution shall participate in the Teachers' and State Employees' Retirement System and the State Health Plan on the same terms as other employees employed by the constituent institution.
- (8) Exemptions. – Employees of the constituent institution shall be exempt from Chapter 126 of the General Statutes, except Articles 6 and 7.

"§ 116-239.11. State and local funds.

- (a) The State Board of Education shall allocate to a lab school the following:
 - (1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the school is located for each child attending the lab school, except for the allocation for children with disabilities and for the allocation for children with limited English proficiency.
 - (2) An additional amount for each child attending the lab school who is a child with disabilities. In the event a child with disabilities leaves the lab school and enrolls in a public school during the first 60 school days in the school year, the lab school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in the lab school during the first 60 school days in the school year, the State Board shall allocate to the lab school the pro rata amount of additional funds for children with disabilities.
 - (3) An additional amount for children with limited English proficiency attending the lab school, based on a formula adopted by the State Board.
- (b) The State Board shall allow for annual adjustments to the amount allocated to the lab school based on its enrollment growth in school years subsequent to the initial year of operation.
- (c) Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for lab schools and may be used for payments on loans made to lab schools for facilities, equipment, or operations. However, State funds allocated under this section shall not be used to obtain any other interest in real property or mobile classroom units.
- (d) If a student attends a lab school, the local school administrative unit in which the child resides shall transfer to the lab school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the lab school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and lab school may use the process for mediation of differences provided in G.S. 115C-218.95(d) to resolve differences on calculation and transference of the per pupil share of the local current expense fund. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to a lab school located in the tax district for which these taxes are levied and in which the student resides.
- (e) The local school administrative unit shall also provide each lab school to which it transfers a per pupil share of its local current expense fund with all of the following information within the 30-day time period provided in subsection (d) of this section:
 - (1) The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).

- (2) The student membership numbers used to calculate the per pupil share of the local current expense fund.
- (3) How the per pupil share of the local current expense fund was calculated.
- (4) Any additional records requested by a lab school from the local school administrative unit in order for the lab school to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

(f) Prior to commencing an action under subsection (d) of this section, the complaining party shall give the other party 15 days' written notice of the alleged violation. The court shall award the prevailing party reasonable attorneys' fees and costs incurred in an action under subsection (d) of this section. The court shall order any delinquent funds, costs, fees, and interest to be paid in equal monthly installments and shall establish a time for payment in full that shall be no later than one year from the entry of any judgment.

"§ 116-239.12. Criminal history record checks.

(a) As used in this section:

(1) "Criminal history" means a county, state, or federal criminal history of conviction of a crime, whether a misdemeanor or a felony, that indicates an individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel. These crimes include the following North Carolina crimes contained in any of the following Articles of Chapter 14 of the General Statutes: Article 5A, Endangering Executive and Legislative, and Court Officers; Article 6, Homicide; Article 7B, Rape and Other Sex Offenses; Article 8, Assaults; Article 10, Kidnapping and Abduction; Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material; Article 14, Burglary and Other Housebreakings; Article 15, Arson and Other Burnings; Article 16, Larceny; Article 17, Robbery; Article 18, Embezzlement; Article 19, False Pretense and Cheats; Article 19A, Obtaining Property or Services by False or Fraudulent Use of Credit Device or Other Means; Article 20, Frauds; Article 21, Forgery; Article 26, Offenses Against Public Morality and Decency; Article 26A, Adult Establishments; Article 27, Prostitution; Article 28, Perjury; Article 29, Bribery; Article 31, Misconduct in Public Office; Article 35, Offenses Against the Public Peace; Article 36A, Riots and Civil Disorders; Article 39, Protection of Minors; and Article 60, Computer-Related Crime. These crimes also include possession or sale of drugs in violation of the North Carolina Controlled Substances Act, Article 5 of Chapter 90 of the General Statutes, and alcohol-related offenses such as sale to underage persons in violation of G.S. 18B-302 or driving while impaired in violation of G.S. 20-138.1 through G.S. 20-138.5. In addition to the North Carolina crimes listed in this subdivision, such crimes also include similar crimes under federal law or under the laws of other states.

(2) "School personnel" means any of the following:

- a. Member of the board of trustees or the advisory board.
- b. Employee of the lab school.
- c. Independent contractor or employee of an independent contractor of the lab school if the independent contractor carries out duties customarily performed by school personnel, whether paid with federal, State, local, or other funds, who has significant access to students or who has responsibility for the fiscal management of the lab school.

(b) The board of trustees shall adopt a policy that requires an applicant for a school personnel position to be checked for a criminal history as provided in subsection (c) of this section. The board of trustees shall apply its policy uniformly in requiring applicants for school personnel positions to be checked for a criminal history. The board of trustees may grant conditional approval of an application

while the board of trustees is checking a person's criminal history and making a decision based on the results of the check. An applicant for a school personnel position shall not be required to be checked for a criminal history if he or she has received a license within six months of employment that required a criminal history check equivalent to the criminal history check required in subsection (c) of this section.

The board of trustees shall not require an applicant to pay for the criminal history record check authorized under this section.

(c) The board of trustees shall require the person to be checked by the Department of Public Safety (i) to be fingerprinted and to provide any additional information required by the Department of Public Safety to a person designated by the board of trustees or to the local sheriff or the municipal police, whichever is more convenient for the person and (ii) to sign a form consenting to the check of the criminal record and to the use of fingerprints and other identifying information required by the repositories. The board of trustees shall consider refusal to consent when making employment decisions and decisions with regard to independent contractors. The fingerprints of the individual shall be forwarded to the State Bureau of Investigation for a search of the State criminal history record file, and the State Bureau of Investigation shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department of Public Safety shall provide to the board of trustees the criminal history from the State and National Repositories of Criminal Histories of any school personnel for which the board of trustees requires a criminal history record check.

The board of trustees shall not require school personnel to pay for fingerprints authorized under this section.

(d) The board of trustees shall review the criminal history it receives on an individual. The board of trustees shall determine whether the results of the review indicate that the individual (i) poses a threat to the physical safety of students or personnel or (ii) has demonstrated that he or she does not have the integrity or honesty to fulfill his or her duties as school personnel and shall use the information when making employment decisions and decisions with regard to independent contractors. The board of trustees shall make written findings with regard to how it used the information when making employment decisions and decisions with regard to independent contractors. The board of trustees may delegate any of the duties in this subsection to the principal.

(e) The board of trustees, or the principal if designated by the board of trustees, shall provide to the State Board of Education the criminal history it receives on a person who is certificated, certified, or licensed by the State Board of Education. The State Board of Education shall review the criminal history and determine whether the person's certificate or license should be revoked in accordance with State laws and rules regarding revocation.

(f) All the information received by the board of trustees through the checking of the criminal history or by the State Board of Education in accordance with this section is privileged information and is not a public record but is for the exclusive use of the board of trustees or the State Board of Education. The board of trustees or the State Board of Education may destroy the information after it is used for the purposes authorized by this section after one calendar year.

(g) There shall be no liability for negligence on the part of the board of trustees, or its employees, or the State Board of Education, or its employees, arising from any act taken or omission by any of them in carrying out the provisions of this section. The immunity established by this subsection shall not extend to gross negligence, wanton conduct, or intentional wrongdoing that would otherwise be actionable. The immunity established by this subsection shall be deemed to have been waived to the extent of indemnification by insurance, indemnification under Articles 31A and 31B of Chapter 143 of the General Statutes, and to the extent sovereign immunity is waived under the Tort Claims Act, as set forth in Article 31 of Chapter 143 of the General Statutes.

(h) Any applicant for employment who willfully furnishes, supplies, or otherwise gives false information on an employment application that is the basis for a criminal history record check under this section shall be guilty of a Class A1 misdemeanor.

"§ 116-239.13. Review of lab schools.

The Board of Governors of The University of North Carolina, in conjunction with the constituent institutions operating lab schools and the State Board of Education, shall review and evaluate the educational effectiveness of the lab schools authorized under this Article for both public school students and students enrolled in educator preparation programs. The Board of Governors shall report by November 15 of each year to the Joint Legislative Education Oversight Committee on the following:

- (1) Information on public school student enrollment in each lab school, including student demographics.
- (2) The public school student admissions process and the number of students enrolled under the priority admissions category at each lab school.
- (3) Public school student achievement data, including school performance grades and student achievement scores and student growth, at each lab school.
- (4) Public school student academic progress in each lab school as measured against the previous school year and against other schools located in the local school administrative unit and statewide.
- (5) Information on the student outcomes for students who are enrolled in each educator preparation program who obtained clinical experience in school leadership and teaching in the lab schools, including the performance elements reported under G.S. 115C-296.13(b).
- (6) Best practices resulting from lab school operations.
- (7) Other information the Board considers appropriate."

SECTION 11.6.(b) G.S. 14-458.2(a) reads as rewritten:

"(a) The following definitions apply in this section:

- (1) School employee. – The term means any of the following:
 - a. An employee of a local board of education, a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes.
 - b. An independent contractor or an employee of an independent contractor of a local board of education, a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes, if the independent contractor carries out duties customarily performed by employees of the school.
- (2) Student. – A person who has been assigned to a school by a local board of education as provided in G.S. 115C-366 or has enrolled in a charter school authorized under G.S. 115C-218.5, a regional school created under G.S. 115C-238.62, a lab school created under G.S. 116-239.7, or a nonpublic school which has filed intent to operate under Part 1 or Part 2 of Article 39 of Chapter 115C of the General Statutes, or a person who has been suspended or expelled from any of those schools within the last year."

SECTION 11.6.(c) G.S. 115C-83.15 reads as rewritten:

"§ 115C-83.15. School achievement, growth, performance scores, and grades.

...

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

- (1) One point for each percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.
- (2) One point for each percent of students who score at or above proficient on annual assessments for reading in grades three through eight.
- (3) One point for each percent of students who score at or above proficient on annual assessments for science in grades five and eight.
- (4) One point for each percent of students who score at or above proficient on the Algebra I or Integrated Math I end-of-course test.
- (5) One point for each percent of students who score at or above proficient on the English II end-of-course test.
- (6) One point for each percent of students who score at or above proficient on the Biology end-of-course test.
- (7) One point for each percent of students who complete Algebra II or Integrated Math III with a passing grade.
- (8) One point for each percent of students who achieve the minimum score required for admission into a constituent institution of The University of North Carolina on a nationally normed test of college readiness.
- (9) One point for each percent of students enrolled in Career and Technical Education courses who meet the standard when scoring at Silver, Gold, or Platinum levels on a nationally normed test of workplace readiness.
- (10) One point for each percent of students who graduate within four years of entering high school.

In calculating the overall school achievement score earned by schools, the State Board of Education shall (i) use a composite approach to weigh the achievement elements based on the number of students measured by any given achievement element and (ii) proportionally adjust the scale to account for the absence of a school achievement element for award of scores to a school that does not have a measure of one of the school achievement elements annually assessed for the grades taught at that school. The overall school achievement score shall be translated to a 100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8.

(c) Calculation of the School Growth Score. – Using EVAAS, the State Board shall calculate the overall growth score earned by schools. In calculating the total growth score earned by schools, the State Board of Education shall weight student growth on the achievement indicators as provided in subsection (b) of this section that have available growth values. The numerical values used to determine whether a school has met, exceeded, or has not met expected growth shall be translated to a 100-point scale and used for school reporting purposes as provided in G.S. 115C-12(9)c1., 115C-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8.

(d) Calculation of the School Performance Scores and Grades. – The State Board of Education shall use EVAAS to calculate the school performance score by adding the school achievement score, as provided in subsection (b) of this section, and the school growth score, as provided in subsection (c) of this section, earned by a school. The school achievement score shall account for eighty percent (80%), and the school growth score shall account for twenty percent (20%) of the total sum. If a school has met expected growth and inclusion of the school's growth score reduces the school's performance score and grade, a school may choose to use the school achievement score solely to calculate the performance score and grade. For all schools, the total school performance score shall be converted to a 100-point scale and used to determine a school performance grade based on the following scale:

- (1) A school performance score of at least 90 is equivalent to an overall school performance grade of A.
- (2) A school performance score of at least 80 is equivalent to an overall school performance grade of B.

- (3) A school performance score of at least 70 is equivalent to an overall school performance grade of C.
- (4) A school performance score of at least 60 is equivalent to an overall school performance grade of D.
- (5) A school performance score of less than 60 points is equivalent to an overall school performance grade of F.

(e) Elementary and Middle School Reading and Math Achievement Scores. – For schools serving students in kindergarten through eighth grade, the school achievement scores in reading and mathematics, respectively, shall be reported separately on the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8.

(f) Indication of Growth. – In addition to awarding the overall school scores for achievement, growth, and performance and the performance grade, using EVAAS, the State Board shall designate that a school has met, exceeded, or has not met expected growth. The designation of student growth shall be clearly displayed in the annual school report card provided under G.S. 115C-12(9)c1., 115C-218.65, ~~and 115C-238.66.~~ 115C-238.66, and 116-239.8."

SECTION 11.6.(d) Notwithstanding G.S. 116-239.5, four lab schools shall be established pursuant to Article 29A of Chapter 116 of the General Statutes, as enacted by this section, to begin operation in the 2017-2018 school year. Four additional lab schools shall be established to begin operation in the 2018-2019 school year.

SECTION 11.6.(e) Notwithstanding G.S. 116-239.7(a), as enacted by this section, by November 1, 2016, the Board of Governors of The University of North Carolina shall submit the plan for the location of the eight lab schools, including identifying the constituents institutions that will be operating the lab schools, to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 116-239.7(a).

Notwithstanding Article 29A of Chapter 116 of the General Statutes, as enacted by this section, no earlier than April 1, 2017, a constituent institution of The University of North Carolina with an educator preparation program that has been designated by the Board of Governors to establish a lab school shall adopt a resolution to create the lab school under G.S. 116-239.7 and in accordance with subsection (d) of this section.

SECTION 11.6.(f) The nonrecurring funds in the amount of one million dollars (\$1,000,000) appropriated by this act to the Board of Governors for the UNC Teacher and Principal Preparation Laboratory School Program shall be allocated to The University of North Carolina General Administration to provide administrative and technical assistance to constituent institutions with educator preparation programs to support the establishment of lab schools in accordance with this section.

SECTION 11.6.(g) By November 15, 2017, the Board of Governors shall submit a report to the Joint Legislative Education Oversight Committee on the progress of establishing the lab schools, including information on student enrollment numbers and the admissions process and any other information the Board deems relevant. By November 15, 2018, the Board of Governors shall submit the initial report required by G.S. 116-239.13 to the Joint Legislative Education Oversight Committee.

ESTABLISH NORTH CAROLINA POLICY COLLABORATORY AT THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

SECTION 11.8. The one million dollars (\$1,000,000) in recurring funds appropriated in this act to the Board of Governors of The University of North Carolina for the 2016-2017 fiscal year to establish and operate a North Carolina Policy Collaboratory at the University of North Carolina at Chapel Hill shall be used to establish a Collaboratory that facilitates the dissemination of the policy and research expertise of The University of North Carolina for practical use by State and local government. The Collaboratory, at a minimum, shall conduct research on natural resources management, including, but not

limited to, research related to the environmental and economic components of the management of the natural resources within the State of North Carolina and of new technologies for habitat, environmental, and water quality improvement. The Collaboratory shall develop and disseminate relevant best practices to interested parties, may lead or participate in projects across the State related to natural resource management, and may make recommendations to the General Assembly from time to time.

SUBPART XI-A. UNIVERSITY/STATE EDUCATION ASSISTANCE AUTHORITY

MODIFICATIONS TO THE SPECIAL EDUCATION SCHOLARSHIP GRANT PROGRAM FOR CHILDREN WITH DISABILITIES

SECTION 11A.2.(a) G.S. 115C-112.5(2) reads as rewritten:

"(2) Eligible student. – A child under the age of 22 who resides in North Carolina and meets all of the following criteria:

- a. Is a child with a disability.
- b. Is eligible to attend a North Carolina public school pursuant to G.S. 115C-366.
- c. Has not been placed in a nonpublic school or facility by a public agency at public expense.
- d. Has not been enrolled in a postsecondary institution as a full-time student taking at least 12 hours of academic credit.
- e. Has not received a high school diploma.
- f. Meets at least one of the following requirements:
 1. Was enrolled in a North Carolina public school or 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 special education or related services through the North Carolina public schools as a preschool child with a disability during the previous semester.
 3. Was approved for a scholarship for the previous semester.
 4. Is a child who is identified as a child with a disability prior to the end of the year of initial enrollment in kindergarten or first grade. An award by the Authority based on eligibility under this sub-sub-subdivision shall be conditional. If documentation is not provided to the Authority that the child is a child with a disability prior to the end of the year of initial enrollment, (i) no reimbursement shall be awarded and (ii) the child shall not qualify the following year as an eligible student under sub-sub-subdivision 3. of this section.
 5. 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.
 6. Is a child who has been domiciled in the State for at least six months."

SECTION 11A.2.(b) G.S. 115C-112.6 reads as rewritten:

"§ 115C-112.6. Scholarships.

(a) Scholarship Applications. – The Authority shall make available no later than May 1 annually applications to eligible students for the award of scholarships. Information about scholarships and the application process shall be made available on the Authority's Web site. ~~The Authority shall give priority in awarding scholarships to eligible students who received a scholarship during the previous semester.~~

~~Except as otherwise provided by the Authority for prior scholarship recipients, scholarships shall be awarded to eligible students in the order in which the applications are received.~~

(a1) Web Site Availability. – Information about scholarships and the application process shall be made available on the Authority's Web site. The Authority shall also include information on the Web site notifying parents that federal regulations adopted under IDEA provide that no parentally placed private school child with a disability has an individual right to receive some or all of the special education and related services that the child would receive if enrolled in a public school.

(a2) Priority of Awards. – The Authority shall award scholarships according to the following criteria for applications received by June 15 each year:

- (1) First priority shall be given to eligible students who received a scholarship during the previous semester.
- (2) After scholarships have been awarded under subdivision (1) of this subsection, scholarships shall be awarded to students who are eligible under G.S. 115C-112.5(2)f.1., 2., 4., and 5.
- (3) After scholarships have been awarded under subdivision (2) of this subsection, scholarships shall be awarded to students who are eligible under G.S. 115C-112.5(2)f.6.

Scholarships shall be awarded to eligible students in each subdivision of this subsection in the order in which the applications are received.

(b) Scholarship Awards. – Scholarships awarded to eligible students shall be for amounts of not more than four thousand dollars (\$4,000) per semester per eligible student. Eligible students awarded scholarships may not be enrolled in a public school to which that student has been assigned as provided in G.S. 115C-366. Scholarships shall be awarded only for tuition and for the reimbursement of special education, related services, and educational technology, as provided in subsection (b1) of this section. The Authority shall notify parents in writing of their eligibility to receive scholarships for costs that will be incurred during the spring semester of the following year by December 1 and for costs incurred during the fall semester of that year by July 1.

(b1) Disbursement of Scholarship Funds. – The Authority shall disburse scholarship funds for tuition and for the reimbursement of costs incurred by the parent of an eligible student as follows:

- ~~(1) Scholarship Tuition endorsement for tuition and reimbursement. — The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education. The Authority shall disburse scholarship funds awarded to eligible students for tuition at a nonpublic school based upon the method selected by the nonpublic school. A nonpublic school may elect to participate in the scholarship endorsement for tuition option or the reimbursement for tuition option as set forth in this subdivision. Scholarship funds shall not be provided for tuition for home schooled students. If the student is attending a nonpublic school, the school must be deemed eligible by the Division of Nonpublic Education, pursuant to G.S. 115C 562.4, and the school shall be subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney in fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with~~

~~this section shall be returned to the Authority to be awarded to another student.~~ Scholarship funds for tuition shall be disbursed as follows:

- a. Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education, is deemed eligible by the Division, and is subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student.
 - b. Reimbursement for tuition. – The parent or guardian of an eligible student who enrolls in a school that is (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education, is deemed eligible by the Division, and is not subject to G.S. 115C-562.5, shall pay tuition directly to the school. The Authority shall reimburse the parent or guardian no sooner than the midpoint of each semester. A parent or guardian may receive reimbursement for tuition if the parent or guardian provides documentation that the student was enrolled in a school under this sub-subdivision.
- (2) Scholarship reimbursements for costs. – Scholarship reimbursement for costs incurred shall be provided as follows:
- a. Preapproval process. – Prior to the start of each school semester, the parent of an eligible student may submit documentation of the special education, related services, or educational technology the parent anticipates incurring costs on in that semester for preapproval by the Authority.
 - b. Reimbursement submissions. – Following the conclusion of each school semester, the parent of an eligible student shall submit to the Authority any receipts or other documentation approved by the Authority to demonstrate the costs incurred during the semester. In addition, parents shall provide documentation of the following to seek reimbursement:
 1. Special education reimbursement. – Parents may only receive reimbursement for special education if the parent provides documentation that the student received special education for no less than 75 days of the semester for which the parent seeks reimbursement. Special education reimbursement shall not be provided for special education instruction provided to a home schooled student by a member of the household of a home school, as defined in G.S. 115C-563(a).
 2. Related services reimbursement. – Parents may only receive reimbursement for related services if the parent provides documentation that the student also received special education for no less than 75 days of the semester for which the parent seeks reimbursement for the related

services. Related services reimbursement shall not be provided for related services provided to a home schooled student by a member of the household of a home school, as defined in G.S. 115C-563(a).

3. Educational technology reimbursement. – Parents may only receive reimbursement for educational technology if the parent provides documentation that the student used the educational technology for no less than 75 days of the semester for which the parent seeks reimbursement.

c. Scholarship award. – The Authority shall award a scholarship in the amount of costs demonstrated by the parent up to the maximum amount. If the costs incurred by the parent do not meet the maximum ~~amount~~, amount for the fall semester, the Authority shall use the remainder of those funds for the award of scholarships to eligible students for the following ~~semester~~. spring semester. The Authority shall award scholarships to the parents of eligible students at least semiannually.

d. Carryforward of funds for reimbursements. – Any unexpended scholarship funds at the end of each fiscal year shall revert to the General Fund, except that the Authority may carry forward for the next fiscal year an amount necessary to ensure that any outstanding, allowable reimbursements can be disbursed in accordance with this section. Any funds carried forward for the purpose of meeting anticipated reimbursement obligations from the prior fiscal year that are not expended shall not be used to award additional scholarships to eligible students but shall revert to the General Fund at the end of the that fiscal year.

(c) Student Continuing Eligibility. – After an eligible student's initial receipt of a scholarship, the Authority shall ensure that the student's continuing eligibility is assessed at least every three years by one of the following:

- (1) The local educational agency. – The local school educational agency shall assess if the child continues to be a child with a disability and verify the outcome on a form to be provided to the Authority.
- (2) A licensed psychologist with a school psychology ~~focus~~ focus or a psychiatrist. – The psychologist or psychiatrist shall assess, after review of appropriate medical and educational records, if the education and related services received by the student in the nonpublic school setting have improved the child's educational performance and if the student would continue to benefit from placement in the nonpublic school setting. The psychologist or psychiatrist shall verify the outcome of the assessment on a form to be provided to the Authority.

...."

SECTION 11A.2.(c) G.S. 115C-112.8(b) reads as rewritten:

"(b) The annual report shall include all of the following information:

- (1) Total number, age, and grade level of eligible students receiving scholarships.
- (2) Total amount of scholarship funding awarded.
- (3) Nonpublic schools in which scholarship recipients are enrolled and the number of scholarship students at that school.
- (4) The type of special education or related services for which scholarships were awarded.
- (5) Total number of applicants by eligibility type, as listed in G.S. 115C-112.5(2)f., and the total number of scholarships awarded by priority type, as listed in G.S. 115C-112.6(a2)."

SECTION 11A.2.(d) Notwithstanding G.S. 115C-112.5(2)f.1., for the 2016-2017 school year only, a child shall be deemed to have met the eligibility requirement of enrollment in a North Carolina public school during the previous semester under G.S. 115C-112.5(2)f.1. if (i) the child's parent or

guardian submitted an application and was eligible to receive a scholarship grant under Part 1H of Article 9 of Chapter 115C of the General Statutes for the 2015-2016 school year and was enrolled in a public school for at least 75 days during the spring semester of the 2014-2015 school year or (ii) the child was enrolled for at least 75 days during the spring semester of the 2015-2016 school year.

SECTION 11A.2.(e) Except as otherwise provided in this section, this section applies beginning with the 2016-2017 school year.

OPPORTUNITY SCHOLARSHIP MODIFICATIONS/PROGRAM FORWARD FUNDING

SECTION 11A.3.(a) G.S. 115C-562.1(3) reads as rewritten:

- "(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:
 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."

SECTION 11A.3.(b) G.S. 115C-562.2(a)(2) reads as rewritten:

- "(2) After scholarship grants have been awarded to prior recipients as provided in subdivision (1) of this subsection, scholarships shall be awarded with remaining funds as follows:
- a. At least fifty percent (50%) of the remaining funds shall be used to award scholarship grants to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program.
 - b. No more than ~~thirty-five percent (35%)~~ forty percent (40%) of the remaining funds shall be used to award scholarship grants to eligible students entering either kindergarten or first grade.
 - c. Any remaining funds shall be used to award scholarship grants to all other eligible students."

SECTION 11A.3.(c) It is the intent of the General Assembly to move the Opportunity Scholarship Grant program funding into the Opportunity Scholarship Grant Fund Reserve (Reserve) established under G.S. 115C-562.8, as enacted by this section, so that funds appropriated for scholarship grants in a fiscal year are awarded to students for the school year in the following fiscal year. This change shall provide additional program stability.

SECTION 11A.3.(d) G.S. 115C-562.1 is amended by adding a new subdivision to read:

"(5a) Reserve. – The Opportunity Scholarship Grant Fund Reserve established under G.S. 115C-562.8."

SECTION 11A.3.(e) G.S. 115C-562.2 is amended by adding a new subsection to read:

"(b1) Beginning with the 2017-2018 school year, within the funds appropriated by the General Assembly to award scholarship grants to eligible students under this Part, the Authority may award scholarship grants to at least 2,000 more eligible students each school year than were served in the prior school year."

SECTION 11A.3.(f) Part 2A of Article 39 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.

The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be administered by the Board of Governors of The University of North Carolina for the purpose of allocating funds to the Authority for the award of scholarship grants in accordance with this Part. The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the General Assembly and any interest accrued to it thereon. These funds shall be used to award scholarship grants to eligible students for the school year that begins in the fiscal year following the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this section. Funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds were appropriated shall be carried forward for one fiscal year and may be used for the purposes set forth in this section. Funds carried forward pursuant to this section that have not been spent within one fiscal year shall revert to the General Fund."

SECTION 11A.3.(g) G.S. 115C-562.8, as enacted by subsection (f) of this section, reads as rewritten:

"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.

(a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be administered by the Board of Governors of The University of North Carolina for the purpose of allocating funds to the Authority for the award of scholarship grants in accordance with this Part. The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the General Assembly and any interest accrued to it thereon. These funds shall be used to award scholarship grants to eligible students for the school year that begins in the fiscal year following the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this section. Funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds were appropriated shall be carried forward for one fiscal year and may be used for the purposes set forth in this section. Funds carried forward pursuant to this section that have not been spent within one fiscal year shall revert to the General Fund.

(b) The General Assembly finds that, due to the critical need in this State to provide opportunity for school choice for North Carolina students, it is imperative that the State provide an increase of funds of at least ten million dollars (\$10,000,000) each fiscal year for 10 years to the Opportunity Scholarship Grant Fund Reserve. Therefore, there is appropriated from the General Fund to the Reserve the following amounts for each fiscal year to be used for the purposes set forth in this section:

<u>Fiscal Year</u>	<u>Appropriation</u>
<u>2017-2018</u>	<u>\$44,840,000</u>
<u>2018-2019</u>	<u>\$54,840,000</u>
<u>2019-2020</u>	<u>\$64,840,000</u>
<u>2020-2021</u>	<u>\$74,840,000</u>
<u>2021-2022</u>	<u>\$84,840,000</u>
<u>2022-2023</u>	<u>\$94,840,000</u>

<u>2023-2024</u>	<u>\$104,840,000</u>
<u>2024-2025</u>	<u>\$114,840,000</u>
<u>2025-2026</u>	<u>\$124,840,000</u>
<u>2026-2027</u>	<u>\$134,840,000</u>

For the 2027-2028 fiscal year and each fiscal year thereafter, there is appropriated from the General Fund to the Reserve the sum of one hundred forty-four million eight hundred forty thousand dollars (\$144,840,000) to be used for the purposes set forth in this section.

(c) Of the funds allocated to the Authority to award scholarship grants under this Part, the Authority may retain the lesser of up to four percent (4%) of the funds appropriated or one million five hundred thousand dollars (\$1,500,000) each fiscal year for administrative costs associated with the scholarship grant program."

SECTION 11A.3.(h) Section 8.29(f) of S.L. 2013-360 is repealed.

SECTION 11A.3.(i) Subsections (a) and (b) of this section apply beginning with the 2016-2017 school year. Subsections (g) and (h) of this section become effective July 1, 2017.

TRANSFORMING PRINCIPAL PREPARATION/CLARIFY RFP GRANTS

SECTION 11A.4. Subsection 11.9(f) of S.L. 2015-241 reads as rewritten:

"SECTION 11.9.(f) Application Requirements. – The nonprofit corporation entering into a contract with the Authority under subsection (d) of this section shall issue an initial RFP with guidelines and criteria for the grants no later than March 1, 2016. The nonprofit corporation may issue additional RFPs for grant applicants as it may deem necessary, subject to available funds. An eligible entity that seeks a grant under the program authorized by this section shall submit to the nonprofit corporation an application at such time, in such manner, and accompanied by such information as the nonprofit may require. An applicant shall include at least the following information in its response to the RFP for consideration by the nonprofit corporation:

- (1) The extent to which the entity has a demonstrated record of preparing school leaders who implement school leadership practices linked to increased student achievement.
- (2) The extent to which the entity has a rigorous school leader preparation program design that includes the following research-based programmatic elements:
 - a. A proactive, aggressive, and intentional recruitment strategy.
 - b. Rigorous selection criteria based on competencies that are predictive of success as a school leader, including, but not limited to, evidence of significant positive effect on student learning growth in the classroom, at the school-level, and the local school administrative unit-level, professional recommendations, evidence of problem solving and critical thinking skills, achievement drive, and leadership of adults.
 - c. Alignment to high-quality national standards for school leadership development.
 - d. Rigorous coursework that effectively links theory with practice through the use of field experiences and problem-based learning.
 - e. Full-time clinical practice of at least five months in duration in an authentic setting, including substantial leadership responsibilities where candidates are evaluated on leadership skills and effect on student outcomes as part of program completion.
 - f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.
 - g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.
 - h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.

- i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.
- j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs."

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

REVISIONS/COMPETITIVE GRANTS/NONPROFIT ORGANIZATIONS

SECTION 12A.5. Section 12A.8 of S.L. 2015-241 reads as rewritten:

"...

"SECTION 12A.8.(b) The Department shall continue administering a competitive grants process for nonprofit funding. The Department shall administer a plan that, at a minimum, includes each of the following:

- (1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis. The Department shall require nonprofits to include in the application a plan to evaluate the effectiveness, including measurable impact or outcomes, of the activities, services, and programs for which the funds are being requested.
- (2) A requirement that nonprofits match a minimum of fifteen percent (15%) of the total amount of the grant award.
- (3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.
- (4) A process that awards grants to nonprofits that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:
 - a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.
 - b. A system of residential supports for those afflicted with substance abuse addiction.
 - c. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.
 - d. Supports and services to children and adults with developmental disabilities or mental health diagnoses.
 - e. A food distribution system for needy individuals.
 - f. The provision and coordination of services for the homeless.
 - g. The provision of services for individuals aging out of foster care.
 - h. Programs promoting wellness, physical activity, and health education programming for North Carolinians.
 - i. The provision of services and screening for blindness.
 - j. A provision for the delivery of after-school services for apprenticeships or mentoring at-risk youth.

- k. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease.
 - l. A comprehensive smoking prevention and cessation program that screens and treats tobacco use in pregnant women and postpartum mothers.
 - m. A program providing short-term or long-term residential substance abuse services. For purposes of this sub-subdivision, "long-term" means a minimum of 12 months.
 - n. A program that provides year-round sports training and athletic competition for children and adults with disabilities.
- (5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.
 - (6) Allows grants to be awarded to nonprofits for up to two years.
 - (7) With grants awarded beginning July 1, 2016, a requirement that of the funds provided for competitive grants pursuant to this section, a minimum of five percent (5%) of the grants be awarded to new grant recipients who did not receive grant awards during the previous competitive grants process.
 - (8) A requirement that initial disbursement of the grants be awarded no later than 30 days after certification of the State budget for the respective fiscal year.

...

"SECTION 12A.8.(f) Funds appropriated pursuant to this section that have been awarded but not yet disbursed or encumbered at the end of each fiscal year shall not revert but shall remain available for expenditure."

"SECTION 12A.8.(g) Subsection (f) of this section becomes effective June 30, 2016."

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K/CLARIFY BUILDING STANDARDS

SECTION 12B.1.(a) Section 12B.1 of S.L. 2015-241 is amended by adding a new subsection to read:

"SECTION 12B.1.(b1) Building Standards. – Notwithstanding G.S. 110-91(4), private child care facilities and public schools operating prekindergarten classrooms shall meet the building standards for preschool students as provided in G.S. 115C-521.1."

SECTION 12B.1.(b) Section 12B.1(c) of S.L. 2015-241 reads as rewritten:

"SECTION 12B.1.(c) Programmatic Standards. – ~~All~~ Except as provided in subsection (b1) of this section, entities operating prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of Child Development and Early Education regarding programmatic standards and classroom requirements."

STUDY CHILD CARE SUBSIDY RATE SETTING

SECTION 12B.2. The Department of Health and Human Services, Division of Child Development and Early Education, shall study how rates are set for child care subsidy. In conducting the study, the Division shall, at a minimum, review market rate studies and other methodologies for establishing rates, including any cost estimation models, along with the pros and cons of each method reviewed. The Division shall report to the House Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by March 1, 2017, on any recommendations, including the suggested methodology to be used for setting rates, as well as time frames for implementing the methodology.

ADDITIONAL CHILD CARE SUBSIDY MARKET RATE INCREASES/CERTAIN AGE GROUPS AND COUNTIES

SECTION 12B.3. Section 12B.2A of S.L. 2015-241 reads as rewritten:

"SECTION 12B.2A.(a) Beginning January 1, 2016, the Department of Health and Human Services, Division of Child Development and Early Education, shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study from birth through two years of age in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties. For purposes of this section, tier one and tier two counties shall have the same designations as those established by the N.C. Department of Commerce's 2015 County Tier Designations.

"SECTION 12B.2A.(b) Beginning October 1, 2016, the Division shall increase the child care subsidy market rates to the rates recommended by the 2015 Child Care Market Rate Study from age three through five years in three-, four-, and five-star-rated child care centers and homes in tier one and tier two counties."

STUDY COSTS AND EFFECTIVENESS ASSOCIATED WITH NC PRE-K SLOTS

SECTION 12B.4.(a) As the objective of the NC Pre-K program is to provide high-quality educational experiences to enhance school readiness for eligible four-year-olds, the Department of Health and Human Services, Division of Child Development and Early Education, shall study the costs and effectiveness associated with funding slots for the NC Pre-K program. In conducting the study, the Division shall review and determine the following:

- (1) The total cost to fund a NC Pre-K slot, including administration and any local costs.
- (2) The program's anticipated effectiveness in preparing eligible four-year-olds in the five developmental domains outlined in the North Carolina Foundations for Early Learning and Development.
- (3) Whether the program's effectiveness as reviewed pursuant to subdivision (2) of this subsection justifies the costs associated with funding NC Pre-K slots or whether there are other alternatives to achieve the same objectives.
- (4) The State share needed to fund a NC Pre-K slot by each setting, including public schools, child care facilities, and Head Start.
- (5) The amount of funds needed to maintain the current number of NC Pre-K slots if the per slot cost was increased to the amount recommended by the study.
- (6) Recommendations on how often the NC Pre-K slot costs should be evaluated and reported to the General Assembly.
- (7) Any other relevant issues the Division deems appropriate.

SECTION 12B.4.(b) The Division of Child Development and Early Education shall report its findings and recommendations, including any legislative proposals, to the chairs of the House Appropriations Committee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services and the Fiscal Research Division on or before February 1, 2017.

STATE AGENCY COLLABORATION ON EARLY CHILDHOOD EDUCATION/TRANSITION FROM PRESCHOOL TO KINDERGARTEN

SECTION 12B.5.(a) The Department of Health and Human Services, in consultation with the Department of Public Instruction and any other agencies or organizations that administer, support, or study early education in this State, and within resources currently available, shall collaborate on an ongoing basis to develop and implement a statewide vision for early childhood education. In collaborating in this effort, the agencies shall develop a comprehensive approach to early childhood education, birth through third grade, including creating cross agency accountability with a comprehensive set of data indicators, including consideration of the NC Pathways to Grade-Level Reading, to monitor and measure success of the early childhood education systems.

SECTION 12B.5.(b) The Department of Health and Human Services, the Department of Public Instruction, and any other agencies or organizations that administer, support, or study early education programs in this State shall report their findings and recommendations, including any legislative proposals, resulting from the initiative to develop and implement a statewide vision for early childhood education pursuant to subsection (a) of this section. The agencies shall make an initial report to Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before January 1, 2017, submit a follow up report to those same committees on or before January 1, 2018, and may make any subsequent reports, annually, on or before January 1, as needed to those same committees.

SECTION 12B.5.(c) The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall promote the successful transition of children who receive assistance from NC Pre-K program and the Child Care Subsidy Assistance program for four- and five-star rated facility classrooms to kindergarten. In its promotion of a successful transition from preschool to kindergarten, the Department of Health and Human Services shall recommend that both NC Pre-K teachers and preschool teachers prepare a preschool to kindergarten transition plan for each child transitioning to kindergarten that documents the child's strengths and needs based on the five Goals and Developmental Indicator domains for children's developmental and learning progress that are based on the NC Foundations for Early Learning and Development. The preparation of the transition plan shall only apply to children who receive assistance through the NC Pre-K program or the Child Care Subsidy Assistance program. It is the intent of the General Assembly that the Departments utilize this transition plan until such time as the standardized program to transition children from preschool to kindergarten, required pursuant to subsection (e) of this section, is developed and implemented.

SECTION 12B.5.(d) The Department of Health and Human Services shall report on the implementation of the transition plan required pursuant to subsection (c) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Education Oversight Committee on or before December 15, 2016.

SECTION 12B.5.(e) The Department of Health and Human Services, in consultation with the Department of Public Instruction, shall develop and implement a standardized program to transition children from preschool to kindergarten. In developing this standardized transition program, the Department of Health and Human Services shall identify, at a minimum:

- (1) Methods to standardize student transition information such that it is quantifiable.
- (2) Recommendations for sharing data contained in a student's transition plan between preschool teachers and either kindergarten teachers or the schools that receive the incoming kindergarten students.
- (3) Recommendations for sharing data contained in a student's transition plan between preschool teachers and the parents or guardians of the child who is transitioning to kindergarten.
- (4) Recommendations for preschool teacher training and continuing education to support their role in completing transition plans for preschool children.
- (5) Recommendations for baseline information that should be compiled in transition plans for students transitioning to kindergarten.
- (6) Procedures for the management of transition plan documents, including recommendations for the length of records retention, provisions for confidentiality, and proper disposal.
- (7) Any other components the Department deems appropriate in the provision of information between preschools, students' families, and kindergartens.

SECTION 12B.5.(f) The Department of Health and Human Services shall report on the development of the standardized transition program required pursuant to subsection (e) of this section, including any findings and recommendations and any legislative proposals, to the Joint Legislative

SUBPART XII-E. DIVISION OF PUBLIC HEALTH

HEALTHY OUT-OF-SCHOOL TIME (HOST) RECOGNITION PROGRAM

SECTION 12E.2.(a) Program Established.—There is created the "Healthy Out-of-School Time (HOST) Recognition Program" to be administered by the Department of Health and Human Services, Division of Public Health, in collaboration with the North Carolina Center for Afterschool Programs based in the Public School Forum.

SECTION 12E.2.(b) Definitions. — The following definitions shall apply in this section:

- (1) Department. — The Department of Health and Human Services, Division of Public Health.
- (2) HEPA Standards. — The National Institute on Out-of-School Time Healthy Eating and Physical Activity Standards.
- (3) Out-of-school time program. — Any nonlicensed program provided to children and youth ages 17 and under that is currently exempt from G.S. 110-91 or any other qualified out-of-school time programs that serve school-age children outside of regular school hours, including before school and on weekends.
- (4) Program attendee. — A person enrolled in an exempt out-of-school time program.
- (5) Screen time. — Time spent viewing or working on television, videos, computers, or handheld devices, with or without Internet access.

SECTION 12E.2.(c) Program Development. — The Department shall develop a process, to be administered on its Internet Web site, for an out-of-school time program to be recognized as a program that meets the HEPA Standards as outlined in this section. The Web site shall include all resources and links that an out-of-school time program may use to meet the requirements of this section. Programs being recognized shall demonstrate consistency and implementation of HEPA standards.

The Department shall develop and implement a process for providing minimal verification of self-assessments submitted by out-of-school time programs applying for recognition, which may include a site visit or other form of review. At a minimum, the Department shall review a random sample of program self-assessments within 30 to 60 days of receipt of the assessments.

Periodically, or at least once every five years, the Department shall review, and if necessary, revise and update the program standards to reflect advancements in nutrition science, dietary data, and physical activity standards to ensure consistency with nationally recognized guidelines for out-of-school time programs.

SECTION 12E.2.(d) Certificate; Program Information. — The Department shall provide a certificate to out-of-school time programs that demonstrate that the program meets HEPA standards. If the out-of-school time program is located on a school site, the out-of-school time program shall communicate with the school regarding nutrition education and physical activity, as appropriate, to provide the program attendees with a complete educational experience. All activities shall also adhere to the local school administrative unit's wellness policy, as appropriate.

The Department shall have information about the program available for review by a parent at both the physical location of the out-of-school time program and on the program's Internet Web site, if applicable. The Department shall require that the out-of-school time program maintain in its records a document signed by all parents acknowledging that they are aware of the HOST Recognition Program

requirements and policies to institute and reinforce these specific healthy behaviors for all children served in the out-of-school time program.

SECTION 12E.2.(e) Certificate Renewal. – A certificate issued under this section shall be valid for one calendar year. An out-of-school time program that wishes to create a new certificate for the subsequent year shall, by January 1 of the following year and thereafter, verify with the Department that the out-of-school time program continues to follow the HOST Recognition Program criteria established in accordance with subsection (d) of this section.

SECTION 12E.2.(f) List of Programs. – The Department shall maintain and update a list of out-of-school time programs that qualify under the provisions of this section and shall post that list on its Internet Web site, including the date of qualification for each program.

SECTION 12E.2.(g) Availability of Funds. – The provisions of the Healthy Out-of-School Time (HOST) Recognition Program enacted under this section are subject to the availability of funds for that purpose.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

USE OF DOROTHEA DIX HOSPITAL PROPERTY FUNDS

SECTION 12F.4.(a) It is the intent of the General Assembly to increase short-term, inpatient behavioral health bed capacity in rural areas of the State with the highest need. Toward that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2016-2017 fiscal year, the sum of eighteen million dollars (\$18,000,000) shall be used to pay for any renovation or building costs associated with the following:

- (1) The construction of new licensed short-term, inpatient behavioral health beds.
- (2) The conversion of existing inpatient acute care beds into licensed short-term, inpatient behavioral health beds.
- (3) A combination of subdivision (1) and subdivision (2) of this subsection.

SECTION 12F.4.(b) The Secretary shall select hospitals in the three State regions for institutional services (Eastern Region, Central Region, and Western Region) to receive funds allocated under subsection (a) of this section for the construction, conversion, or both of short-term, inpatient behavioral health beds in rural areas of the State. Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each selected rural hospital that receives funds allocated under subsection (a) of this section shall be allowed to construct new or convert unused acute care beds into licensed, inpatient behavioral health beds without undergoing certificate of need review by the Division of Health Service Regulation. All newly constructed or converted beds shall be subject to existing licensure laws and requirements. As a condition of receiving these funds, each selected rural hospital shall reserve at least fifty percent (50%) of the constructed or converted beds for (i) purchase by the Department under the State-administered, three-way contract and (ii) referrals by local management entities/managed care organizations (LME/MCOs) of individuals who are indigent or Medicaid recipients. Any hospital unit or other location with short-term, inpatient behavioral health beds constructed or converted with funds allocated under subsection (a) of this section shall be named in honor of Dorothea Dix.

SECTION 12F.4.(c) If the Department approves a request submitted by a rural hospital selected to receive funds allocated under subsection (a) of this section to include within its hospital license a facility, premises, building, outpatient clinic, or other location in an immediately adjoining county with

a population of at least 60,000 based on the latest official United States census, as permitted under G.S. 131E-177(e1), as enacted by Section 12G.3 of this act, then the Secretary shall allocate funds to that hospital for the construction or conversion of a sufficient number of additional beds to ensure that, within the three-year period following approval of such request, the hospital has a total inventory of at least 18 licensed and operational short-term, inpatient behavioral health beds. Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, these additional short-term, inpatient behavioral health beds shall be exempt from certificate of need review. The hospital unit or other location in which these additional short-term, inpatient behavioral health beds are located shall be named in honor of Dorothea Dix.

SECTION 12F.4.(d) Beginning November 1, 2017, the Department of Health and Human Services shall annually report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the number and location of additional licensed short-term, inpatient behavioral health beds brought into operation with funds allocated under subsection (a) of this section. By December 1, 2020, the Department shall submit a report that includes a proposal for funding the recurring operating costs of these additional beds from a source or sources other than the Dorothea Dix Hospital Property Funds, including the identification of potential new funding sources.

SECTION 12F.4.(e) It is the intent of the General Assembly to increase the number of facility-based crisis centers in North Carolina for children and adolescents. Toward that end, of the funds appropriated from the Dorothea Dix Hospital Property Fund established under G.S. 143C-9-2(b1) to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2016-2017 fiscal year, the sum of two million dollars (\$2,000,000) shall be used to award grants on a competitive basis for the establishment of up to two new facility-based crisis centers in the State for children and adolescents. The Department shall establish a process for applying for these grants, criteria for evaluating applications, and a process for allocating grants.

SUBPART XII- H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

STUDY MEDICAID COVERAGE FOR SCHOOL-BASED HEALTH SERVICES

SECTION 12H.9. The Department of Health and Human Services, Division of Medical Assistance (Department), shall conduct a study to identify all school-based health services that are eligible for Medicaid federal matching funds pursuant to federal Medicaid law and regulations but which currently are not reimbursable under North Carolina's Medicaid State Plan. No later than November 1, 2016, the Department shall submit to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division a report containing the following information related to each school-based health service identified:

- (1) An analysis of the fiscal impact both to the Department and to all local education agencies of adding Medicaid coverage for the school-based health service.
- (2) A description of any plans for adding coverage for the school-based health service, including the anticipated time line for submission of any State Plan Amendments to the Centers for Medicare and Medicaid Services.

SUBPART XII-J. DIVISION OF VOCATIONAL REHABILITATION, SERVICES FOR THE BLIND, AND SERVICES FOR THE DEAF AND HARD OF HEARING

DATA COLLECTION AND SERVICE MANAGEMENT INFORMATION SYSTEM

SECTION 12J.1. The Department of Health and Human Services shall develop and implement a Data Collection and Service Management Information System to replace the current system in use by the Division of Services for the Deaf and Hard of Hearing. The project shall not proceed until the business case has been approved by the Office of State Budget and Management and the State Chief Information Officer in the Enterprise Project Management Office's Touchdown System. Upon approval, funds available in Budget Code 67425, Fund Code 6726, may be budgeted for transfer to Budget Code 24410 for information technology projects in an amount not to exceed seven hundred fifty thousand dollars (\$750,000).

SUBPART XII-K. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 12K.1. Section 12I.1 of S.L. 2015-241, as amended by Section 4.6 of S.L. 2015-268, reads as rewritten:

"DHHS BLOCK GRANTS

"**SECTION 12I.1.(a)** Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	FY 2015-2016	FY 2016-2017
Local Program Expenditures		
Division of Social Services		
01. Work First Family Assistance	\$57,167,454	\$57,167,454 \$54,167,454
02. Work First County Block Grants	80,093,566	78,073,437 80,093,566
03. Work First Electing Counties	2,378,213	2,378,213
04. Adoption Services – Special Children Adoption Fund	2,026,877	2,026,877
05. Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06. Child Welfare Collaborative	632,416	632,416
<u>06A. Child Welfare Initiatives</u>	<u>0</u>	<u>1,400,000</u>
Division of Child Development and Early Education		
07. Subsidized Child Care Program	35,248,910	37,419,801 35,248,910
08. Swap Child Care Subsidy	6,352,644	6,352,644

08A. Additional One-Time Swap/Child Care Subsidy	<u>0</u>	<u>3,600,000</u>
09. Pre-K Swap Out	16,829,306	12,333,981 <u>18,764,790</u>
Division of Public Health		
10. Teen Pregnancy Prevention Initiatives	2,950,000	2,950,000
DHHS Administration		
11. Division of Social Services	2,482,260	2,482,260
12. Office of the Secretary	34,042	34,042
13. Eligibility Systems – Operations and Maintenance	2,738,926	4,206,640
14. NC FAST Implementation	1,313,384	1,865,799
Transfers to Other Block Grants		
Division of Child Development and Early Education		
15. Transfer to the Child Care and Development Fund	71,773,001	71,773,001
Division of Social Services		
16. Transfer to Social Services Block Grant for Child Protective Services – Training	1,300,000	1,300,000
17. Transfer to Social Services Block Grant for Child Protective Services	5,040,000	5,040,000
18. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001	4,148,001 <u>4,500,000</u>
19. Transfer to Social Services Block Grant – Foster Care Services	1,385,152	1,385,152
TOTAL TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS	\$303,306,543	\$300,982,109 <u>\$309,614,155</u>

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development and Early Education

01. Child Care Services (Smart Start \$7,000,000)	\$154,278,008	\$152,370,856 <u>\$157,563,457</u>
02. Electronic Tracking System	1,201,240	401,492 <u>1,601,834</u>
03. Transfer from TANF Block Grant for Child Care Subsidies	71,773,001	71,773,001
04. Quality and Availability Initiatives (TEACH Program \$3,800,000)	26,514,964	26,019,987 <u>35,878,600</u>

DHHS Administration

Division of Child Development and Early Education

05. DCDEE Administrative Expenses	9,049,505	9,049,505 <u>9,042,159</u>
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Division of Social Services

06. Local Subsidized Child Care Services Support	15,930,279	15,930,279 <u>16,178,301</u>
<u>06A. Direct Deposit for Child Care Payments</u>	<u>0</u>	<u>969,610</u>
07. NC FAST Development	186,404	586,152

Division of Central Administration

08. DHHS Central Administration – DIRM Technical Services	775,000	775,000
09. Central Regional Maintenance	202,000	202,000
<u>09A. DHHS Central Administration</u>	<u>0</u>	<u>7,346</u>
10. Child Care Health Consultation Contracts	62,205	62,205

TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

\$279,972,606 ~~\$277,170,477~~\$294,639,665

MATERNAL AND CHILD HEALTH BLOCK GRANT

"**SECTION 12I.1.(x)** If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2015-2016 fiscal year or the 2016-2017 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an abstinence until marriage education program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

FUTURE FARMERS OF AMERICA PILOT PROGRAM

SECTION 13.3.(a) Notwithstanding G.S. 143-720 or G.S. 143-721, of the funds appropriated to the Tobacco Trust Fund in this act, one hundred twenty thousand dollars (\$120,000), nonrecurring for the 2016-2017 fiscal year, shall be distributed to the following local Future Farmers of America programs for the following purposes and amounts:

- (1) Sixty thousand dollars (\$60,000) to Southern Guilford High School in Guilford County for a pilot program relating to animal science.
- (2) Sixty thousand dollars (\$60,000), to be allocated in equal amounts, to the following schools for a pilot program relating to animal science and agricultural crop planting, including greenhouses and hydroponics:
 - a. Mountain Heritage High School in Yancey County.
 - b. Madison High School in Madison County.
 - c. Central Haywood High School in Haywood County.
 - d. Pisgah High School in Haywood County.
 - e. Tuscola High School in Haywood County.

SECTION 13.3.(b) As part of the annual report required pursuant to G.S. 143-722(a), the Tobacco Trust Fund Commission shall report to the chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on program activities, objectives, and accomplishments and itemized expenditures from the funds provided in this section. The Commission shall assist local Future Farmers of America programs receiving funds pursuant to this section in reporting on the activities for which the funds were used. In addition, the Commission shall compile a consolidated report of such activities, itemized by recipient.

PART XV. DEPARTMENT OF COMMERCE

JOB AND ECONOMIC DEVELOPMENT MARKETING AND ADVERTISING EXPANSION

SECTION 15.9.(a) Out of funds appropriated in this act to the Department of Commerce, the sum of three million seven hundred fifty thousand dollars (\$3,750,000) in nonrecurring funds for the 2016-2017 fiscal year shall be used for marketing and advertising of the State designed to promote economic development, business development, and job recruitment; provided, however, nothing in this

section shall be construed to permit the use of funds for any comprehensive State branding strategy or purposes. Funds may be used for media purchases for marketing and advertising campaigns on television, online video, and print; ongoing analytics activities to track efficiency of owned and paid digital media investment in generating development and recruitment activity in the State; and additional development and deployment of online recruitment efforts of the State, including social media strategy. The Department may delegate the responsibilities provided in this section to a nonprofit corporation with which it contracts, pursuant to G.S. 143B-431.01. Funds used pursuant to this section shall be allocated as follows:

<u>Amount of funds</u>	<u>Use of funds</u>
\$2,500,000	Domestic marketing and advertising
\$1,250,000	International marketing and advertising

SECTION 15.9.(b) The Department of Commerce shall report on the use of all funds allocated pursuant to this section, including, at a minimum, fund expenditures that have been made or are anticipated or obligated to be made, any commissions paid, including those to a buyer for media purchases, and the results of any analytics performed, accompanied by an executive summary of the results. An initial report is due no later than March 1, 2017, and a final report is due no later than October 1, 2017. The reports shall be submitted to the Joint Legislative Economic Development and Global Engagement Oversight Committee and the Fiscal Research Division.

PART XVI. DEPARTMENT OF NATURAL AND CULTURAL RESOURCES

UMSTEAD ACT CONFORMING CHANGES

SECTION 16.3. G.S. 66-58 reads as rewritten:

"§ 66-58. Sale of merchandise or services by governmental units.

(a) Except as may be provided in this section, it shall be unlawful for any unit, department or agency of the State government, or any division or subdivision of the unit, department or agency, or any individual employee or employees of the unit, department or agency in his, or her, or their capacity as employee or employees thereof, to engage directly or indirectly in the sale of goods, wares or merchandise in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias or other eating places in any building owned by or leased in the name of the State, or to maintain service establishments for the rendering of services to the public ordinarily and customarily rendered by private enterprises, or to provide transportation services, or to contract with any person, firm or corporation for the operation or rendering of the businesses or services on behalf of the unit, department or agency, or to purchase for or sell to any person, firm or corporation any article of merchandise in competition with private enterprise. The leasing or subleasing of space in any building owned, leased or operated by any unit, department or agency or division or subdivision thereof of the State for the purpose of operating or rendering of any of the businesses or services herein referred to is hereby prohibited.

(b) The provisions of subsection (a) of this section shall not apply to:

...

(9) ~~The Department of Environmental Quality.~~ The North Carolina Wildlife Resources Commission ~~may sell for the sale of~~ wildlife memorabilia as a service to members of the public interested in wildlife conservation.

(9a) The North Carolina Forest Service.

(9b) The Department of Natural and Cultural Resources for the sale of food pursuant to G.S. 111-47.2 and the sale of books, crafts, gifts, and other tourism-related items and

revenues from public and private special events, activities, and programming at State parks, State aquariums, historic sites and museums administered by the Department, provided that the resulting profits are used to support the operation of ~~historic sites or museums and provided further that the~~ those sites. This exemption does not allow the Department ~~shall not to~~ construct, maintain, operate, or lease a hotel or tourist inn in any ~~park site or facility over which it has jurisdiction~~ jurisdiction, except that the North Carolina Zoological Park may lease a portion of the Park on which a private entity may construct and operate a hotel and related facilities. Nothing in this subdivision is intended to exempt the Park from any other applicable laws pertaining to contracting or to leasing of State property.

PART XXV. GENERAL ASSEMBLY

SCHOOL CONSTRUCTION NEEDS STUDY

SECTION 25.1. The Joint Legislative Program Evaluation Oversight Committee shall amend the 2016-2017 Program Evaluation Division work plan to direct the Division to contract with an outside entity to (i) perform an independent assessment of school construction needs and (ii) determine which of the local school administrative units have the highest facility needs in relation to their capacity to raise revenue to meet those needs. The Program Evaluation Division shall report the results of this study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Economic Development and Global Engagement Oversight Committee on or before March 15, 2017.

PART XXVII. OFFICE OF STATE BUDGET AND MANAGEMENT

DISPOSITION OF CERTAIN FUNDS

SECTION 27.4.(a) G.S. 143C-6-23(f1)(1) shall not apply to funds appropriated for the 2015-2016 fiscal year for the following:

- (1) School construction funds for the construction of a collocated middle and high school in Jones County.
- (2) Grant-in-aid to Project Healing Waters Fly Fishing, Inc., for transporting veterans to recreational activities. These funds may also be used by Project Healing Waters Fly Fishing, Inc., for travel and lodging expenses associated with recreational activities for veterans.
- (3) Grant-in-aid to the Averagesboro Battlefield Commission to assist with the purchase and relocation of the Shaw Halfway House. These funds shall instead be allocated to Averagesboro Town Restoration Association, Inc., for the purchase and relocation of the Shaw Halfway House.

SECTION 27.4.(b) G.S. 143C-6-23(f1)(1) shall not apply to funds appropriated for the 2016-2017 fiscal year for school construction funds for the construction of a collocated middle and high school in Jones County.

SECTION 27.4.(c) Subsection (a) of this section becomes effective June 30, 2016.

PART XXXV. DEPARTMENT OF TRANSPORTATION

REPEAL SUNSET ON LATE FEE FOR MOTOR VEHICLE REGISTRATIONS

SECTION 35.13. Subsection (u) of Section 29.30 of S.L. 2015-241 reads as rewritten:

"**SECTION 29.30.(u)** Subsections (a) and (u) of this section become effective October 1, 2015. Subsections (s) and (t) of this section become effective July 1, 2020. Subsection (m) of this section becomes effective July 1, 2016, and applies to renewal motor vehicle registrations on or after that date. ~~Subsection (m) of this section expires December 31, 2017.~~ The remainder of this section becomes effective January 1, 2016, and applies to issuances, renewals, restorations, and requests on or after that date."

PART XXXVI. SALARIES AND BENEFITS

STATE-FUNDED PERSONNEL/MERIT-BASED BONUSES AUTHORIZED

SECTION 36.1A.(a) Funds for Merit-Based Bonuses. – Of the funds appropriated in this act from the General Fund and Highway Fund to the Compensation Bonus Reserves, nonrecurring funds for the 2016-2017 fiscal year are authorized generally to provide employing agencies with funds to award one-time merit-based bonuses to State-funded personnel in accordance with eligibility policies adopted by the employing agencies. The eligibility policy shall not provide an across-the-board bonus for this purpose. Notwithstanding G.S. 135-1(7a) and G.S. 135-53(5), merit-based bonuses awarded under this Part are not compensation under Chapter 135 of the General Statutes.

SECTION 36.1A.(b) Employing Agency. – For the purposes of this Part, "employing agency" includes the following entities employing State-funded personnel:

- (1) The State Human Resources Commission, for executive branch departments with respect to both EHRA and SHRA employees, except University of North Carolina EHRA employees.
- (2) The Administrative Office of the Courts and the Commission on Indigent Defense Services, for the judicial branch.
- (3) The Legislative Services Commission, for the legislative branch.
- (4) The Board of Governors of The University of North Carolina, except as to its SHRA employees.
- (5) The State Board of Community Colleges, for the North Carolina Community College System.
- (6) Each local board of education, for school-based administrators, central office, and noncertified personnel. Educators are not eligible.

SECTION 36.1A.(c) Reporting. – Each local board of education shall provide to the Department of Public Instruction (DPI) the details of how these funds are distributed by district and school. All other employing agencies, and DPI, shall report to the chairs of the Senate Appropriations/Base Budget Committee and the House of Representatives Committee on Appropriations and the Fiscal Research Division on the use of these funds by no later than February 1, 2017.

STATE AGENCY TEACHERS

SECTION 36.12. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, the State Board of Education, and employees of the School of Science and Mathematics of the University of North Carolina who are paid on the Teacher Salary Schedule shall be paid as authorized by Section 9.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 36.14.(a) Section 30.8 of S.L. 2015-241 reads as rewritten:

"**SECTION 30.8.(a)** For the ~~2015-2017 fiscal biennium~~, 2015-2016 fiscal year:

...."

SECTION 36.14.(a1) For the 2016-2017 fiscal year:

- (1) Unless otherwise specifically provided, the annual salaries of all employees subject to or exempt from the North Carolina Human Resources Act are increased by one and one-half percent (1.50%).
- (2) Each employing agency may award one-time merit-based bonuses to State supported personnel in accordance with policies adopted by the employing agency.
- (3) All eligible State-supported personnel shall receive an across-the-board compensation bonus in the amount of one-half of one percent (0.50%) as authorized by this Part.

SECTION 36.14.(b) Salaries and Related Benefits for Positions That Are Funded. –

- (1) Partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.
- (2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this act. The Director of the Budget may increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

The Director of the Budget may increase expenditures of receipts from these sources in the certified budget by the amount necessary to provide the increases authorized by this Part to receipt-supported personnel.

SECTION 36.14.(c) Except as otherwise provided, the annual salary increases and one-time bonuses provided in this act do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2016.

SECTION 36.14.(d) Employees eligible for statutory increases under G.S. 20-187.3, 7A-102, and 7A-171.1 may receive the increases and bonuses authorized by this section.

SECTION 36.14.(e) Payroll checks issued to employees after July 1, 2016, that represent payment of services provided prior to July 1, 2016, shall not be eligible for salary increases provided for in this act. This subsection applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 36.14.(f) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

MOST STATE EMPLOYEES

SECTION 36.15.(a) Section 30.9 of S.L. 2015-241 reads as rewritten:

"**SECTION 30.9.** For the ~~2015-2017 fiscal biennium~~, 2015-2016 fiscal year, except as otherwise provided by this Part, the annual salaries in effect June 30, 2015, for the following employees shall not be legislatively increased, but may be increased as otherwise allowed by law:

...."

SECTION 36.15.(b) For the 2016-2017 fiscal year, except as otherwise provided by this Part and Part 9 of this act, the annual salaries in effect on June 30, 2016, for the following persons are increased by one and one-half percent (1.50%) and these persons will also receive a one-time, across-the-board bonus in the amount of one-half of one percent (0.50%):

- (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 36.15.(c) For the 2016-2017 fiscal year, employing agencies may award merit-based bonuses to eligible employees who are any of the following:

- (1) Permanent full-time State employees whose salaries are set in accordance with the State Human Resources Act.
- (2) Permanent full-time State employees in positions exempt from the State Human Resources Act.
- (3) Permanent part-time State employees.
- (4) Temporary and permanent hourly State employees.

COMPENSATION BONUS/ACROSS-THE-BOARD/AWARDED FOR FISCAL YEAR 2016-2017

SECTION 36.16.(a) Any 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 September 1, 2016, shall be awarded a one-time, lump sum compensation bonus for the 2016-2017 fiscal year in the amount of one-half of one percent (0.50%) during the month of October 2016, except as provided by subsection (a1) of this section.

SECTION 36.16.(a1) Teachers paid on the Salary Schedule in Section 9.1 of this act are not eligible to receive the bonus awarded by subsection (a) of this section.

SECTION 36.16.(b) Notwithstanding G.S. 135-1(7a), the compensation bonus awarded by this section is not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement System.

SECTION 36.16.(c) The compensation bonus awarded by this section is not part of annual salary and shall be paid out separately. The compensation bonus shall be awarded to eligible permanent employees without regard to an employee's placement within the salary range, including employees at the top of the salary range. The compensation bonus shall be adjusted pro rata for permanent part-time employees.

SECTION 36.16.(d) Recipients of disability benefits under Article 6 of Chapter 135 of the General Statutes who have not terminated their employment and who otherwise meet the conditions of this section are eligible to receive the bonus, which shall be paid by the employing agency. The Disability Income Plan will neither pay the bonus nor reimburse the employer for payment.

SECTION 36.16.(e) For part-time employees, the bonus shall be pro rata based on the number of hours worked.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES/COMPENSATION BONUSES/EMPLOYEE BENEFITS

SECTION 36.17.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases and compensation bonuses in amounts set forth in the committee report described in Section 39.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for the purposes of legislatively mandated salary increases, compensation bonuses, and employee benefits. Any recurring funds remaining in the compensation and

benefits reserves shall be used to adjust the salaries of any positions that fall below the minimum of the new salary grade assigned to those positions during the realignment of salary grades pursuant to the Office of State Human Resources' Statewide Compensation System Project. Any funds remaining following the adjustment to these positions shall revert in accordance with G.S. 143C-1-2(b), unless otherwise provided by law.

SECTION 36.17.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases, compensation bonuses, 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 legislatively mandated salary increases, compensation bonuses, and employee benefits.

SECTION 36.17.(c) No later than March 1, 2017, 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, compensation bonuses, and employee benefits. This report shall include at least the following information for each State agency for the 2016-2017 fiscal year:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases, compensation bonuses, and employee benefits.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for legislatively mandated salary increases, compensation bonuses, and employee benefits.
- (4) The use of any funds under subsection (a) of this section to adjust the salaries of any positions that fall below the minimum of the new salary grade assigned to those positions during the realignment of salary grades pursuant to the Office of State Human Resources' Statewide Compensation System Project.
- (5) The amount of funds expected to revert under subsection (a) of this section.

MITIGATE BONUS LEAVE

SECTION 36.18. During the 2016-2017 fiscal year, State agencies, departments, institutions, the North Carolina Community College System, and The University of North Carolina may offer State employees the opportunity to use or to cash in special bonus leave benefits that have accrued pursuant to Section 28.3A of Chapter 126 of the 2002 Session Laws, Section 30.12B(a) of Chapter 284 of the 2003 Session Laws, Section 29.14A of S.L. 2005-276, and Section 35.10A of S.L. 2014-100, but only if all of the following requirements are met:

- (1) Employee participation in the program must be voluntary.
- (2) Special leave that is liquidated for cash payment to an employee must be valued at the amount based on the employee's current annual salary rate.
- (3) Each agency shall collect and report demographic information on the employees who opt to use or cash-in special leave under the incentive program. By March 1, 2017, an interim report on the demographic information shall be submitted to the respective agency head or employing agency and to the Fiscal Research Division. The final report shall be submitted by September 1, 2017.

EXTEND VOLUNTARY SHARED LEAVE TO COMMUNITY COLLEGES EMPLOYEES

SECTION 36.19. G.S. 115D- 25.3 reads as rewritten:

"§ 115D- 25.3. Voluntary shared leave.

(a) The State Board of Community Colleges, in cooperation with the State Board of Education and the State Human Resources Commission, shall adopt rules and policies to allow any employee at a community college to share leave voluntarily with an immediate family member who is an employee of a

community college, public school, or State agency; and with a coworker's immediate family member who is an employee of a community college, public school, or State agency. For the purposes of this section, the term "immediate family member" means a spouse, parent, child, brother, sister, grandparent, or grandchild. The term includes the step, half, and in-law relationships. The term "coworker" means that the employee donating the leave is employed by the same agency, department, institution, university, local school administrative unit, or community college as the employee whose immediate family member is receiving the leave.

(b) The State Board of Community Colleges, in cooperation with the State Human Resources Commission, shall adopt rules and policies consistent with policies of the Commission to allow any employee at a community college to share leave voluntarily with a nonfamily member who is an employee of a community college. A community college employee who donates sick leave to a community college employee who is a nonfamily member shall not donate more than five days of sick leave per year to any one nonfamily community college employee. The combined total of sick leave donated to a community college employee from nonfamily community college employee donors shall not exceed 20 days per year. Donated sick leave shall not be used for retirement purposes and community college employees who donate sick leave shall be notified in writing of the consequences of donating sick leave in regard to State retirement system service credit."

DELAY STATEWIDE COMPENSATION SYSTEM PROJECT IMPLEMENTATION

SECTION 36.19A.(a) The Office of State Human Resources shall not commence the implementation phase of the Statewide Compensation System Project (Project) prior to February 1, 2017.

SECTION 36.19A.(b) When the implementation phase commences, the Director of the Budget may increase expenditures of receipts to the amount necessary to fund salary adjustments authorized by the Office of State Human Resources for receipt-supported positions that fall below the minimum of the new salary grade assigned to those positions during the realignment of salary grades pursuant to the Project.

SALARY-RELATED CONTRIBUTIONS

SECTION 36.20.(a) Section 30.20 of S.L. 2015-241 reads as rewritten:

"SALARY-RELATED CONTRIBUTIONS

...

"SECTION 30.20.(b) Effective July 1, 2015, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the ~~2015-2017 fiscal biennium~~ 2015-2016 fiscal year are (i) fifteen and thirty-two hundredths percent (15.32%) – Teachers and State Employees; (ii) twenty and thirty-two hundredths percent (20.32%) – State Law Enforcement Officers; (iii) twelve and eighty-five hundredths percent (12.85%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-five hundredths percent (12.85%) – Community College Optional Retirement Program; (v) thirty-two and eighty-one hundredths percent (32.81%) – Consolidated Judicial Retirement System; and (vi) seven and forty hundredths percent (7.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes forty-one hundredths percent (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement.

"SECTION 30.20.(b1) Effective July 1, 2016, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2016-2017 fiscal year are (i)

sixteen and twelve hundredths percent (16.12%) – Teachers and State Employees; (ii) twenty-one and twelve hundredths percent (21.12%) – State Law Enforcement Officers; (iii) twelve and eighty-two hundredths percent (12.82%) – University Employees' Optional Retirement Program; (iv) twelve and eighty-two hundredths percent (12.82%) – Community College Optional Retirement Program; (v) thirty-five and six hundredths percent (35.06%) – Consolidated Judicial Retirement System; and (vi) twenty-three and eighty-two hundredths percent (23.82%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and sixty hundredths percent (5.60%) for hospital and medical benefits. The rate for the Teachers and State Employees, State Law Enforcement Officers, University Employees' Optional Retirement Program, and the Community College Optional Retirement Program includes thirty-eight hundredths percent (0.38%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income. The rate for Teachers and State Employees and State Law Enforcement Officers includes one hundredths percent (0.01%) for the Qualified Excess Benefit Arrangement.

"SECTION 30.20.(c) Effective July 1, 2015, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the ~~2015-2016~~ 2015-2017 fiscal year biennium to the State Health Plan for Teachers and State Employees are (i) Medicare-eligible employees and retirees – four thousand two hundred fifty-one dollars (\$4,251) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred seventy-one dollars (\$5,471)."

SECTION 36.20.(b) If the Director of the Budget reallocates the Reserve for Future Benefits Needs, as authorized in Section 36.24 of this act, then effective July 1, 2016, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2016-2017 fiscal to the State Health Plan for Teachers and State Employees shall be (i) Medicare-eligible employees and retirees – four thousand three hundred ninety-seven dollars (\$4,397) and (ii) non-Medicare-eligible employees and retirees – five thousand six hundred fifty-nine dollars (\$5,659). Additionally, if the Director of the Budget reallocates the Reserve for Future Benefits Needs, as authorized in Section 36.24 of this act, the Director of the Budget may increase the contribution rate for hospital and medical benefits in Section 30.20(b1) of S.L. 2015-241, as amended by subsection (a) of this section, to either five and eighty-one hundredths percent (5.81%) effective July 1, 2016, or six and two hundredths percent (6.02%), effective January 1, 2017, and adjust the other contribution rates in the section accordingly.

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 36.21.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(uuu) On or before October 31, 2016, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2016, and whose retirement commenced on or before September 1, 2016. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2016, 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 36.21.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(ff) On or before October 31, 2016, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2016, and whose retirement commenced on or before September 1, 2016. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2016, 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 36.21.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(z) In accordance with subsection (a) of this section, on or before October 31, 2016, a one-time cost-of-living supplement payment shall be made to or on account of beneficiaries who are living as of September 1, 2016, and whose retirement commenced on or before September 1, 2016. The payment shall be one and six-tenths percent (1.6%) of the beneficiary's annual retirement allowance payable as of September 1, 2016, 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 36.21.(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 retirement system or pay costs associated with the administration of the payment directly from the retirement assets.

QUALIFIED EXCESS BENEFIT ARRANGEMENT

SECTION 36.23.(a) G.S. 135-151 is amended by adding a new subsection to read:

"(d1) The last employer of a payee who retires on or after August 1, 2016, and who receives any supplemental benefit payment under this section shall be required to reimburse the QEBA in the amount of any supplemental benefit payment made to that payee. The reimbursement amount shall be calculated on an annual basis every calendar year. For purposes of calculating the reimbursement amount, the Board of Trustees may include a pro rata share of direct costs attributable to administration of the QEBA. The total amount of reimbursement owed by The University of North Carolina and UNC Health Care shall not exceed five hundred thousand dollars (\$500,000) annually. The Fiscal Research Division of the General Assembly shall be required to review all reimbursement amounts prior to notifying an employer of the reimbursement amount owed."

The employer shall have 60 calendar days from the date of notification of the reimbursement amount owed to pay the amount in full or the employer shall be assessed a penalty, in lieu of interest, of one percent (1%) per month, or fraction thereof, that the payment is made beyond the due date."

SECTION 36.23.(b) G.S. 128-38.10 is amended by adding a new subsection to read:

"(d1) The last employer of a payee who retires on or after August 1, 2016, and who receives any supplemental benefit payment under this section shall be required to reimburse the QEBA in the amount of any supplemental benefit payment made to that payee. The reimbursement amount shall be calculated on an annual basis every calendar year. For purposes of calculating the reimbursement amount, the Board of Trustees may include a pro rata share of direct costs attributable to administration of the QEBA. The Fiscal Research Division of the General Assembly shall be required to review all reimbursement amounts prior to notifying an employer of the reimbursement amount owed."

The employer shall have 60 calendar days from the date of notification of the reimbursement amount owed to pay the amount in full or the employer shall be assessed a penalty, in lieu of interest, of one percent (1%) per month, or fraction thereof, that the payment is made beyond the due date."

SECTION 36.23.(c) G.S. 135-151(j) reads as rewritten:

"(j) Sunset of Eligibility to Participate in the QEBA. – No member of the Teachers' and State Employees' Retirement System ~~retiring on or after August 1, 2016,~~ who became a member of the Retirement System on or after January 1, 2015, shall be eligible to participate in the QEBA, and the Retirement System shall not pay any new ~~retiree member~~ more retirement benefits than allowed under the limitations of section 415(b) of the Internal Revenue Code."

SECTION 36.23.(d) G.S. 128-38.10(k) reads as rewritten:

"(k) Sunset of Eligibility to Participate in the QEBA. – No member of the North Carolina Local Governmental Employees' Retirement System ~~retiring on or after August 1, 2016,~~ who became a member

of the Retirement System on or after January 1, 2015, shall be eligible to participate in the QEBA, and the Retirement System shall not pay any new ~~retiree-member~~ more retirement benefits than allowed under the limitations of section 415(b) of the Internal Revenue Code."

SECTION 36.23.(e) Notwithstanding Chapter 150B of the General Statutes, the Board of Trustees of the Teachers' and State Employees' Retirement System may develop procedures to implement subsection (a) of this section. Notwithstanding Chapter 150B of the General Statutes, the Board of Trustees of the North Carolina Local Government Employees' Retirement System may develop procedures to implement subsection (b) of this section.

STATE HEALTH PLAN COST-CONTROLLING MEASURES AND REALLOCATION OF RESERVE FOR FUTURE BENEFIT NEEDS

SECTION 36.24.(a) The State Treasurer and the Board of Trustees shall adopt measures applicable to any or all of the 2017, 2018, or 2019 calendar years to limit projected employer contribution increases.

SECTION 36.24.(b) If the Director of the Budget determines that the additional cost-controlling measures adopted by the Board of Trustees and the State Treasurer as directed in subsection (a) of this section are sufficient to reduce the projected employer premium increases to four percent (4%) or less in both the 2018 and 2019 plan years, then the Director of the Budget is authorized to reallocate funds in the Reserve for Future Benefit Needs to individual State agency budgets. The projected employer premium increases should be calculated assuming the Reserve for Future Benefit Needs is reallocated.

SECTION 36.24.(c) Section 30.26(b) of S.L. 2015-241 reads as rewritten:

"**SECTION 30.26.(b)** During the 2015-2017 fiscal biennium, the State Health Plan for Teachers and State Employees shall maintain a cash reserve of at least ~~twenty-two percent (20%)~~ (12%) of its annual costs. For purposes of this section, the term "cash reserve" means the total balance in the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund established in G.S. 135-48.5 plus the Plan's administrative account, and the term "annual costs" means the total of all medical claims, pharmacy claims, administrative costs, fees, and premium payments for coverage outside of the Plan."

PART XXXVII. CAPITAL APPROPRIATIONS

REPAIRS AND RENOVATIONS CHANGES

SECTION 37.4. Section 31.5 of S.L. 2015-241 reads as rewritten:

"**SECTION 31.5.(a)** Of the funds remaining in the Reserve for Repairs and Renovations for the 2015-2016 and the 2016-2017 fiscal ~~years, years after the allocations required by subsection (f) of this section have been made,~~ the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

- (1) One-third of the funds for the 2015-2016 fiscal year and one-half of the funds for the 2016-2017 fiscal year shall be allocated to the Board of Governors of The University of North Carolina.
- (2) Two-thirds of the funds for the 2015-2016 fiscal year and one-half of the funds for the 2016-2017 fiscal year shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(d). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

"SECTION 31.5.(b) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for the installation of fire sprinklers in University residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

- (1) The safety and well-being of the residents of campus housing programs.
- (2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
- (3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund or from bonds or certificates of participation supported by the General Fund since 1996.
- (4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.
- (5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

"SECTION 31.5.(c) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

"SECTION 31.5.(d) In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, the Board of Governors ~~shall negatively weight the availability of non-State resources and carryforward funds available for repair and renovations and shall include information about the manner in which this subsection was complied with in any report submitted pursuant to G.S. 143C-4-3(d).~~ shall consider all of and only the following:

- (1) The amount of each campus' deficiencies documented pursuant to the Facilities Condition Assessment Program.
- (2) The availability of non-State resources and carryforward funds available for repair and renovations at each campus, which shall be negatively weighted in making allocation decisions.

"SECTION 31.5.(d1) The Board of Governors shall include information about the manner in which subsection (d) of this section was compiled within any report submitted pursuant to G.S. 143C-4-3(d).

"SECTION 31.5.(e) Of the funds allocated to the Office of State Budget and Management in subsection (a) of this section, the sum of nine million five hundred thousand dollars (\$9,500,000) shall be used for Legislative Building Roof Replacement and Asbestos Abatement.

"SECTION 31.5.(f) Notwithstanding G.S. 143C-4-3(d), of the funds in the Reserve for Repairs and Renovations for the 2016-2017 fiscal year, the following sums shall be allocated for the following projects:

- (1) Six hundred thousand dollars (\$600,000) shall be allocated to renovate and remodel portions of the State Library and Archives and History Building.

- (2) Four million five hundred thousand dollars (\$4,500,000) shall be allocated for repairs and renovations at the North Carolina Zoo.
- (3) Nine hundred twenty-three thousand dollars (\$923,000) shall be allocated for repairs and renovations of the North Carolina State Capitol.
- (4) Three million dollars (\$3,000,000) shall be allocated for repairs and renovations to the Western North Carolina Agricultural Center.
- (5) Seven hundred fifty thousand dollars (\$750,000) shall be allocated for renovating space at Odum Village to become a new Veterans Student Center at the University of North Carolina at Chapel Hill.
- (6) Three million dollars (\$3,000,000) shall be allocated for repairs and renovations at the Western Farmers Market.
- (7) Nine hundred thousand dollars (\$900,000) shall be allocated for renovations to dormitories at the Eastern Justice Academy at Salemburg.
- (8) Two hundred fifty thousand dollars (\$250,000) for repairs and renovations at the Eastern School for the Deaf."

ENHANCE OVERSIGHT OF CERTAIN CAPITAL PROJECTS

SECTION 37.7.(a) G.S. 146-25 reads as rewritten:

"§ 146-25. Leases and rentals.

(a) General Procedure. – If, after investigation, the Department of Administration determines that it is in the best interest of the State that land be leased or rented for the use of the State or of any State agency, the Department shall proceed to negotiate with the owners for the lease or rental of such property. All lease and rental agreements entered into by the Department shall be promptly submitted to the Governor and Council of State for approval or disapproval.

(b) Leases Exceeding 30-Year Terms. – The Department of Administration shall not enter into a lease of real property for a period of more than 30 years, or a renewal of a lease of real property if the renewal would make the total term of the lease exceed 30 years, unless specifically authorized to do so by the General Assembly. The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations at least 30 days prior to entering or renewing such a lease and shall include a copy of the legislation authorizing the lease or lease renewal in the report. This subsection shall not apply to leases by a university endowment to a university."

SECTION 37.7.(b) G.S. 146-29 reads as rewritten:

"§ 146-29. Procedure for sale, lease, or rental.

(a) General Procedure. – If, after investigation, the Department of Administration determines that it is in the best interest of the State that land be sold, leased, or rented, the Department shall proceed with its sale, lease, or rental, as the case may be, in accordance with rules adopted by the Governor and approved by the Council of State. If an agreement of sale, lease, or rental is reached, the proposed transaction shall then be submitted to the Governor and Council of State for their approval or disapproval. Every conveyance in fee of land owned by the State or by any State agency shall be made and executed in the manner prescribed in G.S. 146-74 through 146-78.

(b) Limitations on Certain Leases. – The Department of Administration shall not enter into a lease or lease renewal of the following types unless specifically authorized to do so by the General Assembly:

- (1) A lease of real property for a period of more than 30 years, or a renewal of a lease of real property, if the renewal would make the total term of the lease exceed 30 years.
- (2) A lease of real property, or a renewal of a lease of real property, for any term if both of the following conditions are satisfied:
 - a. State personnel or State functions would need to be relocated as a result of the lease or renewal.

- b. The agency to which the property is currently allocated possesses insufficient operating funds to cover the cost of both the relocation and the ongoing provision of State functions affected by the relocation.

(c) Reporting Required. – The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations at least 30 days prior to entering or renewing any lease described in subdivision (b)(1) of this section or any lease or renewal that will require the relocation of State personnel or State functions. The report shall include all of the following:

(1) If the lease or lease renewal will require State personnel or State functions to be relocated, a statement of the legislation authorizing the lease or lease renewal or a detailed statement of the operating funds that will be used to cover the cost of both the relocation and the ongoing provision of State functions affected by the relocation, as applicable.

(2) If the lease or lease renewal will have a term of more than 30 years, a statement of the legislation authorizing the lease or lease renewal.

(d) Exemptions. – This section shall not apply to the following:

(1) The granting of utility easements, including the lease of interests in real property pursuant to G.S. 146-29.2.

(2) Leases for student housing projects, including a ground lease to a university endowment for the purpose of facilitating the construction of student housing.

(3) Leases made as part of the Voice Interoperability Plan for Emergency Responders (VIPER) project being managed by the Department of Public Safety."

SECTION 37.7.(c) G.S. 146-29.1 is amended by adding a new subsection to read:

"(h) Any lease or rental entered into pursuant to this section shall be subject to the requirements and limitations of G.S. 146-29."

SECTION 37.7.(e) G.S. 146-32 reads as rewritten:

"§ 146-32. Exemptions as to leases, etc.

(a) The Governor, acting with the approval of the Council of State, may adopt rules and regulations:

- (1) Exempting from any or all of the requirements of this Subchapter such classes of lease, rental, easement, and right-of-way transactions as he deems advisable; and
- (2) Authorizing any State agency to enter into and/or approve those classes of transactions exempted by such rules and regulations from the requirements of this Chapter.
- (3) No rule or regulation adopted under this section may exempt from the provisions of G.S. 146-25.1 any class of lease or rental which has a duration of more than 21 days, unless the class of lease or rental:

- a. Is a lease or rental necessitated by a fire, flood, or other disaster that forces the agency seeking the new lease or rental to cease use of real property;
- b. Is a lease or rental necessitated because an agency had intended to move to new or renovated real property that was not completed when planned, but a lease or rental exempted under this subparagraph may not be for a period of more than six months; or
- c. Is a lease or rental which requires a unique location or a location that adjoins or is in close proximity to an existing rental location.

(b) No rule or regulation adopted pursuant to subsection (a) of this section may exempt any lease from the provisions of G.S. 146-25(b) or G.S. 146-29(b) or (c)."

SECTION 37.7.(f) G.S. 143C-8-4 reads as rewritten:

"§ 143C-8-4. Agency capital improvement needs estimates.

...

(c) Real Property and New Construction or Facility Rehabilitation Needs Estimate. – The second part of the capital improvement needs estimates shall include only proposals for real property acquisition and projects involving construction of new facilities or rehabilitation of existing facilities to accommodate uses for which the existing facilities were not originally designed. Each project included in this part shall be justified by reference to the needs evaluation criteria established by the Office of State Budget and Management pursuant to ~~G.S. 143C-8-3~~, G.S. 143C-8-3 and shall include the information required by G.S. 143C-3-3(d)(5).

For capital projects of The University of North Carolina and its constituent institutions, the Office of State Budget and Management shall utilize the needs evaluation information approved by the Board of Governors of The University of North Carolina developed pursuant to ~~G.S. 116-11(9)~~, G.S. 116-11(9) and shall include the information required by G.S. 143C-3-3(d)(5)."

SECTION 37.7.(g) G.S. 143C-8-5 reads as rewritten:

"§ 143C-8-5. Six-year capital improvements plan.

...

(c) Real Property Acquisition, New Construction, or Facility Rehabilitations. – The second part of the capital improvement plan shall set forth an integrated schedule for real property acquisition, new construction, or rehabilitation of existing facilities that, in the judgment of the Director of the Budget, should be initiated within each year of the six-year planning period. The plan shall contain for each project (i) estimates of real property acquisition, and construction or rehabilitation ~~costs~~ costs, (ii) a means of financing the ~~project, and project~~, (iii) an estimated schedule for the completion of the ~~project~~ project, and (iv) an estimate of maintenance and operating costs, including personnel, for the project, covering the first five years of operation. Where the means of financing would involve direct or indirect debt service obligations, a schedule of those obligations shall be presented."

SECTION 37.7.(h) G.S. 143C-8-6 reads as rewritten:

"§ 143C-8-6. Recommendations for capital improvements set forth in the Recommended State Budget.

...

(e) Other Capital Projects in the Budget Support Document. – The Budget Support Document shall contain for each capital project recommended in accordance with subsection (d) of this section: (i) a detailed project description and justification, (ii) a detailed estimate of acquisition, planning, design, site development, construction, contingency and other related costs, (iii) an estimated schedule of cash flow requirements over the life of the project, (iv) an estimated schedule for the completion of the project, ~~(v) an estimate of maintenance and operating costs, including personnel, for the project, covering the first five years of operation,~~ (v) an estimate of revenues, if any, likely to be derived from the project, covering the first five years of operation, and ~~(vi)-(vii)~~ (vi) an explanation of the means of financing.

(f) All Recommended Capital Projects. – The Director of the Budget shall ensure that recommendations in the Recommended State Budget for repairs and renovations of existing facilities, real property acquisition, new construction, or rehabilitation of existing facilities include all of the following information:

- (1) An estimate of maintenance and operating costs, including personnel, for the project, covering the first five years of operation. If no increase in these expenditures is anticipated because the recommended project would replace an existing facility, then the level of expenditures for the previous five years of operation shall be included instead.
- (2) A recommended funding source for the operating costs identified pursuant to subdivision (1) of this subsection."

SECTION 37.7.(i) No later than October 1, 2016, the Director of the Budget shall prepare and transmit to the General Assembly a preliminary six-year capital improvement plan that complies with the requirements of G.S. 143C-8-5, as amended by subsection (g) of this section, and G.S. 143C-8-3(b), as enacted by subsection (j) of this section. This plan shall be in addition to any other six-year capital improvement plan required by G.S. 143C-8-5.

SECTION 37.7.(j) G.S. 143C-8-3 reads as rewritten:

"§ 143C-8-3. Capital improvement needs criteria.

(a) Criteria. – The Office of State Budget and Management shall develop a weighted list of factors that may be used to evaluate the need for capital improvement projects. The list shall include all of the following:

- (1) Preservation, adequacy and use of existing facilities.
- (2) Health and safety considerations.
- (3) Operational efficiencies.
- (4) Projected demand for governmental services.

(b) Reporting. – The Office of State Budget and Management shall include the following in each six-year capital improvement plan submitted to the General Assembly pursuant to G.S. 143C-8-5:

- (1) The list of factors developed pursuant to subsection (a) of this section.
- (2) The most recent results of applying the factors developed pursuant to subsection (a) of this section to capital funds requests from State agencies."

SECTION 37.7.(k) This section is effective when it becomes law and applies to leases entered into or renewed, and to budgets recommended by the Director of the Budget, on or after that date.

PART XXXIX. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 39.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 39.2.(a) The Joint Conference Committee Report on the Base, Capital and Expansion Budgets for House Bill 1030, dated June 27, 2016, which was distributed in the House of Representatives and the Senate and used to explain this act, shall indicate action by the General Assembly on this act and shall, therefore, be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, and for these purposes shall be considered a part of this act and, as such, shall be printed as a part of the Session Laws.

SECTION 39.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2016-2017 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

SECTION 39.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation. In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

SECTION 39.2.(d) Notwithstanding subsection (a) of this section, the following portions of the Committee Report are for reference, and do not expand, limit, or define the text of the Committee Report:

- (1) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for a particular budget code and containing no other substantive information.
- (2) Summary pages setting forth the enacted budget, the legislative changes, the revised budget, and the related FTE information for multiple fund codes within a single budget code and containing no other substantive information.

EFFECTIVE DATE

SECTION 39.8. Except as otherwise provided, this act becomes effective July 1, 2016.
In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 10:30 a.m. this 14th day of July, 2016

2016 Report on Education Legislation – House Bill Summaries

SL 2016-99

HB 169 Restore State Claim for Wrongful Discharge

Amends: G.S. 143-422.3; G.S. 1-54

Application/Effective Date: July 18, 2016 (Section 1 became effective March 23, 2016).

Local Action Required: None.

SBE/DPI Action Required: None.

Summary: Restores the ability for employees to bring the state law claim of wrongful discharge in violation of public policy. This law amends HB 2 (S.L. 2016-3 “Public Facilities Privacy Security Act”), such that the aforementioned state law claim that HB 2 had foreclosed, effective March 23, 2016, has now been retroactively reinstated, effective March 23, 2016. Furthermore, HB 169 sets a one year statute of limitations for this state law claim, changing it from a three year statute of limitations.

SL 2016-79

HB 242 Various Charter School Law Changes

Amends: G.S. 115C-218.5; G.S. 115C-218.45(f); G.S. 115C-218.105; G.S. 115C-218.95; G.S. 135-5.3(b7); G.S. 115C-218.35; 6.5 of S.L. 2014-101; adds G.S. 115C-218.6 thru 218.8; G.S. 115C-218.94

Application/Effective Date: June 30, 2016, beginning with the 2016-2017 school year. (Section 2 applies to applications submitted for the fast-track replication of schools opening in the 2018-2019 school year.)

Local Action Required: Charter schools, charter school applicants, and LEAs must comply with the respective relevant portions of these new laws.

SBE/DPI Action Required: Comply with charter school law revisions, including new requirements for SBE policies and procedures, as set forth in the below *Summary*.

Summary: This legislation was the main charter school bill of the 2016 Session. First, it moves statutory language formerly under 115C-218.5 “Final approval of applications for charter schools” and recodifies and revises said language under new statutes summarized in the below paragraphs.

115C-218.6: Review and Renewal of Charters

Removed the requirement of SBE to review the operations of each charter school at least once every 5 years to ensure a school is meeting the expected academic, financial, and governance standards. Now requires SBE to review the operations of each charter school at least once prior to the expiration of its charter to ensure the school is meeting the expected academic, financial, and governance standards. SBE shall renew a charter for periods of 10 years unless extenuating circumstances exist dealing with finances, student outcomes, or compliance with the law.

115C-218.7: Material Revisions of Charters

Re-codifies the SBE approval of enrollment growth of greater than 20% subject to the same standard prerequisites. Sets forth a new subsections (c) and (d) that give a special allowance for enrollment growth (that would otherwise not be permitted) if a charter school has a “proposed capital expansion” as follows:

- (c) For the purposes of calculating actual enrollment and maximum authorized enrollment under subdivision (1) of subsection (b) of this section, if a charter school is pursuing a material revision of enrollment growth based on a proposed capital expansion of the charter school, but fails to meet the requirements of subdivision (1) of subsection (b) of

this section, the State Board shall have the discretion to investigate and determine whether subdivision (1) of subsection (b) of this section may be waived to grant the school's material revision request to allow the capital expansion to move forward. In making such a determination, the charter school shall provide the State Board with documentation to show evidence that demonstrates sufficiently in the State Board's discretion all of the following:

- (1) The requested increase in enrollment growth is within a reasonable margin of the threshold necessary to support the requested material revision.
- (2) The charter school has secured financing for its proposed capital expansion conditioned on its obtaining the requested material revision of enrollment growth.
- (d) If a charter school presents evidence of a proposed capital expansion as part of a request for a material revision of enrollment growth under this section that is granted by the State Board, and the charter school is not able to realize that capital expansion within two years of the grant of the material revision, the charter shall reflect the maximum authorized enrollment immediately preceding that material revision.

115C-218.8: Nonmaterial Revisions of Charters

Re-codifies the former 115C-218.5(f) as its own statute, but revises the former reference to “inadequate performance” to now “continually low-performing” as defined in new statute, 115C-218.94. The end effect is to deem a charter school’s request to expand to one grade higher or lower as a “material revision” if said school has been a “continually low-performing” school. *See* 115C-218.8(3)(ii).

Other Revisions to Charter School Statutes

115C-218.45(f): Enrollment Priority

Adds 2 new preferences for student enrollment, such that a charter school may also give enrollment priority to the following:

1. A student who was enrolled in another charter school in the state in the previous school year that does not offer the student's next grade level.
2. A student who was enrolled in another charter school in the state in the previous school year that does not offer the student's next grade level and both of the charter schools have an enrollment articulation agreement to accept students or are governed by the same board of directors.

115C-218.105: State and Local Funds for a Charter School

Sets forth a new annual due date of November 1 for each LEA to also provide to SBE all of the information required under 115C-218.105(d) (that LEAs already report to respective charter schools) on the per pupil share of the local current expense fund, etc.

115C-218.94 (New Statute): “Identification of low-performing and continually low-performing charter schools.”

Removes the former classification of certain charter schools as “inadequate” (under the repealed portion of 115C-218.95(b)) and removes the 60% proficiency criteria, and essentially replaces that classification with a new definition and designation as “low-performing” and “continually low-performing.” Low-performing charter schools, under this new law, are those that “receive a school performance grade of D or F and a school growth score of “met expected growth” or “not met expected growth” as defined by G.S.

115C-83.15.” Additionally, “continually low-performing charter schools” are those that have been designated as “low-performing” for at least 2 of 3 consecutive years.

Furthermore, Section 1.7(d) of the Session Law clarifies that, “A charter school identified as inadequate that developed and is following a strategic plan required by G.S. 115C-218.95(b)(1), as repealed by this section, shall not be required to continue the strategic plan during the 2016-2017 school year and thereafter if that charter school has not been identified as low-performing under G.S. 115C-218.94. Finally, Section 1.7(c) makes conforming changes under the state retirement statute, G.S. 135-5.3(b7).

115C-218.95: Causes for Nonrenewal or Termination; Disputes

In addition to the aforementioned revisions to this statute, a new subsection (b1) authorizes SBE to terminate, not renew, or seek applicants to assume a “continually low-performing” charter school, under certain restricted circumstances. It further requires SBE to develop guidelines on any such assumption by a new entity.

115C-218.35: Charter School Facilities

Revisions to this statute (that sets forth, among other things, the procedure for a charter school to request to acquire the use of, or lease, a school building from the LEA) include a definition of “available building or land” as one that is “closed, vacant, or otherwise unused for classrooms, administrative offices, or extracurricular activities of the schools of the local board of education.” G.S. 115C-218.35(b). Additionally, a new subsection (c) of this revised statute now provides as follows:

(c) The local board of education shall make a decision on the charter's request to lease a building or land within 90 days of the request. If the local board of education does not make a decision within 90 days of the request of the charter school, the local board of education shall provide a written explanation of its reasons for not acting on the request within the 90-day time period to the North Carolina Charter Schools Advisory Board and the Joint Legislative Education Oversight Committee.

Section 2 (revising Section 6.5 of SL 2014-101): Fast-Track Replication

This 2016 Session Law revises 2014 Session Law such that SBE must decide on fast-track replication applicants by October 15 of the year preceding the year of the proposed opening. SBE approved the relevant revised policy in September 2016.

SL 2016-7

HB 474 Exclude Yr-Round Track-Out Program/Child Care (Dobson, Whitmire, Hardister, Turner)

Amends: G.S. 110-86(2)

Application/Effective Date: June 1, 2016

Local Action Required: None.

SBE/DPI Action Required: None.

Summary: Exempts “Track out programs provided to school-age children when they are out of school on a year-round school calendar” from the legal definition of “child care” under G.S. 110-86.

SL 2016-116

HB 561 School System Auth/ Re: Legal Proceedings (Blackwell, Glazier)

Amends: G.S. 115C-45(a), -321(a)

Application/Effective Date: Sections 1 and 2 become effective October 1, 2016.

Local Action Required: Note the expanded authority to issue subpoenas under G.S. 115C-45(a). Provide the General Assembly's Program Evaluation Division with necessary materials to complete its local funding disputes study.

SBE/DPI Action Required: Provide any necessary information for said study.

Summary: This law expands the circumstances under which otherwise confidential personnel information can be disclosed under 115C-321(a). It authorizes disclosure to a state or federal administrative agency if all of the following apply:

- 1) A current or former employee has filed a claim against the local board of education, school official, or employee for any alleged act or omission arising during the course of the employee's official duties or employment.
- 2) A superintendent or superintendent designee deems disclosure necessary to adequately defend against the employee's claim.
- 3) Disclosure is limited, and only to the extent necessary for the defense of the local board of education.

Additionally, this law expands a local board's subpoena powers under G.S. 115C-45(a). As of October 1, 2016, local boards of education will be able to issue subpoenas for the production of all "tangible things," upon approval by the chief district court judge or designee, where an employee is suspected of committing job-related misconduct and where the board determines that investigation is required. "Tangible things" include, but are not limited to: documents, papers, letters, maps, books, photographs, films, sound recordings, magnetic or other tapes, electronic communications, electronic data-processing records, artifacts, or other documentary material regardless of physical form or characteristics.

Section 3 of this law directs the Program Evaluation Division of the General Assembly to conduct a comprehensive study of the funding disputes between local boards of education and local boards of county commissioners and issue a report with recommended actions by May 1, 2017.

SL 2016-11

HB 632 Student Online Protection Act

Amends: Adds new statute, G.S. 115C-401.2

Application/Effective Date: October 1, 2016

Local Action Required: School Information Technology experts and administrators should review this new state statute and continue their ongoing duties to maintain the confidentiality of student data.

SBE/DPI Action Required: Note added statutory protections of student data.

Summary: Sets forth in a new state statute, "Student online privacy protection," certain protections against the unauthorized use and/or sale of personally identifiable student data in the context of third-party online providers, vendors, operators, applications, etc. This law generally mirrors some protections already set forth in federal law, and it provides student data protections in the absence of explicit contract terms between, for example, public schools and outside third-party vendors. Lists "Prohibitions for

Operators” prohibiting targeted advertising, the sale or renting of student information, and the unauthorized disclosure of protected student data, among other prohibitions. *See* 115C-401.2(b). Also lists “Permissible Use or Disclosure of Information” and “Permissible Operator Actions.” *See* 115C-401.2(d) & (e).

SL 2016-105

HB 742 PE Licensure/Allow School Maint. Plumbers (Arp, Catlin, Millis)

Amends: G.S. 89C-13; G.S. 87-26; G.S. 115C-524

Application/Effective Date: October 1, 2016

Local Action Required: Note the new flexibility for local boards of education and their employees who are plumbing/heating technicians and contractors.

SBE/DPI Action Required: None.

Summary: In relevant part, this law permits plumbing and heating contractors employed full-time by a local school board to contract or perform work during non-LEA work hours. Furthermore, it permits local boards and state/local government agencies to hire plumbing and heating *technical* licensees (different from a *contractor* licensee) to do such repairs only at schools and/or said agencies. *See* new subsections to G.S. 87-21(b)(2)c.

SL 2016-123

HB 805 Measurability Assessments/Budget Technical Corrections (Blackwell, Avila)

Amends: Various provisions of the 2016 Budget (SL 2016-94); adds new Chapter 143E to the NC General Statutes

Application/Effective Date: July 1, 2016, generally. However, Section 1 on the Measurability Assessment Act becomes effective on October 1, 2016.

Local Action Required: None.

SBE/DPI Action Required: Note the technical changes below and comply with the new measurability assessments law.

Summary: Section 1 of this law enacts the new Chapter 143E, entitled “The North Carolina Measurability Assessment Act of 2016.” This Act allows the General Assembly to require a “measurability assessment” of any proposed or existing state program “to determine whether the program is or will be capable of reporting performance and return on investment.” G.S. 143E-2. Such an assessment, under this law, is an independent evaluation that determines, among other things, whether the state program is unique or duplicative, what problems it seeks to solve, whether there is a program design portrayed by a logic model, what results the program produces, expansion capacity, strategic planning, how program performance is measured, continuous improvement, an assessment of financial and legal risks, cost forecasting and sources of funds, cost-sharing measures, staffing requirements, financial accounting system, post-auditing, etc. The assessors conducting these measurability assessments will be independent contractors selected by the Program Evaluation Division of the NC General Assembly.

Subsequent sections of this legislation contain a series of technical corrections, primarily to the 2016 budget. Those related to public education include the following:

1. Section 4.3: Revisions to the 2015 Principal Preparation Program for the 2016-17 fiscal year and thereafter;

2. Section 4.5: Funding revision to the UNC Lab Schools' per pupil allocation from the state, such that the allocation for transportation services is not included (*see* G.S. 116-239.11(a)(1));
3. Section 5.4: An inclusion of DPI in the state's study and February 2017 report on the Costs and Effectiveness Associated with NC Pre-K Slots;
4. Section 5.8: A new requirement under G.S. 143B-139.6A that the DHHS Secretary include the 3 residential schools as part of a parent's permission to refer release form when eligible infants and toddlers are identified for the early intervention system under said statute.
5. Section 7.3: An extension of the deadline (of July 1, 2016) to July 1, 2018, for the Department of Public Safety to implement the anonymous safety tip line application and a statewide panic alarm system under G.S. 115C-105.51.

SL 2016-82

HB 960 Retirement Creditable Service Charter Schools

Amends: G.S. 135-4(cc); G.S. 120-114; repeals G.S. 135-8(b)(5)d

Application/Effective Date: June 30, 2016

Local Action Required: Ensure that HR experts for charter schools and LEAs understand the new law.

SBE/DPI Action Required: Note the change to retirement law for school employees.

Summary: Removes the requirement under G.S. 135-4(cc) that employees (who are purchasing creditable service in the Teachers' and State Employees' Retirement System (TSERS) for employment at a public charter school operated by a private nonprofit corporation) must return to a traditional public school and then complete five years of membership service after the period of employment at the charter school for which the service is being purchased. Under the revised law, the employee must still have completed at least five years of membership at some point before purchasing service, and the purchase of said service is now capped at five years. This legislation further repeals G.S. 135-8(b)(5)d., which was seemingly duplicative of the aforementioned service purchase provision. Additionally, requires the Fiscal Research Division to obtain an estimate using a "risk-free" 30-year U.S. Treasury interest rate and other assumptions consistent with that rate to evaluate the cost of bills that propose changes to service purchase statutes in the state-administered retirement systems. This estimate will be in addition to the current actuarial evaluations provided by the Division.

SL 2016-56

HB 1011 Retirement Technical Corrections Act of 2016 (Ross, McNeill, Hardister)

Amends: G.S. 58-86-45; G.S. 128-26(al); G.S. 135-5(g); G.S. 128-27(g); G.S. 135-5(m2); G.S. 128-27(m2); G.S. 135-8(b)(5); G.S. 128-30(b)(4); G.S. 135-8(f); G.S. 128-30(g); G.S. 135-48.40(d)(13); G.S. 147-86.71(b)(3); G.S. 147-86.72(c)(3); repeals G.S. 128-25, G.S. 147-86.70(b)(4), and G.S. 147-86.71(d)(4)

Application/Effective Date: June 30, 2016, generally; however Sections 3 and 6 are effective January 1, 2017.

Local Action Required: Ensure that HR experts understand below changes to retirement laws.

SBE/DPI Action Required: Same as above.

Summary: In relevant part, revises state retirement law to clarify that if a member who has filed an application for retirement, but has not submitted a properly completed payment option form, dies after his or her retirement date, and has designated more than one beneficiary or no beneficiary for the return of contributions, the administrator or executor of the member's estate may select the option and name the

beneficiary or beneficiaries. Changes G.S. 135-5(m2) and G.S. 128-27(m2), to clarify that choosing the “transfer benefit” is an irrevocable election, just like choosing to receive a monthly retirement benefit is an irrevocable election. Slightly revises G.S. 135-8(b)(5) dealing with “educational leave” for TSERS and makes conforming changes to G.S. 128-30(b)(4) on the “educational leave” for the Local Governmental Employees’ Retirement System. Amends G.S. 135-8(f) and G.S. 128-30(g) to clarify that funds collected under the anti-pension spiking contribution-based benefit cap will be included in the Pension Accumulation Fund, which is consistent with other required employer payments. Clarifies that to receive a one-time exception to payment of the penalty for late payment of retirement contributions, an agency must make arrangements in advance with the Retirement System.

SL 2016-30

HB 1014 NC Pre-K Conforming Change/Taylor’s Law (Dobson, Jeter, Malone, Earle)

Amends: G.S. 115C-242; G.S. 143-168.12(a)(1)n; G.S. 130A-33.65

Application/Effective Date: June 22, 2016

Local Action Required: None.

SBE/DPI Action Required: None.

Summary: In relevant part, replaces all statutory references to “More at Four” with “NC Pre-K” as recommended by the Joint Legislative Oversight Committee on Health and Human Services.

SL 2016-110

HB 1080 Achievement School District (ASD) (Bryan, Brockman, Bradford)

Amends: 115C-105.37A, -321(a); adds 115C-75.5 through -75.13

Application/Effective Date: July 22, 2016, except as otherwise provided. Significantly, Section 8 of this Session Law sets forth the following on effective dates:

SECTION 8. This act is effective when it becomes law and supervision of achievement schools by the Achievement School District shall begin with the 2017-2018 school year. In the discretion of the State Board of Education (i) the ASD Superintendent may not be required during the 2016-2017 school year to recommend qualifying schools for inclusion in the ASD for the 2017-2018 school year and (ii) the timeline for selection of achievement schools for the 2017-2018 school year provided in G.S. 115C-75.7 may be varied, but in no event may the local board of education's decision occur later than April 1, 2017. The State Board of Education may select up to five qualifying schools to transfer to the ASD beginning with the 2017-2018 school year but shall select at least two qualifying schools to transfer to the ASD no later than the 2018-2019 school year and shall have selected five qualifying schools for transfer to the ASD no later than the 2019-2020 school year.

Local Action Required: The local boards of education of prospective achievement schools have new obligations with the selection process and the future ASD Superintendent as set forth below in the *Summary*. Additionally, a local board that transfers a school to the ASD may ask SBE for permission to create an “innovation zone” under 115C-75.13. *See also*, Section 4 of this Session Law.

SBE/DPI Action Required: Among other actions required in this new law, the ASD will operate under the administration of SBE, and SBE appoints the ASD Superintendent after considering recommendations by the ASD Superintendent Selection Advisory Committee. By January 15, SBE reports to the Joint

Legislative Education Oversight Committee (JLEOC) regarding all aspects of the achievement schools. By March 1, SBE provides a report from the independent research organization to JLEOC. Decisions related to AS operator contracts are made by SBE no later than May 1. The SBE shall secure a contract with an independent research organization by the end of the 2016-2017 school year in order to evaluate elements as required by this law. The *Summary* below sets forth additional actions required.

Summary: This law creates a wholly new and separate public school district known as the ASD which is “under the administration of the SBE.” *See* 115C-75.6(a). Please read the Session Law in its entirety (ten pages) under the Tab herein labeled “House Bills.” The summary below is not exhaustive, and the enacted bill itself is the best source of information on this new law:

<http://www.ncleg.net/Sessions/2015/Bills/House/PDF/H1080v6.pdf>

To qualify as a prospective school, a school must first be a “low-performing school” as defined in G.S. 115C-105.37 that also meets 1 of the following 2 sets of criteria:

1. Received a school performance score in the lowest 5% of all schools in the prior school year and meets all of the following 3 requirements:
 - a. The school includes all or part of grades K-5.
 - b. The school did not exceed growth in at least 1 of the prior 3 school years and did not meet growth in at least 1 of the prior 3 school years.
 - c. One of the reform models under G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year.
2. Received a school performance score in the lowest 10% of all schools that include all or part of grades K-5 in the prior school year and was designated by the local board of education for consideration as an achievement school by the SBE.

ASD Superintendent (G.S. 115C-75.6)

SBE appoints the ASD Superintendent after considering recommendations from the ASD Superintendent Selection Advisory Committee chaired by the Lieutenant Governor. The ASD Superintendent serves as the “executive officer of the ASD and serves at the pleasure of and reports directly to the SBE.” *See* 115C-75.6(c). The appointed ASD Superintendent has the authority to waive SBE rules, regulations, policies, procedures, and other provisions of Chapter 115C, but Achievement Schools (AS) are required to comply with, at a minimum, the statutory requirements for charter schools under Article 14A of Chapter 115C. *See* 115C-75.7(e). An appropriation of \$400,000 (recurring) has been made for the salary and benefits of the ASD Superintendent, staff, and other ASD expenses.

Selection of AS & Local Board of Education Response (G.S. 115C-75.7)

SBE is authorized to select up to 5 “qualifying schools” to transfer to the ASD as Achievement Schools, upon the recommendation of the ASD Superintendent. These “qualifying schools” should represent “geographic diversity” (including urban and rural schools), and unless a local board of education consents, SBE cannot select more than one “qualifying school” per LEA. *See* 115C-75.7(a). Furthermore, the selection of the “qualifying schools” shall be based on an analysis of performance over the most recent 3-year period. The ASD Superintendent conducts an evaluation and confers with local school officials. There is a required “public hearing to allow for parent and community input.” 115C-75.7(b). The ASD identifies the “qualifying schools” and “shall notify the local boards of education where prospective achievement schools are located.” *Id.* Then, the local board of education determines whether

to “(i) close the selected qualifying school or (ii) transfer the school into the ASD.” 115C-75.7(c). The local board is then to provide for a public hearing in regard to the “proposed transfer or closure.” *Id.* SBE ultimately selects the “prospective achievement schools” and the local board adopts a resolution either “(i) consenting to transfer of the selected qualifying school to the ASD as an achievement school or (ii) closing that school at the conclusion of that school year.” 115C-75.7(c). SBE may delay the transfer of a selected school to the ASD for one year “only upon the recommendation of the ASD Superintendent.” *Id.*

Achievement Schools, at minimum, are required to comply with the statutory requirements for charter schools as provided in Article 14A of Chapter 115C. Subsection (e) of new statute, G.S. 115C-75.7, sets forth the following legal parameters:

(e) **Waivers for Achievement Schools.** – The ASD Superintendent may waive State Board of Education rules, regulations, policies, and procedures, or the provisions of this Chapter for achievement schools; however, achievement schools shall be required to comply with, at a minimum, the statutory requirements for charter schools as provided in Article 14A of this Chapter. The goal for each waiver shall be improvement of student performance. All achievement schools shall comply with all applicable constitutional and statutory nondiscrimination requirements.

115C-75.7(e).

Selection of AS Operators (G.S. 115C-75.8)

An AS Operator is defined as “[a]n entity selected by the State Board of Education upon the recommendation of the ASD Superintendent to operate an achievement school. The Department of Public Instruction may not be selected as an AS operator.” G.S. 115C-75.5(3). Any such entity (and more than 1 can be selected) must demonstrate 1 of the following as required by G.S. 115C-75.8(b)(1) & (2):

- 1) The entity has a record of results in improving performance of persistently low-performing schools or improving performance of a substantial number of persistently low-performing students within a school or schools operated by the entity in this State or other states.
- 2) The entity has a credible and specific plan for dramatically improving student achievement in a low-performing school and provides evidence that the entity, or a contractual affiliate of such an entity, is either currently operating a school or schools in this State that provide students a sound, basic education or demonstrating consistent and substantial growth toward providing students a sound, basic education in the prior three school years.

Management of Achievement Schools (G.S. 115C-75.9)

This new statute sets forth the details of how a new AS is managed by an AS Operator, the role of the AS Operator, and, among other things, student assignment/enrollment, facility and capital expenditures, transportation, Memorandums of Understanding for Alternate Arrangements, student records, criminal history checks, liability insurance, School Nutrition Program, etc. An AS is subject to management by an AS operator for a 5-year contract (which can be extended for an additional 3-year term under G.S. 115C-

75.12(a)(3)). With regard to school employees, G.S. 115C-75.9 sets forth relevant subsections (h) and (j) as follows:

(h) Achievement School Employees. – The AS operator shall select and hire the school principal for an achievement school. Within the limits of the school budget, the AS operator or its designee shall select staff members in accordance with guidance from the ASD Superintendent. Before finalizing staffing recommendations, the AS operator and the ASD Superintendent or the Superintendent's designee shall interview all existing staff members at the qualifying school and review student growth and performance data for those staff members for whom it is available. Notwithstanding Article 21A of this Chapter, the AS operator and the ASD Superintendent shall be permitted to examine personnel files of existing staff members for the qualifying school. The AS operator shall have the authority to decide whether any administrator, teacher, or staff member previously assigned to a qualifying school selected to become an achievement school shall continue as an employee of the achievement school. Any such employees retained shall become employees of the ASD. An employee hired to work in an achievement school shall be an employee of the ASD, and the employees shall be under the exclusive control of the ASD. All employees of the ASD shall be eligible for enrollment in the Teachers' and State Employees' Retirement System of North Carolina, the State Health Plan, and other benefits available to State employees. The AS operator shall provide funds to the ASD in an amount sufficient to provide salary and benefits for employees of the ASD working in the achievement school based on the terms of employment established by the AS operator.

(j) Employees of Local Board of Education. – The transfer of a qualifying school shall be deemed a reorganization of the local school administration unit resulting in a reduction in force. If an employee is not given the option to continue as an employee for the achievement school, the local board of education may, in its discretion, do any of the following:

- 1) Continue the employee's employment with the local board of education.
- 2) Dismiss the employee due to a reduction in force as provided in Article 22 of this Chapter.
- 3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

G.S. 115C-75.9(h) & (j).

Achievement Schools Funds (G.S. 115C-75.10)

The AS operator selects 1 of 2 allocation methods for funding an AS: 1) “Designated Funding” (similar to the charter school funding model with some exceptions); or 2) “Funding Memorandum of Understanding.” G.S. 115C-75.10(b) & (c). Read this statute carefully for detailed funding logistics.

Accountability and Governance (G.S. 115C-75.11)

An AS operator sets goals for the AS and holds the teachers and school leaders accountable to meet the goals. An AS operator applies to the ASD Superintendent for waivers of SBE rules, regulations, policies, procedures or provisions of Chapter 115C under G.S. 115C-75.7(e). An AS operator selects, approves or removes the school principal, and enters into a written agreement with said principal that will be available on the future ASD web site. An AS is not included as part of an LEA for state evaluation or performance models; rather it is a part of the ASD for said purposes.

Term of Supervision for an AS (G.S. 115C-75.12)

Generally, it is a 5-year term that an AS is under the supervision of the ASD pursuant to a contract with an AS operator. However, any of the following could apply to either lengthen or shorten that term:

- 1) Early termination of contract based on performance;
- 2) Nonrenewal of contract based on performance;
- 3) SBE optional extension of contract for 3 years;
- 4) AS operator option to extend contract for 3 years;
- 5) Termination of contract on other grounds.

G.S. 115C-75.12(a)(1) – (5). An AS “shall remain under the supervision of the ASD for no more than eight years.” G.S. 115C-75.12(b).

Innovation Zones (G.S. 115C-75.13)

If a local board of education transfers a school to the ASD, then it may create an “innovation zone” for up to 3 continually low-performing schools within that LEA. These schools within the “innovation zone” are given the same flexibility and exemptions as charter schools. The local board of education may maintain said zone for up to 5 consecutive years; however, similar conditions exist that can either shorten or lengthen that term based upon performance. *Compare* G.S. 115C-75.13(c)(1)-(4) *to* G.S. 115C-75.12(a)(1)-(5).

Evaluation of ASD and Other Innovation Models (Section 4 of HB 1080/SL 2016-110)

An independent research organization will evaluate the ASD’s and the Innovation Zones’ “turning around low-performing schools.” *See* Section 4(1) and (2). There is a \$500,000 appropriation to DPI to contract with such an organization to annually evaluate and report findings to SBE, which then reports to JLEOC each year until the final report in 2023. *See* Section 5.

Charlotte-Mecklenburg (CMS) Board of Education’s Innovation Zone (Section 4.5)

This legislation authorizes CMS to create an Innovation Zone among Project LIFT schools and Beacon Initiative schools for school years 2017-18 through 2021-22. This CMS-created Innovation Zone may include up to 5 low-performing schools.

Appropriations (Sections 5 & 6)

In addition to the appropriations described above, the General Assembly sets forth its intent to appropriate to \$450,000 in 2017-18 to DPI for the innovation zone model grants. Such grants would be awarded by SBE in amounts of up to \$150,000 per year for 5 years to authorized LEAs that also “provide a dollar-for-dollar match with non-State funding for the requested grant amount.” Finally, the Money Report sets forth funds for HB 1080, among other legislation, with a revised net appropriation for the Pending Legislation Reserve at \$1.2 million. *See* Money Report, Statewide Reserves, Pending Legislation (Section C.6, p. L5).

SL 2016-55

HB 1137 Treasurer’s 2016 Investment Admin. Changes.-AB (Ross, Lambeth, Adcock, Hamilton)

Amends: G.S. 147-66; G.S. 147-69.1(c); G.S. 147-69.2; G.S. 147-69.2A(a); G.S. 147-69.2A(d); G.S. 147-75; G.S. 147-78.1; G.S. 147-69.3; G.S. 147-69.7; G.S. 147-69.8; adds new sections G.S. 147-69.9 through

-69.12; G.S. 147-69.2A(b); G.S. 147-68(d) is recodified as G.S. 147-69.12(c); repeals G.S. 147-69.1(e) and G.S. 147-68(d1)

Application/Effective Date: Except as otherwise provided, January 31, 2017. Section 4 became effective July 1, 2016.

Local Action Required: None.

SBE/DPI Action Required: None.

Summary: This 16-page Session Law makes a series of investment and administrative changes to the statutory responsibilities of the Department of State Treasurer. It was an official “agency bill” endorsed by the State Treasurer’s Department.

2016 Report on Education Legislation – House Bills

GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2016

SESSION LAW 2016-99 HOUSE BILL 169

AN ACT TO RESTORE THE STATE TORT CLAIM FOR WRONGFUL DISCHARGE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 143-422.3 reads as rewritten:

"§ 143-422.3. Investigations; conciliations.

The Human Relations Commission in the Department of Administration shall have the authority to receive charges of discrimination from the Equal Employment Opportunity Commission pursuant to an agreement under Section 709(b) of Public Law 88-352, as amended by Public Law 92-261, and investigate and conciliate charges of discrimination. Throughout this process, the agency shall use its good offices to effect an amicable resolution of the charges of discrimination. ~~This Article does not create, and shall not be construed to create or support, a statutory or common law private right of action, and no person may bring any civil action based upon the public policy expressed herein.~~

SECTION 1.(b) This section is effective March 23, 2016.

SECTION 2. G.S. 1-54 is amended by adding a new subdivision to read:

"§ 1-54. One year.

Within one year an action or proceeding -

- (1) Repealed by Session Laws 1975, c. 252, s. 5.
- (2) Upon a statute, for a penalty or forfeiture, where the action is given to the State alone, or in whole or in part to the party aggrieved, or to a common informer, except where the statute imposing it prescribes a different limitation.
- (3) For libel and slander.
- (4) Against a public officer, for the escape of a prisoner arrested or imprisoned on civil process.
- (5) For the year's allowance of a surviving spouse or children.
- (6) For a deficiency judgment on any debt, promissory note, bond or other evidence of indebtedness after the foreclosure of a mortgage or deed of trust on real estate securing such debt, promissory note, bond or other evidence of indebtedness, which period of limitation above prescribed commences with the date of the delivery of the deed pursuant to the foreclosure sale: Provided, however, that if an action on the debt, note, bond or other evidence of indebtedness secured would be earlier barred by the expiration of the remainder of any other period of limitation prescribed by this subchapter, that limitation shall govern.
- (7) Repealed by Session Laws 1971, c. 939, s. 2.
- (7a) For recovery of damages under Article 1A of Chapter 18B of the General Statutes.

- (8) As provided in G.S. 105-377, to contest the validity of title to real property acquired in any tax foreclosure action or to reopen or set aside the judgment in any tax foreclosure action.
- (9) As provided in Article 14 of Chapter 126 of the General Statutes, entitled "Protection for Reporting Improper Government Activities".
- (10) Actions contesting the validity of any zoning or unified development ordinance or any provision thereof adopted under Part 3 of Article 18 of Chapter 153A or Part 3 of Article 19 of Chapter 160A of the General Statutes or other applicable law, other than an ordinance adopting or amending a zoning map or approving a special use, conditional use, or conditional zoning district rezoning request. Such an action accrues when the party bringing such action first has standing to challenge the ordinance; provided that, a challenge to an ordinance on the basis of an alleged defect in the adoption process shall be brought within three years after the adoption of the ordinance.
- (11) No suit, action, or proceeding under G.S. 14-190.5A(g) shall be brought or maintained against any person unless such suit, action, or proceeding is commenced within one year after the initial discovery of the disclosure, but in no event may the action be commenced more than seven years from the most recent disclosure of the private image.
- (12) For wrongful discharge in violation of the public policy set forth in G.S. 143-422.2."

SECTION 3. Except as otherwise provided, this act is effective when it becomes law.
In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Louis M. Pate, Jr.
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 2:00 p.m. this 18th day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-79
HOUSE BILL 242**

AN ACT TO MAKE VARIOUS CHANGES TO THE CHARTER SCHOOL LAWS.

The General Assembly of North Carolina enacts:

SECTION 1.1. G.S. 115C-218.5 reads as rewritten:

"§ 115C-218.5. Final approval of applications for charter schools.

- (a) The State Board may grant final approval of an application if it finds the following:
 - (1) The application meets the requirements set out in this Article and such other requirements as may be adopted by the State Board of Education.
 - (2) The applicant has the ability to operate the school and would be likely to operate the school in an educationally and economically sound manner.
 - (3) Granting the application would achieve one or more of the purposes set out in G.S. 115C-218.

In reviewing applications for the establishment of charter schools within a local school administrative unit, the State Board is encouraged to give preference to applications that demonstrate the capability to provide comprehensive learning experiences to students identified by the applicants as at risk of academic failure.

(b) The State Board shall make final decisions on the approval or denial of applications by August 15 of a calendar year on all applications it receives prior to a date established by the Office of Charter Schools for receipt of applications in that application cycle. The State Board may make the final decision for approval contingent upon the successful completion of a planning period prior to enrollment of students.

(c) The State Board of Education may authorize a school before the applicant has secured its space, equipment, facilities, and personnel if the applicant indicates the authority is necessary for it to raise working capital. The State Board shall not allocate any funds to the school until the school has obtained space.

(d) The State Board of Education may grant the initial charter for a period not to exceed 10 years. ~~The State Board of Education shall renew the charter upon the request of the chartering entity for subsequent periods of 10 years, unless one of the following applies:~~

- ~~(1) The charter school has not provided financially sound audits for the prior three years.~~
- ~~(2) The charter school's student academic outcomes for the past three years have not been comparable to the academic outcomes of students in the local school administrative unit in which the charter school is located.~~
- ~~(3) The charter school is not, at the time of the request for renewal of the charter, substantially in compliance with State law, federal law, the school's own bylaws, or the provisions set forth in its charter granted by the State Board of Education.~~

~~The State Board of Education shall review the operations of each charter school at least once every five years to ensure that the school is meeting the expected academic, financial, and governance standards.~~

~~(e) A material revision of the provisions of a charter application shall be made only upon the approval of the State Board of Education.~~

Except as provided in subsection (f) of this section, enrollment growth shall be considered a material revision of the charter application, and the State Board may approve such additional enrollment growth of greater than twenty percent (20%) only if the State Board finds all of the following:

- (1) The actual enrollment of the charter school is within ten percent (10%) of its maximum authorized enrollment.
- (2) The charter school has commitments for ninety percent (90%) of the requested maximum growth.
- (3) The charter school is not currently identified as low performing.
- (4) The charter school meets generally accepted standards of fiscal management.
- (5) The charter school is, at the time of the request for the enrollment increase, substantially in compliance with State law, federal law, the charter school's own bylaws, and the provisions set forth in its charter granted by the State Board.

(f) It shall not be considered a material revision of a charter application and shall not require prior approval of the State Board for a charter school to do any of the following:

- (1) Increase its enrollment during the charter school's second year of operation and annually thereafter by up to twenty percent (20%) of the school's previous year's enrollment.
- (2) Increase its enrollment during the charter school's second year of operation and annually thereafter in accordance with planned growth as authorized in its charter.
- (3) Expand to offer one grade higher or lower than the charter school currently offers if the charter school has (i) operated for at least three years, (ii) has not been identified as having inadequate performance as provided in G.S.115C-218.95(b), and (iii) has been in financial compliance as required by the State Board of Education."

SECTION 1.2. Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-218.6. Review and renewal of charters.

(a) The State Board of Education shall review the operations of each charter school at least once prior to the expiration of its charter to ensure that the school is meeting the expected academic, financial, and governance standards.

(b) The State Board of Education shall renew a charter upon the request of the chartering entity for subsequent periods of 10 years, unless one of the following applies:

- (1) The charter school has not provided financially sound audits for the immediately preceding three years.
- (2) The charter school's student academic outcomes for the immediately preceding three years have not been comparable to the academic outcomes of students in the local school administrative unit in which the charter school is located.
- (3) The charter school is not, at the time of the request for renewal of the charter, substantially in compliance with State law, federal law, the school's own bylaws, or the provisions set forth in its charter granted by the State Board of Education.

If one of the conditions set forth in subdivisions (1) through (3) of this subsection applies, then the State Board may renew the charter for a period of less than 10 years or not renew the charter."

SECTION 1.3. Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-218.7. Material revisions of charters.

(a) A material revision of the provisions of a charter shall be made only upon the approval of the State Board of Education.

(b) Enrollment growth of greater than twenty percent (20%) shall be considered a material revision of the charter. The State Board may approve such additional enrollment growth of greater than twenty percent (20%) only if it finds all of the following:

- (1) The actual enrollment of the charter school is within ten percent (10%) of its maximum authorized enrollment.
- (2) The charter school has commitments for ninety percent (90%) of the requested maximum growth.
- (3) The charter school is not currently identified as low-performing.
- (4) The charter school meets generally accepted standards of fiscal management.
- (5) The charter school is, at the time of the request for the enrollment increase, substantially in compliance with State law, federal law, the charter school's own bylaws, and the provisions set forth in its charter granted by the State Board.

(c) For the purposes of calculating actual enrollment and maximum authorized enrollment under subdivision (1) of subsection (b) of this section, if a charter school is pursuing a material revision of enrollment growth based on a proposed capital expansion of the charter school, but fails to meet the requirements of subdivision (1) of subsection (b) of this section, the State Board shall have the discretion to investigate and determine whether subdivision (1) of subsection (b) of this section may be waived to grant the school's material revision request to allow the capital expansion to move forward. In making such a determination, the charter school shall provide the State Board with documentation to show evidence that demonstrates sufficiently in the State Board's discretion all of the following:

- (1) The requested increase in enrollment growth is within a reasonable margin of the threshold necessary to support the requested material revision.
- (2) The charter school has secured financing for its proposed capital expansion conditioned on its obtaining the requested material revision of enrollment growth.

(d) If a charter school presents evidence of a proposed capital expansion as part of a request for a material revision of enrollment growth under this section that is granted by the State Board, and the charter school is not able to realize that capital expansion within two years of the grant of the material revision, the charter shall reflect the maximum authorized enrollment immediately preceding that material revision."

SECTION 1.4. Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-218.8. Nonmaterial revisions of charters.

It shall not be considered a material revision of a charter and shall not require prior approval of the State Board for a charter school to do any of the following:

- (1) Increase its enrollment during the charter school's second year of operation and annually thereafter by up to twenty percent (20%) of the school's previous year's enrollment.
- (2) Increase its enrollment during the charter school's second year of operation and annually thereafter in accordance with planned growth as authorized in its charter.
- (3) Expand to offer one grade higher or lower than the charter school currently offers if the charter school has (i) operated for at least three years, (ii) has not been identified as continually low-performing as provided in G.S. 115C-218.94, and (iii) has been in financial compliance as required by the State Board."

SECTION 1.5. G.S. 115C-218.45(f) reads as rewritten:

"(f) The charter school may give enrollment priority to any of the following:

- (1) Siblings of currently enrolled students who were admitted to the charter school in a previous year. For the purposes of this section, the term "siblings" includes any of the following who reside in the same household: half siblings, stepsiblings, and children residing in a family foster home.
- (2) Siblings of students who have completed the highest grade level offered by that school and who were enrolled in at least four grade levels offered by the charter school or, if less than four grades are offered, in the maximum number of grades offered by the charter school.

- (3) Limited to no more than fifteen percent (15%) of the school's total enrollment, unless granted a waiver by the State Board of Education, the following:
 - a. Children of the school's full-time employees.
 - b. Children of the charter school's board of directors.
- (4) A student who was enrolled in the charter school within the two previous school years but left the school (i) to participate in an academic study abroad program or a competitive admission residential program or (ii) because of the vocational opportunities of the student's parent.
- (5) A student who was enrolled in another charter school in the State in the previous school year that does not offer the student's next grade level.
- (6) A student who was enrolled in another charter school in the State in the previous school year that does not offer the student's next grade level and both of the charter schools have an enrollment articulation agreement to accept students or are governed by the same board of directors."

SECTION 1.6. G.S. 115C-218.105 reads as rewritten:

"§ 115C-218.105. State and local funds for a charter school.

- (a) The State Board of Education shall allocate to each charter school:
 - (1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the charter school is located for each child attending the charter school except for the allocation for children with disabilities and for the allocation for children with limited English proficiency;
 - (2) An additional amount for each child attending the charter school who is a child with disabilities; and
 - (3) An additional amount for children with limited English proficiency attending the charter school, based on a formula adopted by the State Board.

In accordance with ~~G.S. 115C-218.5(d)~~, G.S. 115C-218.7 and G.S. 115C-218.8, the State Board shall allow for annual adjustments to the amount allocated to a charter school based on its enrollment growth in school years subsequent to the initial year of operation.

In the event a child with disabilities leaves the charter school and enrolls in a public school during the first 60 school days in the school year, the charter school shall return a pro rata amount of funds allocated for that child to the State Board, and the State Board shall reallocate those funds to the local school administrative unit in which the public school is located. In the event a child with disabilities enrolls in a charter school during the first 60 school days in the school year, the State Board shall allocate to the charter school the pro rata amount of additional funds for children with disabilities.

(b) Funds allocated by the State Board of Education may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. However, State funds shall not be used to obtain any other interest in real property or mobile classroom units. No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions. Every contract or lease into which a charter school enters shall include the previous sentence. The school also may own land and buildings it obtains through non-State sources.

(c) If a student attends a charter school, the local school administrative unit in which the child resides shall transfer to the charter school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the charter school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and charter school may use the process for mediation of differences between the State Board and a charter school provided in G.S. 115C-218.95(d) to resolve differences on calculation and transference of the per pupil share of the

local current expense fund. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to a charter school located in the tax district for which these taxes are levied and in which the student resides.

(d) The local school administrative unit shall also provide each charter school to which it transfers a per pupil share of its local current expense fund with all of the following information within the 30-day time period provided in subsection (c) of this section:

- (1) The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).
- (2) The student membership numbers used to calculate the per pupil share of the local current expense fund.
- (3) How the per pupil share of the local current expense fund was calculated.
- (4) Any additional records requested by a charter school from the local school administrative unit in order for the charter school to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

In addition, the local school administrative unit shall provide to the State Board of Education all of the information required by this subsection for each charter school to which it transfers a per pupil share of its local current expense fund. This information shall be provided to the State Board of Education by November 1 of each year. The State Board shall adopt a policy to govern the collection of this information. The State Board shall issue a letter of noncompliance to a local school administrative unit that does not provide the State Board with the information required by this subsection.

(e) Prior to commencing an action under subsection (c) of this section, the complaining party shall give the other party 15 days' written notice of the alleged violation. The court shall award the prevailing party reasonable attorneys' fees and costs incurred in an action under subsection (c) of this section. The court shall order any delinquent funds, costs, fees, and interest to be paid in equal monthly installments and shall establish a time for payment in full that shall be no later than one year from the entry of any judgment."

SECTION 1.7.(a) Article 14A of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-218.94. Identification of low-performing and continually low-performing charter schools.

(a) Identification of Low-Performing Charter Schools. – The State Board of Education shall identify low-performing charter schools on an annual basis. Low-performing charter schools are those that receive a school performance grade of D or F and a school growth score of "met expected growth" or "not met expected growth" as defined by G.S. 115C-83.15.

(b) Identification of Continually Low-Performing Charter Schools. – The State Board of Education shall identify continually low-performing charter schools on an annual basis. A continually low-performing charter school is a charter school that has been designated by the State Board as low-performing for at least two of three consecutive years."

SECTION 1.7.(b) G.S. 115C-218.95 reads as rewritten:

"§ 115C-218.95. Causes for nonrenewal or termination; disputes.

(a) The State Board of Education may terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the State Board upon any of the following grounds:

- (1) Failure to meet the requirements for student performance contained in the charter;
- (2) Failure to meet generally accepted standards of fiscal management;
- (3) Violations of law;
- (4) Material violation of any of the conditions, standards, or procedures set forth in the charter;
- (5) Two-thirds of the faculty and instructional support personnel at the school request that the charter be terminated or not renewed; or
- (6) Other good cause identified.

~~(b) The State Board shall adopt criteria for adequate performance by a charter school and shall identify charter schools with inadequate performance. The criteria shall include a requirement that a charter school which demonstrates no growth in student performance and has annual performance composites below sixty percent (60%) in any two years in a three year period is inadequate.~~

- ~~(1) If a charter school is inadequate in the first five years of the charter, the charter school shall develop a strategic plan to meet specific goals for student performance that are consistent with State Board criteria and the mission approved in the charter school. The strategic plan shall be reviewed and approved by the State Board. The State Board is authorized to terminate or not renew a charter for failure to demonstrate improvement under the strategic plan.~~
- ~~(2) If a charter school is inadequate and has had a charter for more than five years, the State Board is authorized to terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the State Board. The State Board shall develop rules on the assumption of a charter by a new entity that include all aspects of the operations of the charter school, including the status of the employees. Public assets would transfer to the new entity and not revert to the local school administrative unit in which the charter school is located pursuant to G.S. 115C-218.100(b).~~

(b1) If a charter school is continually low-performing, the State Board is authorized to terminate, not renew, or seek applicants to assume the charter through a competitive bid process established by the State Board. However, the State Board shall not terminate or not renew the charter of a continually low-performing charter school solely for its continually low-performing status if the charter school has met growth in each of the immediately preceding three school years or if the charter school has implemented a strategic improvement plan approved by the State Board and is making measurable progress toward student performance goals. The State Board shall develop rules on the assumption of a charter by a new entity that includes all aspects of the operations of the charter school, including the status of the employees. Public assets shall transfer to the new entity and shall not revert to the local school administrative unit in which the charter school is located pursuant to G.S. 115C-218.100(b).

(c) The State Board of Education shall develop and implement a process to address contractual and other grievances between a charter school and the local board of education during the time of its charter.

(d) The State Board and the charter school are encouraged to make a good-faith attempt to resolve the differences that may arise between them. They may agree to jointly select a mediator. The mediator shall act as a neutral facilitator of disclosures of factual information, statements of positions and contentions, and efforts to negotiate an agreement settling the differences. The mediator shall, at the request of either the State Board or a charter school, commence a mediation immediately or within a reasonable period of time. The mediation shall be held in accordance with rules and standards of conduct adopted under Chapter 7A of the General Statutes governing mediated settlement conferences but modified as appropriate and suitable to the resolution of the particular issues in disagreement.

Notwithstanding Article 33C of Chapter 143 of the General Statutes, the mediation proceedings shall be conducted in private. Evidence of statements made and conduct occurring in a mediation are not subject to discovery and are inadmissible in any court action. However, no evidence otherwise discoverable is inadmissible merely because it is presented or discussed in a mediation. The mediator shall not be compelled to testify or produce evidence concerning statements made and conduct occurring in a mediation in any civil proceeding for any purpose, except disciplinary hearings before the State Bar or any agency established to enforce standards of conduct for mediators. The mediator may determine that an impasse exists and discontinue the mediation at any time. The mediator shall not make any recommendations or public statement of findings or conclusions. The State Board and the charter school shall share equally the mediator's compensation and expenses. The mediator's compensation shall be determined according to rules adopted under Chapter 7A of the General Statutes."

SECTION 1.7.(c) G.S. 135-5.3(b7) reads as rewritten:

"(b7) The Board of Trustees may grant final approval of the application if it finds the following:

- (1) The application meets the requirements set out in this Article.
- (2) All members of the board of directors of the charter school have signed a written statement acknowledging and accepting the estimate provided under subsection (b5) of this section and the provisions of G.S. 135-8(i).
- (3) The charter school has not been identified as ~~inadequate~~ continually low-performing by the State Board of Education as provided in ~~G.S. 115C-218.95(b)~~ G.S. 115C-218.94.
- (4) The charter school's most recent audited financial statements and independent audit report demonstrate that it is financially sound and can meet the financial obligations of participation in the Retirement System."

SECTION 1.7.(d) A charter school identified as inadequate that developed and is following a strategic plan required by G.S. 115C-218.95(b)(1), as repealed by this section, shall not be required to continue the strategic plan during the 2016-2017 school year and thereafter if that charter school has not been identified as low-performing under G.S. 115C-218.94.

SECTION 1.8. G.S. 115C-218.35 reads as rewritten:

"§ 115C-218.35. Charter school facilities.

(a) A charter school's specific location shall not be prescribed or limited by a local board or other authority except a zoning authority. The school may lease space from a local board of education or as is otherwise lawful in the local school administrative unit in which the charter school is located. If a charter school leases space from a sectarian organization, the charter school classes and students shall be physically separated from any parochial students, and there shall be no religious artifacts, symbols, iconography, or materials on display in the charter school's entrance, classrooms, or hallways. Furthermore, if a charter school leases space from a sectarian organization, the charter school shall not use the name of that organization in the name of the charter school.

(b) At the request of the charter school, the local board of education of the local school administrative unit in which the charter school will be located shall lease any available building or land to the charter school unless the board demonstrates that the lease is not economically or practically feasible or that the local board does not have adequate classroom space to meet its enrollment needs. For the purposes of this section, a building or land is available if it is closed, vacant, or otherwise unused for classrooms, administrative offices, or extracurricular activities of the schools of the local board of education. Notwithstanding any other law, a local board of education may provide a school facility to a charter school free of charge; however, the charter school is responsible for the maintenance of and insurance for the school facility.

(c) The local board of education shall make a decision on the charter's request to lease a building or land within 90 days of the request. If the local board of education does not make a decision within 90 days of the request of the charter school, the local board of education shall provide a written explanation of its reasons for not acting on the request within the 90-day time period to the North Carolina Charter Schools Advisory Board and the Joint Legislative Education Oversight Committee.

(d) If a charter school has requested to lease available buildings or land and is unable to reach an agreement with the local board of education, the charter school shall have the right to appeal to the board of county commissioners in which the building or land is located. The board of county commissioners shall have the final decision-making authority on the leasing of the available building or land."

SECTION 2. Section 6.5 of S.L. 2014-101 reads as rewritten:

"SECTION 6.5. Upon recommendations by the Office of Charter Schools and the Charter Schools Advisory Board, the State Board of Education shall adopt a process and rules for fast-track replication of high-quality charter schools currently operating in the State. The State Board of Education shall not require a planning year for applicants selected through the fast-track replication process. In addition to the requirements for charter applicants set forth in Part 6A of Article 16 of Chapter 115C of the General Statutes, the fast-track replication process adopted by the State Board of Education shall, at a minimum,

require a board of directors of a charter school to demonstrate one of the following in order to qualify for fast-track replication:

- (1) A charter school in this State governed by the board of directors has student academic outcomes that are comparable to the academic outcomes of students in the local school administrative unit in which the charter school is located and can provide three years of financially sound audits.
- (2) The board of directors agrees to contract with an education management organization or charter management organization that can demonstrate that it can replicate high-quality charter schools in the State that have proven student academic success and financial soundness.

The State Board of Education shall ensure that the rules for a fast-track replication process provide that decisions by the State Board of Education on whether to grant a charter through the replication process are completed ~~in less than 150 days, no later than October 15 of the year immediately preceding the year of the proposed school opening.~~ The State Board of Education shall adopt rules and procedures required by this section ~~by December 15, 2014,~~within 90 days of the effective date of this act, and report to the Joint Legislative Education Oversight Committee ~~by February 15, 2015,~~within 120 days of the effective date of this act."

SECTION 3. It is the intent of the General Assembly to study and revise the standards for identifying low-performing charter schools.

SECTION 4. Section 2 of this act is effective when it becomes law and applies beginning with applications submitted for fast-track replication of schools opening in the 2018-2019 school year. The remainder of this act is effective when it becomes law and applies beginning with the 2016-2017 school year.

In the General Assembly read three times and ratified this the 28th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Paul Stam
Speaker Pro Tempore of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:06 a.m. this 30th day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-7
HOUSE BILL 474**

AN ACT TO INCLUDE IN THE TYPES OF PROGRAMS THAT DO NOT CONSTITUTE THE
PROVISION OF CHILD CARE TRACK-OUT PROGRAMS FOR CHILDREN WHO ATTEND
YEAR-ROUND SCHOOLS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 110-86(2) reads as rewritten:

"§ 110-86. Definitions.

Unless the context or subject matter otherwise requires, the terms or phrases used in this Article shall be defined as follows:

- ...
- (2) Child care. – A program or arrangement where three or more children less than 13 years old, who do not reside where the care is provided, receive care on a regular basis of at least once per week for more than four hours but less than 24 hours per day from persons other than their guardians or full-time custodians, or from persons not related to them by birth, marriage, or adoption. Child care does not include the following:
- ...
- i. Cooperative arrangements among parents to provide care for their own children as a convenience rather than for employment;~~and~~
 - j. Any child care program or arrangement consisting of two or more separate components, each of which operates for four hours or less per day with different children attending each ~~component~~component; and
 - k. Track-out programs provided to school-age children when they are out of school on a year-round school calendar."

SECTION 2. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 25th day of May, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:07 p.m. this 1st day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-116
HOUSE BILL 561**

AN ACT TO MODIFY THE AUTHORITY OF SCHOOL SYSTEMS WITH REGARD TO LEGAL PROCEEDINGS AND INVESTIGATIONS AND TO DIRECT THE PROGRAM EVALUATION DIVISION TO STUDY THE PROCESS OF RESOLVING EDUCATION FUNDING DISPUTES BETWEEN LOCAL BOARDS OF EDUCATION AND BOARDS OF COUNTY COMMISSIONERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-321(a) reads as rewritten:

"(a) All information contained in a personnel file, except as otherwise provided in this Chapter, is confidential and shall not be open for inspection and examination except to any of the following persons:

- (1) The employee, applicant for employment, former employee, or his properly authorized agent, who may examine his own personnel file at all reasonable times in its entirety except for letters of reference solicited prior to employment.
- (2) The superintendent and other supervisory personnel.
- (3) Members of the local board of education and the board's attorney.
- (4) A party by authority of a subpoena or proper court order may inspect and examine a particular confidential portion of an employee's personnel file.
- (5) Any state or federal administrative agency that has a quasi-judicial function or any court of law, when disclosure is necessary in the discretion of the superintendent or superintendent's designee to adequately defend against a claim filed by a current or former employee against the local board of education or a school official or employee for any alleged act or omission arising during the course and scope of his or her official duties or employment. Such disclosure shall be limited to those confidential portions of the personnel file of the employee who filed the claim and only to the extent necessary for the defense of the board of education."

SECTION 2. G.S. 115C-45(a) reads as rewritten:

"(a) Power to Subpoena and to Punish for Contempt. – Local boards of education shall have power to issue subpoenas for the attendance of witnesses. Subpoenas for the attendance of witnesses may be issued in any and all matters which may lawfully come within the powers of the board and which, in the discretion of the board, require ~~investigation; and it shall be the duty of the sheriff or any process-serving officer to serve such subpoena upon payment of their lawful fees.~~ investigation. Local boards of education may request the chief district court judge or the judge's designee to grant approval for the local board of education to issue a subpoena for the production of all tangible things in matters where an employee is suspected of committing job-related misconduct and which, in the discretion of the board, require investigation. Subpoenas for the production of tangible things may include, but are not limited to, documents, papers, letters, maps, books, photographs, films, sound recordings, magnetic or other tapes, electronic communications, electronic data-processing records, artifacts, or other documentary material, regardless of physical form or characteristics. In making the determination to approve the subpoena, the judge shall consider the following: (i) whether the subpoena allows reasonable time for compliance; (ii) if the subpoena requires disclosure of privileged or other protected matter and if any exception or waiver

applies to the privilege or protection; (iii) whether the individual would be subject to undue burdens or expenses; and (iv) whether the subpoena is otherwise unreasonable or oppressive.

It shall be the duty of the sheriff or any process serving officer to serve any such subpoenas upon payment of their lawful fees.

Local boards of education shall have power to punish for contempt for any disorderly conduct or disturbance tending to disrupt them in the transaction of official business."

SECTION 3. The Program Evaluation Division shall conduct a comprehensive study of the procedure set forth in Article 31 of Chapter 115C of the General Statutes for resolving education funding disputes between local boards of education and boards of county commissioners. The study shall, at a minimum, include the following:

- (1) A historical review of education capital and current expense funding requests made by local boards of education and the amounts appropriated by county commissioners to fund education needs.
- (2) An examination of yearly encumbered and unencumbered fund balances held by local boards of education and county commissions. This examination shall include how fund balances have been used by local boards of education during and after the Great Recession.
- (3) An analysis of the use of fund balances by local boards of education and county commissions to pay for required expenses prior to the receipt of periodic revenue, including, but not limited to, cash flow.
- (4) An evaluation of the current process, including how often mediation and litigation have been used to resolve education funding disputes and the total amount of taxpayer dollars spent to mediate and litigate such disputes.
- (5) An analysis of how the current process impacts county budgeting procedures and relationships between local boards of education and boards of county commissioners.
- (6) An examination of states where local boards of education are fiscally dependent upon other local governments and how those states resolve funding disputes.
- (7) An examination of alternative ways for local boards of education to receive local funds.
- (8) Recommendations for alternative ways to resolve education funding disputes or modifications to the current process.

The Program Evaluation Division shall report its findings and recommendations to the Joint Legislative Program Evaluation Oversight Committee no later than May 1, 2017. All State departments and agencies, local governments, local boards of education, and their subdivisions shall provide any necessary information, data, or documents within their possession, ascertainable from their records, or otherwise available to them to the Program Evaluation Division to complete this review and study.

SECTION 4. This act is effective when it becomes law. Sections 1 and 2 of this act become effective October 1, 2016.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 8:02 a.m. this 28th day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-11
HOUSE BILL 632**

AN ACT TO PROTECT STUDENT ONLINE PRIVACY.

The General Assembly of North Carolina enacts:

SECTION 1. Article 29 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-401.2. Student online privacy protection.

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

(1) Covered information. – Personally identifiable information or material in any media or format that is any of the following:

- a. Created by or provided to an operator by a student, or the student's parent or legal guardian, in the course of the student's, parent's, or legal guardian's use of the operator's site, service, or application for K-12 school purposes.
- b. Created by or provided to an operator by an employee or agent of a K-12 school or local school administrative unit for K-12 school purposes.
- c. Gathered by an operator through the operation of a site, service, or application for K-12 school purposes and personally identifies a student, including, but not limited to, the following:
 1. Information in the student's educational record or electronic mail.
 2. First and last name.
 3. Home address.
 4. Telephone number.
 5. Electronic mail address.
 6. Other information that allows physical or online contact.
 7. Discipline records.
 8. Test results.
 9. Special education data.
 10. Juvenile dependency records.
 11. Grades.
 12. Evaluations.
 13. Criminal records.
 14. Medical records.
 15. Health records.
 16. Social Security number.
 17. Biometric information.
 18. Disabilities.
 19. Socioeconomic information.
 20. Food purchases.
 21. Political affiliations.
 22. Religious information.
 23. Text messages.

- 24. Documents.
- 25. Student identifiers.
- 26. Search activity.
- 27. Photos.
- 28. Voice recordings.
- 29. Geolocation information.
- (2) Interactive computer service. – As defined in 47 U.S.C. § 230.
- (3) K-12 school. – A charter school, a regional school, or a school that offers any of grades kindergarten to 12 operated by a local board of education.
- (4) K-12 school purposes. – Purposes that are directed by or that customarily take place at the direction of a K-12 school, a teacher, a local board of education, or the State Board of Education, or aid in the administration of school activities, including, but not limited to, instruction in the classroom or at home, administrative activities, and collaboration between students, school personnel, or parents, or are for the use and benefit of the K-12 school.
- (5) Local board of education. – A local board as defined in G.S. 115C-5(5), a regional school board of directors as defined in G.S. 115C-238.61(5), or a board of directors of a nonprofit corporation operating a charter as provided in G.S. 115C-218.15.
- (6) Operator. – To the extent that it is operating in this capacity, the operator of an Internet Web site, online service, online application, or mobile application with actual knowledge that the site, service, or application is used primarily for K-12 school purposes and was designed and marketed for K-12 school purposes. An operator does not include a K-12 school or local board of education that operates an Internet Web site, online service, online application, or mobile application for that K-12 school or local board of education's own K-12 school purposes.
- (7) Subcontractor. – An entity providing a service to an operator under contract and on its behalf to further a K-12 school purpose.
- (8) Targeted advertising. – Presenting an advertisement to a student where the advertisement is selected based on information obtained or inferred over time from that student's online behavior, usage of applications, or covered information. Targeted advertising does not include advertising to a student at an online location based upon that student's current visit to that location, or in response to that student's request for information or feedback, without the retention of that student's online activities or requests over time for the purpose of targeting subsequent ads.
- (b) Prohibitions for Operators. – An operator shall not knowingly do any of the following:
 - (1) Engage in targeted advertising on the operator's site, service, or application, or target advertising on any other site, service, or application if the targeting of the advertising is based on any information, including covered information and persistent unique identifiers, that the operator has acquired because of the use of that operator's site, service, or application for K-12 school purposes.
 - (2) Use information, including persistent unique identifiers, created or gathered by the operator's site, service, or application, to amass a profile about a student except in furtherance of K-12 school purposes. As used in this subdivision, "amass a profile" does not include the collection and retention of account information that remains under the control of the student, the student's parent or guardian, or K-12 school.
 - (3) Sell or rent a student's information, including covered information. This subdivision does not apply to the purchase, merger, or other type of acquisition of an operator by another entity, if the operator or successor entity complies with this section regarding previously acquired student information, or to national assessment providers if the provider secures the express written consent of the parent or student who is at least 13

years of age given in response to clear and conspicuous notice, solely to provide access to employment, educational scholarships or financial aid, and to postsecondary educational opportunities.

(4) Except as otherwise provided in subsection (d) of this section, disclose covered information unless the disclosure is made for the following purposes:

- a. In furtherance of the K-12 school purpose of the site, service, or application, if the recipient of the covered information disclosed under this sub-subdivision does not further disclose the information unless done to allow or improve operability and functionality of the operator's site, service, or application.
- b. To ensure legal and regulatory compliance or protect against liability.
- c. To respond to or participate in the judicial process.
- d. To protect the safety or integrity of users of the site or others or the security of the site, service, or application.
- e. To a third party for a school, educational, or employment purpose requested by the student or the student's parent or guardian, provided that that information is required not to be used or further disclosed by the third party for any other purpose.
- f. To a subcontractor, if the operator contractually prohibits the subcontractor from using any covered information for any purpose other than providing the contracted service to or on behalf of the operator, prohibits the subcontractor from disclosing any covered information provided by the operator with subsequent third parties, and requires the subcontractor to implement and maintain reasonable security procedures and practices. This sub-subdivision does not prohibit the operator's use of information for maintaining, developing, supporting, improving, or diagnosing the operator's site, service, or application.

(c) Requirements for Operators. – An operator shall do all of the following:

- (1) Implement and maintain reasonable security procedures and practices appropriate to the nature of the covered information and protect that covered information from unauthorized access, destruction, use, modification, or disclosure.
- (2) Delete a student's covered information within 45 days if the K-12 school or local board of education requests deletion of covered information under the control of the K-12 school or local board of education, or the K-12 school or local board of education notifies the operator of completion of services with that operator, unless a student who is at least 13 years of age, a parent, or a guardian provides express written consent given in response to clear and conspicuous notice to the maintenance of the covered information.

(d) Permissible Use or Disclosure of Information. – An operator may use or disclose covered information of a student under the following circumstances:

- (1) If other provisions of federal or State law require the operator to disclose the information and the operator complies with the requirements of federal and State law in protecting and disclosing that information.
- (2) As long as no covered information is used for advertising or to amass a profile on the student for purposes other than K-12 school purposes, for legitimate research purposes as required by State or federal law and subject to the restrictions under applicable State and federal law or as allowed by State or federal law in furtherance of K-12 school purposes or postsecondary educational purposes.
- (3) To a K-12 school, local school administrative unit, or the State Board of Education, for K-12 school purposes, as permitted by State or federal law.
- (4) At the direction of a K-12 school, local school administrative unit, or the State Board of Education, for K-12 school purposes, as permitted by State or federal law.

(e) Permissible Operator Actions. – This section does not prohibit an operator from doing any of the following:

- (1) Using covered information that is not associated with an identified student within the operator's site, service, or application or other sites, services, or applications owned by the operator to improve educational products.
- (2) Using covered information that is not associated with an identified student to demonstrate the effectiveness of the operator's products or services, including in their marketing.
- (3) Sharing covered information that is not associated with an identified student for the development and improvement of educational sites, services, or applications.
- (4) Using recommendation engines to recommend to a student either of the following:
 - a. Additional content relating to an educational, other learning, or employment opportunity purpose within the operator's site, service, or application if the recommendation is not determined in whole or in part by payment or other consideration from a third party.
 - b. Additional services relating to an educational, other learning, or employment opportunity purpose within the operator's site, service, or application if the recommendation is not determined in whole or in part by payment or other consideration from a third party.
- (5) Responding to a student's request for information or for feedback to help improve learning without the information or response being determined in whole or in part by payment or other consideration from a third party.

(f) Limitations. – This section does not do any of the following:

- (1) Limit the authority of a law enforcement agency to obtain any content or information from an operator as authorized by law or under a court order.
- (2) Limit the ability of an operator to use student data, including covered information, for adaptive learning or customized student learning purposes.
- (3) Apply to general audience Internet Web sites, general audience online services, general audience online applications, or general audience mobile applications, even if login credentials created for an operator's site, service, or application may be used to access those general audience sites, services, or applications.
- (4) Limit service providers from providing Internet connectivity to schools or students and their families.
- (5) Prohibit an operator of an Internet Web site, online service, online application, or mobile application from marketing educational products directly to parents if the marketing did not result from the use of covered information obtained by the operator through the provision of services covered under this section.
- (6) Impose a duty upon a provider of an electronic store, gateway, marketplace, or other means of purchasing or downloading software or applications to review or enforce compliance with this section on those applications or software.
- (7) Impose a duty upon a provider of an interactive computer service to review or enforce compliance with this section by third-party content providers.
- (8) Prohibit students from downloading, exporting, transferring, saving, or maintaining their own student data or documents.

(g) A parent, K-12 school, teacher, local board of education, or the State Board of Education may report an alleged violation of this section to the Attorney General. The Attorney General, upon ascertaining that an operator has violated this section, may bring a civil action seeking injunctive and other equitable relief. Nothing in this section shall be construed to create a private right of action."

SECTION 2. This act becomes effective October 1, 2016.
In the General Assembly read three times and ratified this the 2nd day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:31 a.m. this 9th day of June, 2016

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

SESSION LAW 2016-105
HOUSE BILL 742

AN ACT TO CLARIFY THE REQUIREMENTS FOR INITIAL LICENSURE AS A PROFESSIONAL ENGINEER AND TO ALLOW NORTH CAROLINA PUBLIC SCHOOLS TO REDUCE COSTS BY ALLOWING THE EMPLOYMENT OF LICENSED SCHOOL MAINTENANCE PLUMBERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 89C-13 reads as rewritten:

"§ 89C-13. General requirements for licensure.

(a) ~~Engineer Applicant.~~—The following shall be considered as minimum evidence satisfactory to the Board that the applicant is qualified for licensure as a professional engineer:

(1) ~~To be certified as an engineer intern, an applicant shall (i) pass the fundamentals of engineering examination and make application to the Board, (ii) be of good character and reputation, (iii) submit three character references to the Board, one of whom is a professional engineer, (iv) comply with the requirements of this Chapter, and (v) meet one of the following requirements:~~

a. ~~Education.~~—~~Be a graduate of an engineering curriculum or related science curriculum of four years or more, approved by the Board as being of satisfactory standing.~~

b. ~~Education and experience.~~—~~Be a graduate of an engineering curriculum or related science curriculum of four years or more, other than curriculums approved by the Board as being of satisfactory standing, or possess equivalent education and engineering experience satisfactory to the Board with a specific record of four or more years of progressive experience on engineering projects of a grade and character satisfactory to the Board.~~

(1a) ~~To be licensed as a professional engineer, an applicant shall (i) be of good character and reputation, (ii) submit five character references to the Board, three of whom are professional engineers or individuals acceptable to the Board with personal knowledge of the applicant's engineering experience, (iii) comply with the requirements of this Chapter, and (iv) meet one of the following requirements:~~

a. ~~Licensure by Comity or Endorsement.~~—~~A person holding a certificate of licensure to engage in the practice of engineering, on the basis of comparable qualifications, issued to the person by a proper authority of a state, territory, or possession of the United States, the District of Columbia, or of any foreign country possessing credentials that, based on verifiable evidence, in the opinion of the Board, of a standard not lower than that in effect in this State at the time the certificate was issued, may upon application, be licensed without further examination, except as required to examine the applicant's knowledge of laws, rules, and requirements unique to North Carolina.~~

b. ~~E.I. Certificate, Experience, and Examination.~~—~~A holder of a certificate of engineer intern and with a specific record of an additional four years or more of progressive experience on engineering projects of a grade and character which~~

~~indicates to the Board that the applicant may be competent to practice engineering, shall be admitted to the principles and practice of engineering examination. Upon passing the examination, the applicant shall be granted a certificate of licensure to practice professional engineering in this State, provided the applicant is otherwise qualified.~~

- ~~e. Graduation, Experience, and Examination. — A graduate of an engineering curriculum of four years or more approved by the Board as being of satisfactory standing, shall be admitted to the fundamentals of engineering examination, and with a specific record of an additional four years or more of progressive experience on engineering projects of a grade and character that indicates to the Board that the applicant may be competent to practice engineering, the principles and practice of engineering examination. Upon passing the examinations, the applicant shall be granted a certificate of licensure to practice professional engineering in this State, provided the applicant is otherwise qualified.~~
- ~~d. Graduation, Experience, and Examination. — A graduate of an engineering or related science curriculum of four years or more, other than the ones approved by the Board as being of satisfactory standing or with an equivalent education and engineering experience satisfactory to the Board shall be admitted to the fundamentals of engineering examination and with a specific record of an additional eight years or more of progressive experience on engineering projects of a grade and character that indicates to the Board that the applicant may be competent to practice engineering, the principles and practice of engineering examination. Upon passing the examinations, the applicant shall be granted a certificate of licensure to practice professional engineering in this State, provided the applicant is otherwise qualified.~~
- ~~e. Long Established Practice. — A person with a specific record of 20 years or more of progressive experience on engineering projects of a grade and character which indicates to the Board that the applicant may be competent to practice engineering shall be admitted to the principles and practice of engineering examination. Upon passing the examination, the applicant shall be granted a certificate of licensure to practice professional engineering in this State, provided the applicant is otherwise qualified.~~
- ~~f. Full time faculty. — Full time engineering faculty members who teach in an approved engineering program offering a four-year or more degree approved by the Board, may request and be granted waiver of the fundamentals of engineering examination. The faculty applicant shall document that the degree meets the Board's requirement. The faculty applicant shall then be admitted to the principles and practice of engineering examination.~~
- ~~g. Doctoral degree. — A person possessing an earned doctoral degree in engineering from an institution in which the same discipline undergraduate engineering program has been accredited by ABET (EAC) may request and be granted waiver of the fundamentals of engineering examination. The doctoral degree applicant shall document that the degree meets the Board's requirement. The doctoral degree applicant shall then be admitted to the principles and practice of engineering examination.~~

~~At its discretion the Board may require an applicant to submit exhibits, drawings, designs, or other tangible evidence of engineering work which the applicant personally accomplished or supervised.~~Engineer Intern. — To be certified as an engineer intern, an applicant shall (i) pass the fundamentals of engineering examination and make application to the Board, (ii) be of good character and

reputation, (iii) submit three character references to the Board, one of whom is a professional engineer, (iv) comply with the requirements of this Chapter, and (v) meet one of the following requirements:

- (1) Education. – Be a graduate of an EAC/ABET accredited engineering curriculum or of a related science curriculum which has been approved by the Board as being of satisfactory standing.
- (2) Education and experience. – Be a graduate of an engineering curriculum or related science curriculum of four years or more, other than curriculums approved by the Board as being of satisfactory standing in subdivision (1) of this subsection, and possess engineering experience satisfactory to the Board with a specific record of four or more years of progressive experience on engineering projects of a grade and character satisfactory to the Board.

(a1) Engineer Applicant. – To be licensed as a professional engineer, an applicant (i) shall be of good character and reputation, (ii) submit five character references to the Board, three of whom are professional engineers or individuals acceptable to the Board with personal knowledge of the applicant's engineering experience, (iii) comply with the requirements of this Chapter, and (iv) meet the requirements related to education, examination, and experience set forth in this subsection. An applicant seeking licensure as a professional engineer shall meet the following requirements:

- (1) Education requirement. – Possess one or more of the following educational qualifications:
 - a. A bachelor's degree in engineering from an EAC/ABET accredited program or in a related science curriculum which has been approved by the Board as being of satisfactory standing.
 - b. A bachelor's degree in an engineering curriculum or related science curriculum of four years or more, other than curriculums approved by the Board as being of satisfactory standing in sub-subdivision a. of this subdivision.
 - c. A master's degree in engineering from an institution that offers EAC/ABET accredited programs.
 - d. An earned doctoral degree in engineering from an institution that offers EAC/ABET accredited programs and in which the degree requirements are approved by the Board.
- (2) Examination requirements. – Take and pass the Fundamentals of Engineering (FE) examination. Take and pass the Principles and Practice of Engineering (PE) examination as provided by G.S. 89C-15, after having met the education requirement set forth in subdivision (1) of this subsection.
- (3) Experience requirement. – Present evidence satisfactory to the Board of a specific record of progressive engineering experience that is of a grade and character that indicates to the Board that the applicant is competent to practice engineering. The Board may adopt rules to specify the years of experience required based on educational attainment, provided the experience requirement for an applicant who qualifies under sub-subdivision (1)a. of this subsection shall be no less than four years and for an applicant who qualifies under sub-subdivision (1)b. of this subsection, no less than eight years.

For purposes of this subsection, the term "EAC/ABET" means the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology.

(a2) Licensure by Comity or Endorsement. – A person holding a certificate of licensure to engage in the practice of engineering, on the basis of comparable qualifications, issued to the person by a proper authority of a state, territory, or possession of the United States, the District of Columbia, or of any foreign country possessing credentials that, based on verifiable evidence, in the opinion of the Board, of a standard not lower than that in effect in this State at the time the certificate was issued, may upon

application, be licensed without further examination, except as required to examine the applicant's knowledge of laws, rules, and requirements unique to North Carolina.

(a3) Long-Established Practice. – A person with a specific record of 20 years or more of progressive experience on engineering projects of a grade and character which indicates to the Board that the applicant may be competent to practice engineering shall be admitted to the Principles and Practice of Engineering examination. Upon passing the examination, the person shall be granted a certificate of licensure to practice professional engineering in this State, provided the person is otherwise qualified.

(a4) Exceptions. – The following persons may apply for and be granted waiver of the fundamentals of engineering examination and admission to the principles and practice of engineering examination:

(1) A full-time engineering faculty member who teaches in an approved engineering program offering a four-year or more degree approved by the Board. The faculty member applicant shall document that the degree meets the Board's requirements.

(2) A person possessing an earned doctoral degree in engineering from an institution in which the same discipline undergraduate engineering program has been accredited by EAC/ABET. The doctoral degree applicant shall document that the degree meets the Board's requirements.

(b) Land Surveyor Applicant. – The evaluation of a land surveyor applicant's qualifications shall involve a consideration of the applicant's education, technical, and land surveying experience, exhibits of land surveying projects with which the applicant has been associated, and recommendations by references. The land surveyor applicant's qualifications may be reviewed at an interview if the Board determines it necessary. Educational credit for institute courses, correspondence courses, or other courses shall be determined by the Board.

...."

SECTION 2. G.S. 87-21(b) reads as rewritten:

"§ 87-21. Definitions; contractors licensed by Board; examination; posting license, etc.

...

(b) Classes of Licenses; Eligibility and Examination of Applicant; Necessity for License. –

(1) In order to protect the public health, comfort and safety, the Board shall establish two classes of licenses: Class I covering all plumbing, heating, and fire sprinkler systems for all structures, and Class II covering plumbing and heating systems in single-family detached residential dwellings.

(2) Restricted licenses or classifications. –

a. The Board shall establish and issue a fuel piping license for use by persons who do not possess the required Class I or Class II plumbing or heating license, but desire to engage in the contracting or installing of fuel piping extending from an approved fuel source at or near the premises, which piping is used or may be used to supply fuel to any systems, equipment, or appliances located inside the premises.

b. The Board shall establish and issue a limited plumbing contractor license for use by persons who do not possess the required Class I or Class II plumbing license but desire to engage in the contracting or installation, repair, or replacement of either of the following:

1. Exterior potable water service lines or backflow preventers serving irrigation systems or domestic water service systems of two inch diameter or smaller.

2. Exterior building sewer or water service piping of two inch diameter or smaller.

c. ~~The Board may also establish additional restricted classifications to provide for:~~
~~(i) the licensing of any person, partnership, firm, or corporation desiring to engage in a specific phase of heating, plumbing, or fire sprinkling contracting;~~

~~(ii) the licensing of any person, partnership, firm, or corporation desiring to engage in a specific phase of heating, plumbing, or fire sprinkling contracting that is an incidental part of their primary business, which is a lawful business other than heating, plumbing, or fire sprinkling contracting; or (iii) the licensing of persons desiring to engage in contracting and installing fuel piping from an approved fuel source on the premises to a point inside the residence. shall establish and issue:~~

1. A State and local government plumbing, heating group number one, heating group number two, or heating group number three technician license for use by persons who do not possess the required plumbing, heating group number one, heating group number two, or heating group number three contractor license but desire to engage in the installation, repair, or replacement of plumbing, heating group number one, heating group number two, or heating group number three solely as an employee of a State or local government agency.
2. A State and local government plumbing, heating group number one, heating group number two, or heating group number three technician license for use by persons who do possess the required plumbing, heating group number one, heating group number two, or heating group number three contractor license but also desire to engage in the installation, repair, or replacement of plumbing, heating group number one, heating group number two, or heating group number three as an employee of a State or local government agency without listing their contractor license in the name of the State or local government agency. Licensed contractors who obtain the State and local government technician license shall be allowed to contract and perform work under their contractor license only during hours such contractor is not actively employed with the State or local government as a technician, and is on-site carrying out the contracting activity personally. No work can be performed by the State or local government agency in reliance upon the technician license when the licensee is not present.

...."

SECTION 3. G.S. 87-26 is amended by adding a new subsection to read:

"§ 87-26. Corporations; partnerships; persons doing business under trade name.

(a) A license may be issued in the name of a corporation, provided, one or more officers, or full time employee or employees, or both, empowered to act for the corporation, are licensed in accordance with the provisions of this Article; and provided such officers or employee or employees shall execute contracts to the extent of their license qualifications in the name of the said corporation and exercise general supervision over the work done thereunder.

(b) A license may be issued in the name of a partnership provided one or more general partners, or full time employee or employees empowered to act for the partnership, are licensed in accordance with the provisions of this Article, and provided such general partners or employee or employees shall execute contracts to the extent of their license qualifications in the name of the said partnership, and exercise general supervision over the work done thereunder.

(c) A license may be issued in an assumed or designated trade name, provided the owner of the business conducted thereunder, or full time employee or employees empowered to act for the owner, are licensed in accordance with the provisions of this Article; and such owner or employee or employees shall execute contracts to the extent of their license qualifications, in the said trade name, and exercise general supervision over the work done thereunder.

(d) A certificate of license may be issued in accordance with the provisions of this Article upon payment of the annual license fee by such corporation, partnership, or owner of the business conducted under an assumed or designated trade name, as the case may be, and the names and qualifications of individual licensee or licensees connected therewith shall be indicated on the aforesaid license.

(e) It shall be necessary that persons licensed in accordance with the provisions of this section shall exercise general supervision over contracts to completion.

(f) Nothing in this section shall be deemed to limit the ability of a licensee under this Article who is regularly employed by a local board of education to maintain an individual license or to contract or perform work during the hours the licensee is off-duty from the regular employer."

SECTION 4. G.S. 115C-524 is amended by adding a new subsection to read:

"§ 115C-524. Repair of school property; use of buildings for other than school purposes.

(a) Repair of school buildings is subject to the provisions of G.S. 115C-521(c) and (d).

(a1) Local boards of education may employ personnel who are licensed to perform maintenance and repairs on school property for plumbing, heating, and fire sprinklers pursuant to Article 2 of Chapter 87 of the General Statutes.

(b) It shall be the duty of local boards of education and tax-levying authorities, in order to safeguard the investment made in public schools, to keep all school buildings in good repair to the end that all public school property shall be taken care of and be at all times in proper condition for use. It shall be the duty of all principals, teachers, and janitors to report to their respective boards of education immediately any unsanitary condition, damage to school property, or needed repair. All principals, teachers, and janitors shall be held responsible for the safekeeping of the buildings during the school session and all breakage and damage shall be repaired by those responsible for same, and where any principal or teacher shall permit damage to the public school buildings by lack of proper discipline of pupils, such principal or teacher shall be held responsible for such damage: Provided, principals and teachers shall not be held responsible for damage that they could not have prevented by reasonable supervision in the performance of their duties.

...."

SECTION 5. This act becomes effective October 1, 2016.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

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

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:01 p.m. this 22nd day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-123
HOUSE BILL 805**

AN ACT TO PROVIDE FOR MEASURABILITY ASSESSMENTS OF STATE PROGRAMS; TO PROVIDE FOR CERTAIN COUNTY SERVICES ON THE TRUST LANDS OF THE EASTERN BAND OF THE CHEROKEE INDIANS; AND TO MAKE TECHNICAL, CLARIFYING, AND OTHER MODIFICATIONS TO THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2016.

The General Assembly of North Carolina enacts:

PART I. MEASURABILITY ASSESSMENT

SECTION 1. The North Carolina General Statutes are amended by adding a new Chapter to read:

"Chapter 143E.

"The North Carolina Measurability Assessment Act of 2016.

"§ 143E-1. Title.

This Chapter shall be known and may be cited as the "North Carolina Measurability Assessment Act of 2016."

"§ 143E-2. Request for measurability assessment.

The General Assembly may require a measurability assessment of any proposed or existing State program to determine whether the program is or will be capable of reporting performance and return on investment.

"§ 143E-3. Definition of measurability assessment.

(a) A measurability assessment is an independent evaluation conducted on a new or existing State program.

(b) A measurability assessment must include or determine all of the following:

- (1) Whether and to what degree the program is unique and does not duplicate or negate results of another public or private program or enterprise.
- (2) The local, regional, or statewide problems or needs that the program is intended to address.
- (3) Whether there is a program design portrayed by a logic model as defined by the Logic Model Development Guide by the W.K. Kellogg Foundation, including an evaluation of that logic model.
- (4) Whether there is evidence that the program produces results attributable to the program to remedy the problem or need. The information required by this subdivision shall include the following, as applicable:
 - a. For a proposed program, whether the evidence stems from a formative evaluation of proposed activities through a field trial using a valid and reliable instrument or method to measure changes in a randomized control group that was not subjected to the proposed activities to changes in a randomized group that did receive the proposed activities.

- b. For an existing program asserting existence of evidence, whether the evidence stemmed from a post-program summative evaluation using an experimental or quasi-experimental research design.
- c. For both proposed and existing programs, if the evidence had been subjected to alternative interpretations and peer review.
- (5) The capacity of the administering entity to expand the program based upon existing evidence or results.
- (6) How the program proposes to engage in strategic planning.
- (7) How the program proposes to measure performance, including measurement of the following:
 - a. Total costs of program services with costs separately reported for each activity associated with each service.
 - b. Outputs or counts of units of services and for individual activities associated with each service.
 - c. Costs per unit of service and for individual activities associated with each service.
 - d. Outcomes or results attributable to each program service, including results upon completion of program service; results still evident one, two, and three years after completion; ultimate or permanent results; and when and how permanent results will be determined by the program.
 - e. Customer or client satisfaction with program services.
 - f. Statewide impacts of program outcomes as evidenced by census data or other statewide data.
 - g. Performance compared to standards and what standards the program intends to use.
- (8) How the program will continuously improve quality of program services and consistency with the strategic plan.
- (9) Whether the administering entity has conducted an assessment to identify financial and legal risks to the entity or the State and has plans for minimizing risk exposure.
- (10) Whether the program conducts five-year forecasts of annual recurring costs and sources of funding for each year.
- (11) Whether the program proposes to share costs with primary beneficiaries through a fee-for-service, co-payment, or tuition basis and the extent to which any expected cost-sharing is or will be means-tested and by what method.
- (12) How program staffing requirements are determined and an evaluation of those requirements.
- (13) Whether the program has or proposes to have a financial accounting system capable of accounting for all assets, liabilities, receipts, and disbursements.
- (14) Whether the program is or will be post-audited and if there are any potential impediments to audits or evaluations by the State Auditor, agency internal auditors, or the Program Evaluation Division of the General Assembly.

(c) The assessor must submit a written report containing the results of the measurability assessment to the Program Evaluation Division at a time and in a format required by the Program Evaluation Division.

"§ 143E-4. Administration of measurability assessment process.

(a) The Program Evaluation Division must use a competitive process to prequalify independent measurability assessors. The assessors will be independent contractors compensated through a uniform fee system established by the Program Evaluation Division, and there will be no guarantee that any prequalified assessor will receive assessment assignments. The Program Evaluation Division shall not

assign an assessor to a measurability assessment if the assessor has been employed by or contracted with the entity within five years preceding the assessment.

(b) The Program Evaluation Division shall establish standards for assessor qualifications, independence, and conducting and reporting measurability assessments. Individuals who do not meet the qualifications may not be used to conduct measurability assessments.

(c) Whenever a measurability assessment is required, the Program Evaluation Division shall select the assessor and require the agency or institution to reimburse the Program Evaluation Division for the assessor's costs and for a share of the Program Evaluation Division's costs for administering the measurability assessment program."

PART II. GENERAL PROVISIONS

SECTION 2.1. If House Bill 1030, 2015 Regular Session, becomes law, then Section 2.1 of that act reads as rewritten:

"**SECTION 2.1.** Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are adjusted for the fiscal year ending June 30, 2017, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2016-2017 fiscal year:

Current Operations – General Fund

FY 2016-2017

EDUCATION

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University of North Carolina – Board of Governors

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Elizabeth City State University	250,000
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UNC School of the Arts	630,000
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...

General Administration	1,250,000
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University Institutional Programs	118,285,194	117,285,194
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...

NC School of Science & Math	630,000
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...

AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

...

Department of Commerce

Commerce	20,320,848	20,255,411
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Commerce State-Aid	650,000
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Department of Natural and Cultural Resources

Natural and Cultural Resources	14,718,687	14,784,124
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Roanoke Island Commission	0
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GENERAL GOVERNMENT

Department of Administration

5,405,307,344,028

...

General Assembly

7,806,816,868,095

...."

SECTION 2.2. If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 143C-5-4(b)(8), as enacted by Section 6.3 of that act, reads as rewritten:

"(8) Statutory transfers to reserves. – Notwithstanding G.S. 143C-4-2 and G.S. 143C-4-3, funds shall not be reserved to the Savings Reserve Account or the Repairs and Renovations Reserve Account and the State Controller shall not transfer funds from the unreserved ~~credit~~ fund balance to ~~the~~ those accounts on June 30 of the prior fiscal year."

SECTION 2.3. If House Bill 1030, 2015 Regular Session, becomes law, then Section 6.25(a)(1) of S.L. 2015-241, as amended by Section 6.4 of House Bill 1030, 2015 Regular Session, reads as rewritten:

"(1) Abolish all positions that have been vacant for more than 12 months as of April 17, 2015, and as of ~~April 17, 2016,~~ April 30, 2016, other than those positions required to exist as part of the State's maintenance of effort requirements related to a federal grant that cannot be addressed with other State funds, or for which the Director of the Budget provides an exception, in the Director's sole discretion. This requirement shall apply regardless of the source of funding for affected positions."

SECTION 2.4.(a) G.S. 1E-2 reads as rewritten:

"§ 1E-2. County services.

A county is not compelled to provide services on lands held in trust by the United States for the Eastern Band of Cherokee ~~Indians~~ Indians, except for public health or human services traditionally provided by county agencies and not otherwise assumed by the Eastern Band of Cherokee Indians, unless there is an agreement between the Eastern Band of Cherokee Indians and the county describing each party's responsibilities and any compensation for services provided. ~~responsibilities.~~ The agreement must be approved by the ~~Tribal Council of the Eastern Band of Cherokee Indians~~ and signed by the Principal Chief of the Eastern Band of Cherokee Indians on behalf of the Eastern Band of Cherokee Indians and must be signed by the ~~chair of the board of county commissioners on behalf of the county.~~ county manager or delegated department head. The agreement may be effective for a definite period of time or an indefinite period of time, as specified in the agreement."

SECTION 2.4.(b) This section becomes effective August 1, 2016.

PART III. INFORMATION TECHNOLOGY

SECTION 3.1. If House Bill 1030, 2015 Regular Session, becomes law, then Section 7.7(a) of that act reads as rewritten:

"**SECTION 7.7.(a)** The Department of Information Technology shall create a cybersecurity apprenticeship program to provide training, apprenticeships, and career-based opportunities for disabled veterans within the State. Opportunities may be offered to qualifying veterans who have at least a ten percent (10%) disability rating as established by the United States Department of Veterans Administration Affairs."

SECTION 3.2.(a) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, a total of four FTE vacant positions are eliminated within the Department of Information Technology IT Fund, and the operating expenses in the Strategic Staffing and Projects area within the Department of Information Technology are reduced by one hundred eleven thousand two hundred sixty dollars (\$111,260) in recurring funds.

SECTION 3.2.(b) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, a total of three and one-half FTE vacant positions are eliminated within the Department of Information Technology IT Reserve, and the operating expenses in the IT Restructuring Fund within the Department of Information Technology are reduced by one hundred twenty-six thousand seven hundred eighty-three dollars (\$126,783) in recurring funds.

PART IV. EDUCATION

SECTION 4.1.(a) If House Bill 1030, 2015 Regular Session, becomes law, then Section 10.8 of that act reads as rewritten:

"CERTAIN COMMUNITY COLLEGE PROJECT FUNDS

"SECTION 10.8. The funds appropriated to the North Carolina Community Colleges System Office by this act for the 2016-2017 fiscal year for (i) the Center for Advanced Manufacturing at Gaston Community College and (ii) Mitchell Community College site development shall not revert at the end of the fiscal year but shall remain available until expended."

SECTION 4.1.(b) Notwithstanding any other provision of law, if House Bill 1030, 2015 Regular Session, becomes law, the sum of three million four hundred thousand dollars (\$3,400,000) appropriated by that act to the North Carolina Community Colleges System Office for the 2016-2017 fiscal year to be allocated to the Gaston Community College Center for Advanced Manufacturing shall be allocated to the Gaston College Center for Advanced Manufacturing.

SECTION 4.2. If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any other provision of law, the sum of two hundred fifty thousand dollars (\$250,000) in nonrecurring funds for marketing the NC Promise Tuition "Buy Down" Program at Elizabeth City State University shall be allocated to Budget Code 16010 rather than Budget Code 16086.

SECTION 4.3. If House Bill 1030, 2015 Regular Session, becomes law, then Section 11.9 of S.L. 2015-241, as amended by Section 11A.4 of House Bill 1030, 2015 Regular Session, reads as rewritten:

"SECTION 11.9.(a) Purpose. – The purpose of this section is to establish a competitive grant program for eligible entities to elevate educators in North Carolina public schools by transforming the preparation of principals across the State. The State Education Assistance Authority (Authority) shall administer this grant program through a cooperative agreement with a private, nonprofit corporation to provide funds for the preparation and support of highly effective future school principals in North Carolina.

...

"SECTION 11.9.(j) Reporting Requirements for Grant Recipients. – Recipients of grants under the program shall submit an annual report to the nonprofit corporation contracting with the Authority, beginning in the third year of the grant, with any information requested by the nonprofit corporation. Whenever practicable and within a reasonable amount of time, grant recipients shall also make all materials developed as part of the program and with grant funds publically available to contribute to the broader sharing of promising practices. Materials shall not include personally identifiable information regarding individuals involved or associated with the program, including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff, without their prior written consent. The nonprofit corporation shall work with recipients and local school administrative units, as needed, to enable the collection, analysis, and evaluation of at least the following relevant data, within necessary privacy constraints:

- (1) Student achievement in eligible schools.
- (2) The percentage of program completers who are placed as school leaders within three years in the State.
- (3) The percentage of program completers rated proficient or above on school leader evaluation and support systems.

- (4) The percentage of program completers that are school leaders who have remained employed in a North Carolina public school for two or more years of initial placement.

...

"SECTION 11.9.(l) Evaluation and Revision of Program. – The nonprofit corporation administering the program shall provide the State Board of Education and the Joint Legislative Education Oversight Committee with the data collected in accordance with subsection (j) of this section on an annual basis. By September 15, 2021, the State Board of Education, in coordination with the Board of Governors of The University of North Carolina, shall revise, as necessary, the licensure requirements for school administrators and the standards for approval of school administrator preparation programs after evaluating the data collected from the grant recipients, including the criteria used in selecting grant recipients and the outcomes of program completers. The State Board of Education shall report to the Joint Legislative Education Oversight Committee by November 15, 2021, on any changes made to the licensure requirements for school administrators and the standards for approval of school administrator preparation programs in accordance with this section.

"SECTION 11.9.(m) Of the funds appropriated ~~each by this act for the 2015-2016~~ fiscal year for this program, the sum of five hundred thousand dollars (\$500,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program. The State Education Assistance Authority may use up to five percent (5%) of those funds ~~each fiscal year~~ for administrative costs.

"SECTION 11.9.(n) ~~Beginning with the 2016-2017 fiscal year, of the funds appropriated for this program, the sum of five hundred thousand dollars (\$500,000) shall be allocated each fiscal year to the State Education Assistance Authority to award grants to selected recipients. Beginning with the 2016-2017 fiscal year and for each subsequent fiscal year, of the funds appropriated for this program, the sum of three hundred thousand dollars (\$300,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program, and the State Education Assistance Authority may use up to five percent (5%) of those funds for administrative costs. The remaining funds appropriated for a fiscal year for this program shall be allocated to the State Education Assistance Authority to award grants to selected recipients."~~

SECTION 4.4. If House Bill 1030, 2015 Regular Session, becomes law, then Section 10.14(c) of S.L. 2015-241, as amended by Section 10.2 of House Bill 1030, 2015 Regular Session, reads as rewritten:

"SECTION 10.14.(c) The funds appropriated under this act to the Community Colleges System Office for the 2015-2017 fiscal biennium to match non-State funds to implement the NC Works Career Coach Program shall ~~only be used for (i) salary and benefits for career coaches~~ coaches, and (ii) up to two percent (2%) of the funds appropriated for the program may also be used for direct operating costs related to supporting NC Works Career Coaches."

SECTION 4.5. If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 116-239.11(a)(1), as enacted by Section 11.6 of that act, reads as rewritten:

- "(1) An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the school is located for each child attending the lab school, except for the allocation for children with ~~disabilities and disabilities~~, for the allocation for children with limited English ~~proficiency~~ proficiency, and for the allocation for transportation services."

PART V. HEALTH AND HUMAN SERVICES

SECTION 5.1. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12A.8(c) of that act reads as rewritten:

"SECTION 12A.8.(c) Calculation of Initial Payment of Funds. – Following CMS approval of the reclassification of Cape Fear Valley Medical Center to a rural hospital ~~and notwithstanding subsection (a)~~

~~of this section, hospital,~~ the Center shall provide documentation to OSBM of its actual lost Medicare payments for the period commencing from the application filing date, as defined in 42 C.F.R. 412.103(b)(5), and ending on the date CMS approves the Center's reclassification request. OSBM shall certify computations of the Center's actual lost Medicare payments and apply the calculations specified in subsection (a) of this section to determine any retroactive amounts due to Cape Fear Valley Medical Center under this section. Any retroactive payment determined to be due to Cape Fear Valley Medical Center shall be paid to the Center within 30 days after OSBM certifies the amount of any retroactive amounts due to the Center under this section."

SECTION 5.2.(a) If House Bill 1030, 2015 Regular Session, becomes law, then Section 12H.18 of that act reads as rewritten:

"CRITICAL MEDICAID POSITIONS

"SECTION 12H.18. Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, the sum of one million one hundred fifty thousand dollars (\$1,150,000) shall be ~~transferred to the Division of Health Benefits to be~~ used to fund critical positions in that Division."

SECTION 5.2.(b) Notwithstanding any other provision of law, if House Bill 1030, 2015 Regular Session, becomes law, the sum of one million one hundred fifty thousand dollars (\$1,150,000) appropriated by that act to the Department of Health and Human Services, Division of Medical Assistance, for the 2016-2017 fiscal year to be transferred to the Division of Health Benefits shall not be transferred to the Division of Health Benefits but shall be used to fund critical positions in the Division of Medical Assistance.

SECTION 5.3. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12C.7(e) of that act reads as rewritten:

"SECTION 12C.7.(e) By no later than April 1, 2017, the ~~DSS~~ Department of Health and Human Services shall submit to the House Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division a detailed plan for a long-term solution on how to ensure adequate reimbursement to facilities for serving recipients of State-County Special Assistance without increasing the Medicaid eligibility income limit for State-County Special Assistance recipients and thereby expanding Medicaid."

SECTION 5.4. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12B.4(a) of that act reads as rewritten:

"SECTION 12B.4.(a) As the objective of the NC Pre-K program is to provide high-quality educational experiences to enhance school readiness for eligible four-year-olds, the Department of Health and Human Services, Division of Child Development and Early Education, in consultation with the Department of Public Instruction, shall study the costs and effectiveness associated with funding slots for the NC Pre-K program. In conducting the study, the Division shall review and determine the following:

- (1) The total cost to fund a NC Pre-K slot, including administration and any local costs.
- (2) The program's anticipated effectiveness in preparing eligible four-year-olds in the five developmental domains outlined in the North Carolina Foundations for Early Learning and Development.
- (3) Whether the program's effectiveness as reviewed pursuant to subdivision (2) of this subsection justifies the costs associated with funding NC Pre-K slots or whether there are other alternatives to achieve the same objectives.
- (4) The State share needed to fund a NC Pre-K slot by each setting, including public schools, child care facilities, and Head Start.
- (5) The amount of funds needed to maintain the current number of NC Pre-K slots if the per slot cost was increased to the amount recommended by the study.
- (6) Recommendations on how often the NC Pre-K slot costs should be evaluated and reported to the General Assembly.

(7) Any other relevant issues the Division deems appropriate."

SECTION 5.5. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12H.3A(a) of that act reads as rewritten:

"**SECTION 12H.3A.(a)** No later than ~~October 1, 2016,~~ December 31, 2016, the Department of Health and Human Services, Division of Medical Assistance, shall issue a request for proposals (RFP) to recover Medicaid and NC Health Choice overpayments to providers when the total amount owed to the State by the provider is less than one hundred fifty dollars (\$150.00). The RFP shall specify that payment under the contract shall be made only in the form of a contingent fee. The contingent fee shall be set at a percentage of the State share of the final overpayment, as defined in G.S. 108C-2(5), that is recovered."

SECTION 5.6. If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any other provision of that act, nonrecurring funds in the amount of fifty thousand dollars (\$50,000) for the 2016-2017 fiscal year shall be appropriated to Fund Code 1161 for the Public Health Authority of Cabarrus County instead of the Public Health Alliance of Cabarrus County.

SECTION 5.7. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12G.4(b) of that act reads as rewritten:

"**SECTION 12G.4.(b)** Notwithstanding subsection (a) of this section or any other provision of law to the contrary, each party to a cooperative agreement for which a certificate of public advantage was issued prior to September 30, 2016, shall submit a final report to the Department of Health and Human Services and the Attorney General on its activities pursuant to the cooperative agreement ~~through September 30, 2017~~ by December 30, 2017. The final report shall include at least all of the following:

- (1) A description of the activities conducted pursuant to the agreement.
- (2) Price and cost information.
- (3) The nature and scope of its activities pursuant to the agreement ~~through September 30, 2017,~~ the date the agreement expires and the likely effect of those activities.
- (4) A summary of activities and any market impact from the date the agreement expires through September 30, 2017.
- (5) Any additional information requested by the Department or the Attorney General."

SECTION 5.8. If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 143B-139.6A reads as rewritten:

"**§ 143B-139.6A. Secretary's responsibilities regarding availability of early intervention services.**

The Secretary of the Department of Health and Human Services shall ensure, in cooperation with other appropriate agencies, that all types of early intervention services specified in the "Individuals with Disabilities Education Act" (IDEA), P.L. 102-119, the federal early intervention legislation, are available to all eligible infants and toddlers and their families to the extent funded by the General Assembly.

The Secretary shall coordinate and facilitate the development and administration of the early intervention system for eligible infants and toddlers and shall assign among the cooperating agencies the responsibility, including financial responsibility, for services. The Secretary shall be advised by the Interagency Coordinating Council for Children from Birth to Five with Disabilities and Their Families, established by G.S. 143B-179.5, and may enter into formal interagency agreements to establish the collaborative relationships with the Department of Public Instruction, other appropriate agencies, and other public and private service providers necessary to administer the system and deliver the services.

As part of the permission to refer parents to services under the early intervention system for eligible infants and toddlers, the Secretary shall include the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf as agencies included on any permission to refer release form provided to parents for contact regarding services.

The Secretary shall adopt rules to implement the early intervention system, in consultation with all other appropriate agencies."

SECTION 5.9. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12A.8(b) of S.L. 2015-241, as amended by Section 12A.5 of House Bill 1030, 2015 Regular Session, reads as rewritten:

"SECTION 12A.8.(b) The Department shall continue administering a competitive grants process for nonprofit funding. The Department shall administer a plan that, at a minimum, includes each of the following:

...

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

...

- n. ~~A—Effective beginning the 2017-2018 fiscal year, a~~ program that provides year-round sports training and athletic competition for children and adults with disabilities.

...."

SECTION 5.10. If House Bill 1030, 2015 Regular Session, becomes law, then Section 12E.2(g) of that act is repealed.

PART VI. AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES

SECTION 6.1.(a) If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 13-202.1(f), as enacted by Section 14.11(b) of that act, reads as rewritten:

"(f) Amendments of shellfish cultivation leases to authorize use of the water column may be transferred only with ~~a—the superincumbent~~ bottom lease for the remainder of the term of the amendment at the same rental rate and term as set forth in subsection (d) of this section and so long as notice of the transfer is provided to the Secretary as required by G.S. 113-202(k)."

SECTION 6.1.(b) If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 13-202.2(f), as enacted by Section 14.11(c) of that act, reads as rewritten:

"(f) Water column leases to perpetual franchises may be transferred only with ~~a—the superincumbent~~ perpetual franchise for the remainder of the term of the lease at the same rental rate and term as set forth in subsection (d) of this section and so long as notice of the transfer is provided to the Secretary as required by G.S. 113-202(k)."

SECTION 6.2.(a) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, the revised net appropriation for all programs in the Rural Economic Development Division for the 2016-2017 fiscal year shall be twenty-three million eight hundred fifty-seven thousand nine hundred seventy-three dollars (\$23,857,973).

SECTION 6.2.(b) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, the three hundred thirty-six thousand dollars (\$336,000) in recurring funds for Community Planners for Prosperity Zones for the 2016-2017 fiscal year shall be allocated to Fund Code 1620 instead of Fund Code 1534.

SECTION 6.3. If House Bill 1030, 2015 Regular Session, becomes law, then Section 13.4(a) of that act reads as rewritten:

"SECTION 13.4.(a) Of the funds appropriated to the Department of Agriculture and Consumer Services, the sum of two hundred fifty thousand dollars (\$250,000) for the 2016-2017 fiscal year shall be used to create a program to reimburse small food retailers for expenditures related to enhancing access to healthy foods in areas that qualify as food desert zones according to the Economic Research Service of the United States Department of Agriculture. For the purposes of this section, a small food retailer is defined as a business that is a small retail outlet, including corner stores, convenience stores, cooperatives, and bodegas, of no more than 3,000 heated square feet that sells a limited selection of foods and other products. Funds may be used to reimburse small food retailers for the purchase and installation of refrigeration equipment, display shelving, and other equipment necessary for stocking nutrient-dense foods, including fresh vegetables and fruits, whole grains, nuts, seeds, beans and legumes, low-fat dairy products, lean meats, and seafood. The Department may retain up to ten percent (10%) of the funds

allocated pursuant to this section for administrative costs associated with the healthy food small retailer program."

SECTION 6.4. If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, funds appropriated to the Department of Natural and Cultural Resources for advanced planning of a new visitor center at Fort Fisher State Park shall be transferred to a Capital Code by the Department.

SECTION 6.5.(a) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, the funds appropriated in that act to the Department of Commerce for the purpose of contracting with the Economic Development Partnership of North Carolina are reduced by an additional sixty-five thousand four hundred thirty-seven dollars (\$65,437) in recurring funds for the 2016-2017 fiscal year. The revised net appropriation for the Department of Commerce shall be twenty million two hundred fifty-five thousand four hundred eleven dollars (\$20,255,411).

SECTION 6.5.(b) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, the funds appropriated in that act to the Department of Natural and Cultural Resources are increased by sixty-five thousand four hundred thirty-seven dollars (\$65,437) in recurring funds for the 2016-2017 fiscal year to be used to support a distance learning coordinator position at the North Carolina Museum of History. The revised net appropriation for the Department of Natural and Cultural Resources shall be fourteen million seven hundred eighty-four thousand one hundred twenty-four dollars (\$14,784,124).

SECTION 6.6. If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act to the contrary, the seventy-five thousand dollars (\$75,000) in nonrecurring funding to supplement the Forest Development Fund shall be allocated to Fund Code 1990 instead of Fund Code 1510.

PART VII. JUSTICE AND PUBLIC SAFETY

SECTION 7.1. If House Bill 1030, 2015 Regular Session, becomes law, then of the funds appropriated in that act to the Office of Indigent Defense Services for the 2016-2017 fiscal year for private assigned counsel, the sum of one hundred thousand dollars (\$100,000) shall be allocated to the North Carolina State Bar for use by Pisgah Legal Services.

SECTION 7.2. If House Bill 1030, 2015 Regular Session, becomes law, the Department of Public Safety shall not eliminate position number 60070228. The Department shall instead identify another vacant position at the same salary level to eliminate in Fund Code 1100-Division of Administration.

SECTION 7.3. If House Bill 1030, 2015 Regular Session, becomes law, then Section 8.26(n) of S.L. 2015-241 reads as rewritten:

"**SECTION 8.26.(n)** By ~~July 1, 2016~~, July 1, 2018, the Department of Public Safety shall implement an anonymous safety tip line application and a statewide panic alarm system as required under G.S. 115C-105.51, as amended by subsection (d) of this section."

SECTION 7.4. If House Bill 1030, 2015 Regular Session, becomes law, then the funds appropriated in that act to the Department of Public Safety for renovation of the National Guard Tarheel Challenge Academy gym on the Salemburg campus shall be transferred to a capital code and used for the construction of a new multipurpose facility.

PART VIII. GENERAL GOVERNMENT

SECTION 8.1. If House Bill 1030, 2015 Regular Session, becomes law, then of the funds appropriated in that act to the State Emergency Response and Disaster Relief Fund (Budget Code 19930), the sum of five hundred thousand dollars (\$500,000) in nonrecurring funds for the 2016-2017 fiscal year shall be transferred to the Governor's Office (Account Code 13000) to be used to fund costs incurred from litigation related to S.L. 2016-3.

SECTION 8.2. If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any provision of that act or of the Committee Report described in Section 39.2 of that act to the contrary, funds appropriated in that act for the Community Living Housing Fund are appropriated from Budget Code 63011 rather than Budget Code 13010.

SECTION 8.3.(a) If House Bill 1030, 2015 Regular Session, becomes law, then Section 32.5(j) of that act reads as rewritten:

"SECTION 32.5.(j) The responsibilities for the North Carolina Youth Legislative Assembly are transferred from the Department of Administration to the North Carolina General Assembly's Legislative Services Commission. ~~The following position is transferred to Budget Code 11000: Administrative Officer II, Position Number 60014065. All budget salary and benefits in the amount of sixty-one thousand two hundred seventy-nine dollars (\$61,279) are transferred in a Type II transfer from the Department of Administration to the General Assembly.~~ Additionally, the budget associated with operations for the Youth Legislative Assembly and the North Carolina Youth Legislative Assembly Fund, enacted by subsection (k) of this section, are transferred as a Type II transfer from the Department of Administration to the General Assembly. The Administrative Officer II position will report directly to the Legislative Services Officer. The Youth Legislative Assembly will work collaboratively with existing resources within the General Assembly, including the Senate and House Page programs, to execute activities of the Youth Legislative Assembly."

SECTION 8.3.(b) If House Bill 1030, 2015 Regular Session, becomes law, then, effective July 1, 2016, Administrative Officer II, Position Number 60014065, and budgeted benefits are transferred from the Department of Administration to the General Assembly.

SECTION 8.4.(a) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any other provision of law, funds in Budget Code 23900 in the 2016-2017 fiscal year, shall be used to continue the transfer of a portion of vehicle inspection fee proceeds from the Department of Transportation, Division of Motor Vehicles to continue support of the State's grant program that provides funding to local rescue organizations. The revised net appropriation for the Volunteer Rescue/EMS Program is one million four hundred fifty-six thousand nine hundred thirty-one dollars (\$1,456,931).

SECTION 8.4.(b) If House Bill 1030, 2015 Regular Session, becomes law, then, notwithstanding any other provision of law, funds in Budget Code 23901 in the 2016-2017 fiscal year, shall be used to restore the recurring transfer of a portion of vehicle inspection fee proceeds from the Department of Transportation, Division of Motor Vehicles to continue support of the State's grant program that provides funding to eligible beneficiaries. The revised net appropriation for the Rescue Squad Workers' Relief Fund is nine hundred fifty-seven thousand three hundred fifty-two dollars (\$957,352).

PART IX. SALARIES AND BENEFITS

SECTION 9.1. If House Bill 1030, 2015 Regular Session, becomes law, then Section 36.10 of that act is amended by adding the following new subsections to read:

"SECTION 36.10.(e) Of the funds appropriated to the Community Colleges System Office in this act for restoring the management flexibility reduction up to six million fifty-one thousand seven hundred twenty-two dollars (\$6,051,722) may be used for the restoration of management flexibility cuts, compensation increases, or both.

"SECTION 36.10.(f) It is the intent of the General Assembly to provide additional recurring funds during the 2017-2018 fiscal year to the Community Colleges System Office for compensation increases."

PART X. CAPITAL

SECTION 10.1.(a) If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 142-15.17, as enacted by Section 37.8(a) of that act, reads as rewritten:

"§ 142-15.17. No State-supported financing of certain assets without approval of the General Assembly.

No State entity shall enter into any State-supported financing arrangement with respect to the acquisition of a capital asset having a value of five million dollars (\$5,000,000) or more, unless the General Assembly has enacted legislation expressly approving (i) the acquisition, project, or undertaking to be financed and (ii) the use of the State-supported financing arrangement. The legislation required by this section may be in the form of either an act that refers to the specific asset or project and the manner of financing or an act that identifies a type of asset or project and a maximum amount that may be financed or incurred for that type of asset or project. Examples of references to a specific asset or project include guaranteed energy savings contracts or energy ~~conservations~~conservation measures of a type described in Article 3B of Chapter 143 of the General Statutes or repairs and renovations of State-owned buildings."

SECTION 10.1.(b) This section is effective when it becomes law.

SECTION 10.2.(a) Notwithstanding any other provision of law, the Department of Administration may lease to a third party the roughly 1.7 acre Personnel Training Center property located on Peace Street in Wake County.

SECTION 10.2.(b) A lease made pursuant to subsection (a) of this section shall be in accordance with the following:

- (1) The lease term may exceed 30 years but shall not exceed 99 years.
- (2) The lease shall be for fair market value.
- (3) The lease shall include a lease of up to 200 of the parking spaces in Deck 64 in Wake County.
- (4) Except as provided in this section, the lease shall in all other respects accord with Article 7 of Chapter 146 of the General Statutes.

SECTION 10.2.(c) Exemptions from Certain Statutes. – The following statutes shall not apply to the lease authorized by this section:

- (1) G.S. 66-58.
- (2) G.S. 146-29(b), as enacted by Section 37.7 of House Bill 1030, 2015 Regular Session, if that bill becomes law.

PART XI. FINANCE

SECTION 11.1. If House Bill 1030, 2015 Regular Session, becomes law, then Section 38.2(f) of that act reads as rewritten:

"**SECTION 38.2.(f)** Subsection (a) of this section is effective when it becomes law and applies retroactively to purchases made on or after July 1, 2013. Subsections (b) and (c) of this section ~~becomes~~become effective July 1, 2016, and apply to ~~sales-purchases~~ made on or after that date. The remainder of this section is effective when it becomes law."

SECTION 11.2. If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 105-164.4H(d)(2), as enacted by Section 38.5(g) of that act, reads as rewritten:

- "(2) If the price of the taxable repair, maintenance, and installation services included in the contract is equal to or greater than ten percent (10%) of the contract price, then sales and use tax applies to the taxable repair, maintenance, and installation services portion of the contract. The person must determine an allocated price for each taxable repair, maintenance, and installation service in the contract based on a reasonable allocation of revenue that is supported by the person's business records kept in the ordinary course of business. Any purchase of tangible personal property, digital property, or services to fulfill the real property contract are ~~taxes~~taxed in accordance with this section."

SECTION 11.3.(a) If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 105-187.51B(a)(6) and (7), as enacted by Section 38.2(b) of that act, read as rewritten:

- "(6) A person other than a person subject to tax under subdivision (1) of this subsection that gathers and obtains ferrous metals, nonferrous metals, and items that have served their

original economic purpose and that converts them by processes, including sorting, cutting, classifying, cleaning, baling, wrapping, shredding, or shearing into a new or different product for sale consisting of prepared grades ~~for the purchase of that purchases~~ equipment, or an attachment or repair part for the equipment, that meets all of the following requirements:

- a. Is capitalized by the person for tax purposes under the Code.
 - b. Is used by the person in a conversion process described in this subdivision.
 - c. Is not a motor vehicle or an attachment or repair part for a motor vehicle.
- (7) A company primarily engaged at the establishment in processing tangible personal property for the purpose of extracting precious metals, as defined in G.S. 66-406, to determine the value for potential purchase ~~for the purchase of that purchases~~ equipment, or an attachment or repair part for the equipment, that meets all of the following requirements:
- a. Is capitalized by the company for tax purposes under the Code.
 - b. Is used by the company in the process described in this subdivision."

SECTION 11.3.(b) If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 105-164.4H(e)(1)f., as enacted by Section 38.5(g) of that act, reads as rewritten:

- "f. Replacement or installation of a roofing, septic tank, plumbing, electrical, commercial refrigeration, irrigation, ~~sprinkler system, sprinkler,~~ or other similar ~~systems.system.~~"

SECTION 11.3.(c) Subsection (a) of this section becomes effective July 1, 2016, and applies to purchases made on or after that date. Subsection (b) of this section becomes effective January 1, 2017, and applies to sales made on or after that date. The remainder of this section is effective when it becomes law.

SECTION 11.4.(a) If House Bill 1030, 2015 Regular Session, becomes law, then G.S. 105-164.4H(e)(1)d., as enacted by Section 38.5(g) of that act, reads as rewritten:

- "d. Installation of equipment or fixture that is attached to real property so that removal of the item would cause physical, functional, or economic damage to the property and that is capitalized ~~for income tax purposes~~ under one or more of the following: the Code, Generally Accepted Accounting Principles, or International Financial Reporting Standards."

SECTION 11.4.(b) This section becomes effective January 1, 2017.

SECTION 11.5. If House Bill 1030, 2015 Regular Session, becomes law, then the introductory language of Section 38.5(g) of that act reads as rewritten:

"**SECTION 38.5.(g)** G.S. 105-164.4H, as amended by S.L. 2016-5 and by ~~Section 1 of this act,~~ subsection (c) of this section, reads as rewritten:"

PART XI-A. TRANSPORTATION

SECTION 11A.1. Notwithstanding G.S. 136-27.1 and any other provision of law to the contrary, the Department of Transportation shall pay seventy-five percent (75%) of the nonbetterment costs for the relocation under Project U-2211B of water and sewer lines owned by the City of Lenoir. Notwithstanding any provision of Article 14B of Chapter 136 of the General Statutes to the contrary, the Department shall pay the costs required under this section from Fund Code 9075 in the Highway Trust Fund.

PART XII. EFFECTIVE DATE

SECTION 12.1. Section 1 of this act becomes effective October 1, 2016. Except as otherwise provided, the remainder of this act becomes effective July 1, 2016.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

This bill having been presented to the Governor for signature on the 1st day of July, 2016 and the Governor having failed to approve it within the time prescribed by law, the same is hereby declared to have become a law. This 1st day of August, 2016.

s/ Karen Jenkins
Enrolling Clerk

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-82
HOUSE BILL 960**

AN ACT TO MODIFY THE ABILITY OF A MEMBER OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO PURCHASE CREDIT FOR EMPLOYMENT IN A CHARTER SCHOOL OPERATED BY A PRIVATE NONPROFIT CORPORATION AND TO REQUIRE COST ESTIMATES FOR STATUTORY CHANGES TO SERVICE PURCHASE PROVISIONS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-4(cc) reads as rewritten:

"(cc) Credit for Employment in Charter School Operated by a Private Nonprofit Corporation. – Any member may purchase creditable service for any employment as an employee of a charter school operated by a private nonprofit corporation whose board of directors did not elect to participate in the Retirement System under G.S. 135-5.3 upon completion of five years of membership service ~~after that charter school employment~~ by making a lump-sum payment into the Annuity Savings Fund. The payment by the member shall be equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the Retirement System's liabilities, taking into account the additional retirement allowance arising on account of the additional service credits commencing at the earliest age at which the member could retire with an unreduced retirement allowance, as determined by the Board of Trustees upon the advice of the actuary plus an administrative expense fee to be determined by the Board of Trustees. Creditable service purchased under this subsection shall not exceed a total of five years. Notwithstanding the foregoing provisions of this subsection that provide for the purchase of service credits, the terms "full cost", "full liability", and "full actuarial cost" include assumed annual postretirement allowance increases, as determined by the Board of Trustees, from the earliest age at which a member could retire on an unreduced service allowance."

SECTION 2. G.S. 135-8(b)(5)d. is repealed.

SECTION 3. G.S. 120-114 is amended by adding a new subsection to read:

"(g) In addition to the other requirements of this section, if a bill or resolution adds or modifies service purchase provisions, the Fiscal Research Division shall obtain an estimate of the cost impact of those provisions using the 30-year United States Treasury constant maturity and cost-of-living adjustment and salary increase assumptions consistent with that rate as of December of the year of the most recent actuarial valuation in addition to the cost of the provision using the valuation assumptions."

SECTION 4. This act is effective when it becomes law.
In the General Assembly read three times and ratified this the 27th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:09 a.m. this 30th day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-56
HOUSE BILL 1011**

AN ACT TO ENACT THE RETIREMENT TECHNICAL CORRECTIONS ACT OF 2016.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-45 reads as rewritten:

"§ 58-86-45. Additional retroactive membership.

(a) Repealed by Session Laws 2013-284, s. 1(a), effective July 1, 2013.

(a1) Any firefighter or rescue squad worker who is 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina may purchase credit for any periods of service to any chartered fire department or rescue squad not otherwise creditable by making a lump sum payment to the Annuity Savings Fund equal to the full liability of the service credits calculated on the basis of the assumptions used for purposes of the actuarial valuation of the system's liabilities, which payment shall take into account the retirement allowance arising on account of the additional service credit commencing at the earliest age at which the member could retire on a retirement allowance, as determined by the board of trustees upon the advice of the consulting actuary, plus an administrative fee to be set by the board of trustees. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable.

(b) An eligible firefighter or rescue squad worker who is not yet 35 years old may apply to the board of trustees for membership in the fund at any time. Upon becoming a member, the worker may make a lump sum payment of ten dollars (\$10.00) per month retroactively to the time the worker first became eligible to become a member, plus interest at an annual rate to be set by the board upon advice from actuary for each year of retroactive payments. Upon making this lump sum payment, the worker shall be given credit for all prior service in the same manner as if the worker had applied for membership upon first becoming eligible.

(c) A member of the Pension Fund who is not yet 35 years old may receive credit for the prior service upon making a lump sum payment of ten dollars (\$10.00) for each month since the worker first became eligible, plus interest at an annual rate to be set by the board for each year of retroactive payments. Upon making this lump sum payment, the date of membership shall be the same as if the worker had applied for membership upon first becoming eligible. This provision for the payment of a lump sum for service "not otherwise creditable" shall apply, inter alia, to all purchases of service credits for months as to which timely payments were not previously made pursuant to G.S. 58-86-35 or G.S. 58-86-40, whichever is applicable, for any firefighter or rescue squad worker who is not yet 35 years of age or older and who is a current or former member of a fire department or rescue squad chartered by the State of North Carolina.

SECTION 2. G.S. 128-25 is repealed.

SECTION 3. G.S. 128-26(a1) reads as rewritten:

"(a1) With respect to a member retiring on or after July 1, 1967, the governing board of a participating unit may allow credit for any period of military service in the Armed Forces of the United States if the person returned to the service of the person's employer within two years after having been

~~honorably~~not dishonorably discharged, or becoming entitled to be discharged, released, or separated from such the Armed Forces of the United States; provided that, notwithstanding the above provisions, any member having credit for not less than 10 years of otherwise creditable service may be allowed credit for such military services which are not creditable in any other governmental retirement system; provided further, that a member will receive credit for military service under the provisions of this paragraph only if the member submits satisfactory evidence of the military service claimed and the participating unit of which the member is an employee agrees to grant credit for such military service prior to January 1, 1972.

A member retiring on or after July 1, 1971, who is not granted credit for military service under the provisions of the preceding paragraph will be allowed credit for any period of qualifying service in the Armed Forces of the United States, as defined for purposes of reemployment rights under federal law, provided that the member was an employee as defined in G.S. 128-21(10) at the time the member entered military service, and either (i) the returning member is in service, with the employer by whom the member was employed when the member entered military service, for a period of not less than 10 years after the member is separated or released from that military service under other than dishonorable conditions or (ii) the following conditions are met, in the conjunctive:

- (1) The member did not, prior to leaving for military service, provide clear written notice of an intent not to return to work after military service.
- (2) The member was discharged from uniformed service and returned from the leave of absence for uniformed service to membership service in this system within the time limit mandated by federal law for reporting back to work.
- (3) The period of uniformed service, for which additional service credit is sought, has been verified by suitable documentation and is not eligible for receipt of benefits under any other retirement system or pension plan.
- (4) All service credit forfeited by a refund pursuant to the provisions of G.S. 128-27(f) has been purchased.

The uniformed service credit allowed under this subsection shall be limited to a maximum of five years unless otherwise specifically exempted from that durational limitation by federal law. The salary or compensation of such an employee during the period of qualifying military service shall be deemed to be that salary or compensation the employee would have received but for the period of service had the employee remained continuously employed, if the determination of that salary or compensation is reasonably certain. If the determination of the salary or compensation is not reasonably certain, then it shall be deemed to be that employee's average rate of compensation during the 12-month period immediately preceding the period of service.

Pursuant to 38 U.S.C. § 4318(b)(1), when a member who has been on military leave returns to work consistent with the provisions of this subsection concerning return to service within two years after the member's earliest eligibility for separation or release from military service, then the member's employer must remit to the System all the employer and employee contributions for the full period of that member's military service."

SECTION 4.(a) G.S. 135-5(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been cashed, any member may elect to receive his or her benefits in a retirement allowance payable throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or until the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or until ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the

member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the 25th day of the month following the month in which the first check is mailed, whichever comes first.

...

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has been designated, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

SECTION 4.(b) G.S. 128-27(g) reads as rewritten:

"(g) Election of Optional Allowance. – With the provision that until the first payment on account of any benefit becomes normally due, or ~~his~~the member's first retirement check has been cashed, any member may elect to receive his or her benefits in a retirement allowance payable throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of such retirement allowance, including any special retirement allowance, in a reduced allowance payable throughout life under the provisions of one of the Options set forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be revoked if such person nominated dies prior to the date the first payment becomes normally due or the first retirement check has been cashed. Such election may be revoked by the member prior to the date the first payment becomes normally due or ~~his~~the member's first retirement check has been cashed. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's death, and the spouse predeceases the member after the first payment becomes normally due or the first retirement check has been cashed, if the member remarries he or she may request to nominate a new spouse to receive the retirement allowance under the previously elected option, within 90 days of the remarriage, and may nominate a new spouse to receive the retirement allowance under the previously elected option by written designation duly acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new nomination shall be effective on the first day of the month in which it is made and shall provide for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance upon the member's death may, after divorce from his or her spouse, revoke the nomination and elect a new option, effective on the first day of the month in which

the new option is elected, providing for a retirement allowance computed to be the actuarial equivalent of the retirement allowance in effect immediately prior to the effective date of the new option. Except as provided in this section, the member may not change the member's retirement benefit option or the member's designated beneficiary for survivor benefits, if any, after the member has cashed the first retirement check or after the 25th day of the month following the month in which the first check is mailed, whichever comes first.

...

Upon the death of a member after the effective date of a retirement for which the member has been approved and following receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E) but prior to the cashing of the first benefit check, the retirement benefit shall be payable as provided by the member's election of benefits under this subsection.

Upon the death of a member after the effective date of a retirement for which the member has been approved but prior to the receipt by the Board of Trustees of an election of benefits (Form 6-E or Form 7-E), properly acknowledged and filed by the member, the member's designated beneficiary for a return of accumulated contributions may elect to receive the benefit, if only one beneficiary is eligible to receive the return of accumulated contributions. If more than one beneficiary is eligible to receive the return of accumulated contributions, or if no beneficiary has been designated, the administrator or executor of the member's estate will select an option and name the beneficiary or beneficiaries."

SECTION 5.(a) G.S. 135-5(m2) reads as rewritten:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance.

A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make a ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System: (i) a plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; (iv) an individual retirement account or annuity described in section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 135-18.7(b). The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain the relationship between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the mortality and such other tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Provided, however, a member who transfers the member's eligible accumulated contributions from an eligible retirement plan pursuant to this subsection to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the eligible plan or the plan through which the transfer was made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer of accumulated contributions authorized under this subsection. This provision shall not prohibit other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall fully disclose to any member participating in a transfer under this subsection any surrender charges or other fees, and such disclosure shall be made contemporaneous with the initiation of the transfer by the member.

The special retirement allowance shall continue for the life of the member and the beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that guarantee payments as follows:

- (1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary will receive the benefit only for the remainder of the specified number of months. If the member's designated beneficiary dies before receiving payments for the specified number of months, any remaining payments will be paid to the member's estate.
- (2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The Board of Trustees shall report annually to the Joint Legislative Commission on Governmental Operations on the number of persons who made an election in the previous calendar year, with any recommendations it might make on amendment or repeal based on any identified problems.

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection."

SECTION 5.(b) G.S. 128-27(m2) reads as rewritten:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a ~~one-time~~one-time, irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public

Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic service, early or disability retirement allowance, a special retirement allowance which shall be based upon the member's transferred balance.

A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make a ~~one-time~~one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System (i) a plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; (ii) a plan described in section 403(b) of the Internal Revenue Code; (iii) a plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; (iv) an individual retirement account or annuity described in section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross income; or (v) a tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code.

Notwithstanding anything to the contrary, a member may not transfer such amounts as will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 128-38.2(b). The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected. The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance. The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this section. Those materials shall describe the special retirement allowance and shall explain the relationship between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and such other tables as may be necessary based upon actual experience. A single set of mortality and such other tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases. The Board of Trustees shall modify the mortality and such other tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 128-28(o). Provided, however, a member who transfers the member's eligible accumulated contributions from an eligible retirement plan pursuant to this subsection to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the eligible plan or the plan through which the transfer was made, whichever is most favorable to the member. The Local Governmental Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

The special retirement allowance shall continue for the life of the member and the beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S. 128-27(g), if any. The Board of Trustees, however, shall establish two payment options that guarantee payments as follows:

- (1) A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary will receive the benefit only for the remainder of the specified number of months. If the member's

designated beneficiary dies before receiving payments for the specified number of months, any remaining payments will be paid to the member's estate.

- (2) A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to these transfers. An eligible plan shall not assess a fee specifically relating to a transfer of accumulated contributions authorized under this subsection. This provision shall not prohibit other fees that may be assessable under the plan. Each plan, contract, account, or annuity shall fully disclose to any member participating in a transfer under this subsection any surrender charges or other fees, and that disclosure shall be made contemporaneous with the initiation of the transfer by the member.

The Board of Trustees shall report annually to the Joint Legislative Commission on Governmental Operations on the number of persons who made an election in the previous calendar year, with any recommendations it might make on amendment or repeal based on any identified problems.

The General Assembly reserves the right to repeal or amend this subsection, but such repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection."

SECTION 6.(a) G.S. 135-8(b)(5) reads as rewritten:

- "(5) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer only for the sole purpose of acquiring knowledge, talents, or abilities and ~~increasing to increase~~ the efficiency of service to the employer, subject to the provisions of this subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of six years for each member, and may be obtained in the following manner:

...."

SECTION 6.(b) G.S. 128-30(b)(4) reads as rewritten:

- "(4) The Board of Trustees may approve the purchase of creditable service by any member for leaves of absence or for interrupted service to an employer ~~for the sole purpose only~~ for the purpose of acquiring knowledge, talents, or abilities and to increase the efficiency of service to the employer. ~~This approval~~ employer, subject to the provisions of this subdivision. A leave of absence or interrupted service may be approved for purchase under this subdivision for a period of employment as a teacher in a charter school. Any other leave of absence or interrupted service shall qualify for purchase under this subdivision only if (i) during the time of the leave or interrupted service the member is enrolled and participates in a full-time degree program at an accredited

institution of higher education, (ii) the member is not paid for the activity in which he or she is acquiring knowledge, talents, or abilities, and (iii) the service is not purchased for any month in which the member performed any services for any of the organizations listed in G.S. 135-27(a) or G.S. 135-27(f), or a successor to any of those organizations. Approval by the Board under this subdivision shall be made prior to the purchase of the creditable service, is limited to a career total of four years for each member, and may be obtained in the following manner:

...."

SECTION 7.(a) G.S. 135-8(f) reads as rewritten:

"(f) Collection of Contributions. –

...

(2) The collection of employers' contributions shall be made as follows:

...

f. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 135-4(jj)~~, G.S. 135-4(jj) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

(3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of ~~Trustees~~, Trustees and provided that a one-time exception has not been agreed upon in advance due to exigent circumstances, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer other than the State shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer from any funds of the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

...."

SECTION 7.(b) G.S. 128-30(g) reads as rewritten:

"(g) Collection of Contributions. –

...

- (2) The collections of employers' contributions shall be made as follows:
- a. Upon the basis of each actuarial valuation provided herein the Board of Trustees shall annually prepare and certify to each employer a statement of the total amount necessary for the ensuing fiscal year to the pension accumulation fund as provided under subsection (d) of this section. Such employer contributions shall be transmitted to the secretary-treasurer of the Board of Trustees together with the employee deductions as provided under sub-subdivision b. of subdivision (1) of this subsection.
 - b. Each employer shall transmit to the Retirement System on account of each member who retires on or after January 1, 2015, having earned his or her last month of membership service as an employee of that employer the lump sum payment, as calculated under ~~G.S. 128-26(y)~~, G.S. 128-26(y) for inclusion in the Pension Accumulation Fund, that would have been necessary in order for the retirement system to restore the member's retirement allowance to the pre-cap amount. Employers are not required to make contributions on account of any retiree who became a member on or after January 1, 2015, and who earned at least five years of membership service in the Retirement System after January 1, 2015.

Under such rules as the Board of Trustees shall adopt, the Retirement System shall report monthly to each employer a list of those members for whom the employer made a contribution to the Retirement System in the preceding month that are most likely to require an additional employer contribution should they elect to retire in the following 12 months, if applicable.

- (3) In the event the employee or employer contributions required under this section are not received by the date set by the Board of ~~Trustees~~, Trustees and provided that a one-time exception has not been agreed upon in advance due to exigent circumstances, the Board shall assess the employer with a penalty, in lieu of interest, of 1% per month with a minimum penalty of twenty-five dollars (\$25.00). The Board may waive one penalty per employer every five years if the Board finds that the employer has consistently demonstrated good-faith efforts to comply with the set deadline. If within 90 days after request therefor by the Board any employer shall not have provided the System with the records and other information required hereunder or if the full accrued amount of the contributions provided for under this section due from members employed by an employer or from an employer shall not have been received by the System from the chief fiscal officer of such employer within 30 days after the last due date as herein provided, then, notwithstanding anything herein or in the provisions of any other law to the contrary, upon notification by the Board to the State Treasurer as to the default of such employer as herein provided, any distributions which might otherwise be made to such employer, or the municipality or county of which such employer is an integral part, from any funds of the State or any funds collected by the State shall be withheld from such employer until notice from the Board to the State Treasurer that such employer is no longer in default.

In the event that an employer fails to submit payment of any required contributions or payments to the Retirement Systems Division, other than the one percent (1%) payment provided for in the first paragraph of this subdivision, within 90 days after the date set by the Board of Trustees, the Board shall notify the State Treasurer of its intent to collect the delinquent contributions and other payments due to the Retirement Systems Division and request an interception of State appropriations due to the

participating employer. Upon such notification by the Board of Trustees to the State Treasurer and the Office of State Budget and Management as to the default of the employer, the Office of State Budget and Management shall withhold from any State appropriation due to that employer an amount equal to the sum of all delinquent contributions and other debts due to the Retirement Systems Division and shall transmit that amount to the Retirement Systems Division.

...."

SECTION 8. G.S. 135-48.40(d)(13) reads as rewritten:

"(13) The following persons, their eligible spouses, and eligible dependent children, provided that the person seeking coverage as a subscriber (i) is not eligible for another comprehensive group health benefit plan and (ii) has been without coverage under a comprehensive group health benefit plan for at least six consecutive months:

...

c. Persons receiving a pension from the North Carolina ~~Firemen~~Firefighters' and Rescue Squad Workers' Pension Fund.

...."

SECTION 9.(a) G.S. 147-86.71(b)(3) reads as rewritten:

"(3) Contributions to an account shall be made only in ~~cash~~U.S. Dollars."

SECTION 9.(b) G.S. 147-86.72(c)(3) reads as rewritten:

"(3) ~~Retain~~Notwithstanding the provisions of Article 3 of Chapter 143 of the General Statutes, retain the services of auditors, attorneys, investment counseling firms, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs that the Board administers pursuant to this Article."

SECTION 9.(c) G.S. 147-86.70(b)(4) is repealed.

SECTION 9.(d) G.S. 147-86.71(d)(4) is repealed.

SECTION 10. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end the provisions of this act are severable.

SECTION 11. Sections 3 and 6 of this act become effective January 1, 2017. The remainder of this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 21st day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:21 a.m. this 30th day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-30
HOUSE BILL 1014***

AN ACT TO MAKE CONFORMING CHANGES BY REMOVING OBSOLETE REFERENCES TO THE MORE AT FOUR PROGRAM IN THE GENERAL STATUTES, AS RECOMMENDED BY THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON HEALTH AND HUMAN SERVICES, AND TO RENAME PART 6 OF ARTICLE 1B OF CHAPTER 130A OF THE GENERAL STATUTES TO TAYLOR'S LAW ESTABLISHING THE ADVISORY COUNCIL ON RARE DISEASES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-242 reads as rewritten:

"§ 115C-242. Use and operation of school buses.

Public school buses may be used for the following purposes only, and it shall be the duty of the superintendent of the school of each local school administrative unit to supervise the use of all school buses operated by such local school administrative unit so as to assure and require compliance with this section:

- (1) A school bus may be used for the transportation of pupils enrolled in and employees in the operation of the school to which such bus is assigned by the superintendent of the local school administrative unit. Except as otherwise herein provided, such transportation shall be limited to transportation to and from such school for the regularly organized school day, and from and to the points designated by the principal of the school to which such bus is assigned, for the receiving and discharging of passengers. No pupil or employee shall be so transported upon any bus other than the bus to which such pupil or employee has been assigned pursuant to the provisions of this Article: Provided, that children enrolled in a Headstart program or any ~~More-at~~ Four-NC Pre-K program may be transported on public school buses, and any additional costs associated with such contractual arrangements shall be incurred by the benefitting Head Start or ~~More-at-For~~ NC Pre-K program: Provided further, that children with disabilities may be transported to and from the nearest appropriate private school having a special education program approved by the State Board of Education if the children to be transported are or have been placed in that program by a local school administrative unit as a result of the State or the unit's duty to provide such children with a free appropriate public education.

...."

SECTION 2. G.S. 143B-168.12(a)(1)n. reads as rewritten:

"§ 143B-168.12. North Carolina Partnership for Children, Inc.; conditions.

- (a) In order to receive State funds, the following conditions shall be met:
 - (1) The North Carolina Partnership shall have a Board of Directors consisting of the following 26 members:
 - ...
 - n. The Director of the ~~More-at-For~~ Pre-Kindergarten-NC Pre-K Program, or the Director's designee."

SECTION 3. Part 6 of Article 1B of Chapter 130A of the General Statutes reads as rewritten:

"Part 6. Taylor's Law Establishing the Advisory Council on Rare Diseases.

"§ 130A-33.65. Advisory Council on Rare Diseases; membership; terms; compensation; meetings; quorum.

(a) There is established the Advisory Council on Rare Diseases within the School of Medicine of the University of North Carolina at Chapel Hill to advise the Governor, the Secretary, and the General Assembly on research, diagnosis, treatment, and education relating to rare diseases. This Part shall be known as Taylor's Law Establishing the Advisory Council on Rare Diseases. For purposes of this Part, "rare disease" has the same meaning as provided in 21 U.S.C. § 360bb.

...."

SECTION 4. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 16th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:03 p.m. this 22nd day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-110
HOUSE BILL 1080**

AN ACT TO ESTABLISH THE ACHIEVEMENT SCHOOL DISTRICT.

The General Assembly of North Carolina enacts:

SECTION 1. Subchapter III of Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 7A.

"Achievement School District and Innovation Zones.

"§ 115C-75.5. Definitions.

The following definitions apply in this Article:

- (1) Achievement school. – A qualifying school selected by the State Board of Education under the supervision of the Achievement School District.
- (2) Achievement School District or ASD. – The statewide school unit established pursuant to this Article.
- (3) Achievement school operator or AS operator. – An entity selected by the State Board of Education upon the recommendation of the ASD Superintendent to operate an achievement school. The Department of Public Instruction may not be selected as an AS operator.
- (4) ASD Superintendent. – The superintendent of the ASD appointed by the State Board of Education in accordance with G.S. 115C-75.6(b).
- (5) Qualifying school. – A low-performing school, as defined in G.S. 115C-105.37, that meets one of the following criteria:
 - a. The school received a school performance score in the lowest five percent (5%) of all schools in the prior school year that meet all of the following requirements:
 1. The school includes all or part of grades kindergarten through fifth.
 2. The school did not exceed growth in at least one of the prior three school years and did not meet growth in at least one of the prior three school years.
 3. One of the models established in G.S. 115C-105.37B for continually low-performing schools had not been adopted for that school for the immediately prior school year.
 - b. The school received a school performance score in the lowest ten percent (10%) of all schools that include all or part of grades kindergarten through fifth in the prior school year and has been designated by the local board of education for consideration by the State Board of Education as an achievement school.

"§ 115C-75.6. Achievement School District.

(a) There is established the Achievement School District (ASD) under the administration of the State Board of Education. The ASD shall assume the supervision, management, and operation of elementary schools that have been selected as achievement schools pursuant to this Article.

(b) An ASD Superintendent Selection Advisory Committee shall be established to make a recommendation to the State Board of Education on appointment of a superintendent to serve as the executive officer of the ASD. The Committee shall ensure that the individual recommended has qualifications consistent with G.S. 115C-271(a). The Lieutenant Governor shall serve as chair of the Committee and shall appoint the following additional members:

- (1) Three members of the State Board of Education.
- (2) One teacher or retired teacher.
- (3) One principal or retired principal.
- (4) One superintendent or retired superintendent.
- (5) One parent of a student currently enrolled in a low-performing school, as defined in G.S. 115C-105.37.

(c) The State Board of Education shall consider the recommendation of the ASD Superintendent Selection Advisory Committee and shall appoint a superintendent to serve as the executive officer of the ASD. The ASD Superintendent shall serve at the pleasure of the State Board of Education at a salary established by the State Board of Education within the funds appropriated for this purpose. The ASD Superintendent shall have qualifications consistent with G.S. 115C-271(a) and report directly to the State Board of Education.

(d) By January 15 annually, the State Board of Education and the ASD Superintendent shall report to the Joint Legislative Education Oversight Committee on all aspects of operation of ASD, including the selection of achievement schools and their progress.

"§ 115C-75.7. Selection of achievement schools.

(a) State Board Selection. – The State Board of Education is authorized to select, upon the recommendation of the ASD Superintendent, no more than five qualifying schools to transfer to the ASD as achievement schools. The five qualifying schools selected for inclusion in the ASD should represent geographic diversity, including urban and rural schools. The State Board of Education shall select no more than one qualifying school per local school administrative unit, unless the local board of education consents.

(b) Selection Process. – The selection of qualifying schools shall be based on an analysis of performance over the most recent three-year period. Prior to recommendation of selection of a qualifying school, the ASD Superintendent shall conduct an evaluation of the school to determine the factors contributing to the school's performance and shall confer with the school principal, local board of education members, the local school superintendent, and the local board of county commissioners to share the findings of the evaluation. The school selection process shall also include a public hearing to allow for parent and community input. The ASD Superintendent shall evaluate and identify the qualifying schools to recommend for selection as prospective achievement schools no later than November 15 prior to the initial school year in which the school may operate as an achievement school and shall notify the local boards of education where prospective achievement schools are located by that date. The State Board of Education shall select the prospective achievement schools no later than January 15.

(c) Local Board Response. – Upon notification by the ASD Superintendent of selection by the State Board of Education of the qualifying school as a prospective achievement school, the local board of education shall determine whether to (i) close the selected qualifying school or (ii) transfer the school into the ASD. The local board shall not be required to undertake the study required by G.S. 115C-72 before closing the school. Before the adoption of a resolution, the local board of education shall provide for a public hearing in regard to the proposed transfer or closure, at which hearing the public shall be afforded an opportunity to express their views. No later than March 1, the local board of education shall adopt a resolution either (i) consenting to transfer of the selected qualifying school to the ASD as an achievement school or (ii) closing that school at the conclusion of that school year. The State Board of Education may delay the transfer of a selected school to the ASD for one year only upon the recommendation of the ASD Superintendent.

(d) Public Notification. – The list of qualifying schools and selected achievement schools shall be made publically available on a Web site maintained by the ASD.

(e) Waivers for Achievement Schools. – The ASD Superintendent may waive State Board of Education rules, regulations, policies, and procedures, or the provisions of this Chapter for achievement schools; however, achievement schools shall be required to comply with, at a minimum, the statutory requirements for charter schools as provided in Article 14A of this Chapter. The goal for each waiver shall be improvement of student performance. All achievement schools shall comply with all applicable constitutional and statutory nondiscrimination requirements.

"§ 115C-75.8. Selection of AS operators.

(a) The State Board of Education may select an AS operator for a prospective achievement school by January 15 and shall select an AS operator for a prospective school no later than February 15.

(b) Upon the recommendation of the ASD Superintendent, the State Board of Education shall only select an entity to contract as an AS operator if that entity demonstrates one of the following:

- (1) The entity has a record of results in improving performance of persistently low-performing schools or improving performance of a substantial number of persistently low-performing students within a school or schools operated by the entity in this State or other states.
- (2) The entity has a credible and specific plan for dramatically improving student achievement in a low-performing school and provides evidence that the entity, or a contractual affiliate of such an entity, is either currently operating a school or schools in this State that provide students a sound, basic education or demonstrating consistent and substantial growth toward providing students a sound, basic education in the prior three school years.

(c) The selected AS operator is encouraged to hold public informational sessions and other outreach to the community, prospective achievement school, and local board of education of a prospective achievement school prior to a local board's adoption of the resolution required by G.S. 115C-75.7(c).

(d) The contract between the State Board of Education and AS operator shall require, as a minimum, that the AS operator meet the same requirements as established for charter schools in the following statutes:

- (1) G.S. 115C-218.20 (Civil liability and insurance requirements).
- (2) G.S. 115C-218.25 (Open meetings and public records).
- (3) G.S. 115C-218.30 (Accountability; reporting requirements to State Board of Education).
- (4) G.S. 115C-218.50 (Charter school nonsectarian).
- (5) G.S. 115C-218.55 (Nondiscrimination in charter schools).
- (6) G.S. 115C-218.60 (Student discipline).
- (7) G.S. 115C-218.65 (North Carolina School Report Cards).
- (8) G.S. 115C-218.75 (General operating requirements).
- (9) G.S. 115C-218.85 (Course of study requirements).

"§ 115C-75.9. Management of achievement schools.

(a) Direct Management by AS Operator. – An achievement school shall be subject to direct management by an AS operator selected by the State Board of Education, upon the recommendation of the ASD Superintendent, for a five-year contract.

(b) Role of AS Operator. – The AS operator shall be authorized to have a direct role in making decisions about school finance, human capital, and curriculum and instruction for the achievement school while developing the leadership capacity in such schools.

(c) Assignment to Achievement Schools. – All achievement schools shall remain open to enrollment in the same manner with the same attendance zone as prior to becoming an achievement school. If a local board of education's reassignment of students within the local school administrative unit due to student population changes or openings or closures of other schools impacts the achievement

school, the AS operator may appeal to the ASD Superintendent and request a hearing before the State Board of Education regarding the reassignment. Notwithstanding G.S. 115C-366, the State Board of Education shall, after hearing from both the local board of education and AS operator, determine whether the reassignment of students impacting the achievement school may proceed.

(d) Facility and Capital Expenditures. – Facility and capital expenditures shall be provided as follows:

- (1) In addition to the transfer of funds as provided in G.S. 115C-75.10, the local board of education shall be responsible for facility and capital expenditures at the qualifying school.
- (2) All AS operators and local boards of education shall enter into an occupancy agreement establishing the terms of occupancy for the AS operator not otherwise addressed in statute. If the parties are unable to reach agreement, either party may petition the State Board of Education to resolve any issues in dispute.
- (3) The AS operator shall have first priority in use of the facility for any purpose related to the operation of the achievement school. The local board of education may allow use of the facility by governmental, charitable, civic, or other organizations for activities within the community and may retain any funds received for such use for any time the AS operator has not provided written notice to the local board of its use of the facility during that time for a purpose related to the operation of the achievement school.

For the purposes of this subsection, facility and capital expenditures include routine maintenance and repair, and capital expenditures include building repair and maintenance, furniture, furnishings, and equipment.

(e) Transportation. – The local board of education shall provide transportation of all students assigned to the achievement school in the same manner as provided for other schools in the local school administrative unit in that school year.

(f) Memorandums of Understanding for Alternate Arrangements. – Notwithstanding this section, the AS operator, in consultation with the ASD Superintendent, may elect to enter into a memorandum of understanding for alternate arrangements with the local board of education to address any of the following:

- (1) Facility and capital expenditures.
- (2) Transportation services.
- (3) Services for Children with Disabilities.

If the AS operator elects to use a memorandum of understanding for alternate arrangements, the AS operator and local board of education shall finalize the memorandum of understanding within 30 days of the initial request by the AS operator. If the parties have not completed the memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(g) Student Records. – The local board of education shall make available in a timely fashion all student records to the achievement school at no cost for all students of that school.

(h) Achievement School Employees. – The AS operator shall select and hire the school principal for an achievement school. Within the limits of the school budget, the AS operator or its designee shall select staff members in accordance with guidance from the ASD Superintendent. Before finalizing staffing recommendations, the AS operator and the ASD Superintendent or the Superintendent's designee shall interview all existing staff members at the qualifying school and review student growth and performance data for those staff members for whom it is available. Notwithstanding Article 21A of this Chapter, the AS operator and the ASD Superintendent shall be permitted to examine personnel files of existing staff members for the qualifying school. The AS operator shall have the authority to decide whether any administrator, teacher, or staff member previously assigned to a qualifying school selected to become an achievement school shall continue as an employee of the achievement school. Any such employees retained shall become employees of the ASD. An employee hired to work in an achievement school shall be an employee of the ASD, and the employees shall be under the exclusive control of the

ASD. All employees of the ASD shall be eligible for enrollment in the Teachers' and State Employees' Retirement System of North Carolina, the State Health Plan, and other benefits available to State employees. The AS operator shall provide funds to the ASD in an amount sufficient to provide salary and benefits for employees of the ASD working in the achievement school based on the terms of employment established by the AS operator.

(i) Criminal History Checks. – The State Board of Education shall require applicants for employment with the ASD to be checked for criminal histories using the process provided in G.S. 115C-297.1. The State Board of Education shall provide the criminal history it receives to the ASD Superintendent and AS operator.

(j) Employees of Local Board of Education. – The transfer of a qualifying school shall be deemed a reorganization of the local school administration unit resulting in a reduction in force. If an employee is not given the option to continue as an employee for the achievement school, the local board of education may, in its discretion, do any of the following:

- (1) Continue the employee's employment with the local board of education.
- (2) Dismiss the employee due to a reduction in force as provided in Article 22 of this Chapter.
- (3) Dismiss the employee as otherwise provided in Article 22 of this Chapter.

(k) Liability Insurance. – The AS operator shall maintain reasonable amounts and types of liability insurance as established by the State Board of Education. No civil liability shall attach to a local board of education or to any of its members or employees, individually or collectively, for any acts or omissions of the AS operator.

(l) School Nutrition Program. – The achievement school shall participate in the National School Lunch Program, as provided in G.S. 115C-264.

(m) Cooperation with ASD Superintendent. – The local board of education shall cooperate with the ASD Superintendent in carrying out his or her powers and duties as necessary in accordance with this Chapter.

"§ 115C-75.10. Achievement schools funds.

(a) Funding Allocation Selection. – State and local funding for an achievement school shall be allocated as provided in subsection (b) or subsection (c) of this section. The AS operator shall select one of the allocation methods as the method to be used for the achievement school.

(b) Designated Funding. – Funding shall be allocated to the ASD for the achievement school by the State Board of Education and local board of education as follows:

- (1) The State Board of Education shall allocate the following to the ASD for each achievement school:
 - a. An amount equal to the average per pupil allocation for average daily membership from the local school administrative unit allotments in which the achievement school was located for each child attending the achievement school except for the allocations for (i) children with disabilities, (ii) children with limited English proficiency, and (iii) transportation. The State Board of Education shall provide the allocation for transportation to the local school administrative unit in which the achievement school is located.
 - b. An additional amount for each child attending the achievement school who is a child with disabilities.
 - c. An additional amount for children with limited English proficiency attending the achievement school, based on a formula adopted by the State Board of Education.
- (2) The local school administrative unit in which the achievement school is located shall transfer to the ASD for the achievement school an amount equal to the per pupil share of the local current expense fund of the local school administrative unit for the fiscal year. The per pupil share of the local current expense fund shall be transferred to the

ASD for the achievement school within 30 days of the receipt of monies into the local current expense fund. The local school administrative unit and ASD may use the process for mediation of differences between the State Board of Education and a charter school provided in G.S. 115C-218.95(d) to resolve differences on calculation and transference of the per pupil share of the local current expense fund. The amount transferred under this subsection that consists of revenue derived from supplemental taxes shall be transferred only to an achievement school located in the tax district for which these taxes are levied and in which the student resides. The local school administrative unit shall also provide the ASD with all of the following information within the 30-day time period provided in this subsection:

- a. The total amount of monies the local school administrative unit has in each of the funds listed in G.S. 115C-426(c).
- b. The student membership numbers used to calculate the per pupil share of the local current expense fund.
- c. How the per pupil share of the local current expense fund was calculated.
- d. Any additional records requested by the ASD from the local school administrative unit in order for the ASD to audit and verify the calculation and transfer of the per pupil share of the local current expense fund.

(c) Funding Memorandum of Understanding. – The AS operator, in consultation with the ASD Superintendent, may enter into a funding memorandum of understanding with the local board of education of the local school administrative unit where the achievement school is located for all student support and operational services and instructional services to be provided by the local board of education in the same manner and degree as in the prior school year or funding in an amount equivalent to the amount the local board of education would have expended on those services if provided. For the purposes of this subsection, student support and operational services include cafeteria services, custodial services, broadband and utilities, and student information services, and instructional services include alternative education, special education services, test administration services, textbooks, technology, media resources, instructional equipment, and other resources. The AS operator and local board of education shall finalize the funding memorandum of understanding within 30 days of the initial request for the memorandum by the AS operator. If the parties have not completed the funding memorandum of understanding within 30 days, the State Board of Education shall resolve any issues in dispute.

(d) The ASD may seek, manage, and expend federal money and grants, State funding, and other funding with the same authority as a local school administrative unit, including decisions related to allocation of State funds among achievement schools.

"§ 115C-75.11. Accountability and governance for achievement schools.

(a) The AS operator shall set clear goals related to higher academic outcomes for students, safe and positive learning environments for children, parent and community engagement, and the efficient and effective use of taxpayer dollars, empower and equip teachers and school leaders to meet the goals, and hold such teachers and school leaders accountable to meet the goals. The AS operator shall apply to the ASD Superintendent for appropriate waivers for the achievement school pursuant to G.S. 115C-75.7(e).

(b) The AS operator shall select, approve, or remove the school principal of an achievement school that it is managing in accordance with this Article.

(c) The AS operator shall enter into an agreement with the school principal regarding specific goals for the achievement school related to higher academic outcomes for students, safe and positive learning environments for children, parent and community engagement, and the efficient and effective use of taxpayer dollars. The agreement shall be made publicly available on the ASD Web site.

(d) An achievement school shall not be included in any State evaluation or performance models used for the local school administrative unit in which the school is located but shall be considered a part of the ASD for all evaluation purposes.

"§ 115C-75.12. Term of supervision for an achievement school.

(a) An achievement school shall remain under the supervision of the ASD for a minimum of five consecutive years through a contract with an AS operator. The following shall apply to the term of a contract with an AS operator of an achievement school:

- (1) Early termination of contract based on performance. – If, during the five-year contract, the achievement school's annual percentage growth does not exceed the average annual percentage growth of other qualifying schools for three consecutive years, the State Board of Education, upon the recommendation of the ASD Superintendent, may terminate the contract at the conclusion of the academic year and select another AS operator in accordance with G.S. 115C-75.8 to assume the remainder of the five-year contract and any occupancy agreements or memorandums of understanding with the local board of education at the beginning of the next academic year.
- (2) Nonrenewal of contract based on performance. – If, by the end of the five-year contract, the achievement school's average annual percentage growth during the term of the contract does not exceed the average annual percentage growth of other qualifying schools during the same term, the State Board of Education shall not renew the contract of the AS operator and develop a transition plan to return the school to the local school administrative unit.
- (3) State Board of Education optional extension of contract for three years. – If, by the end of the five-year contract, the achievement school remains a qualifying school but has exceeded the average annual percentage growth of other qualifying schools and has shown growth over the term of the contract, the State Board of Education, upon the recommendation of the ASD Superintendent in his or her discretion, may continue the contract with the AS operator for an additional three-year term. The ASD Superintendent and AS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ASD at the conclusion of the three-year extension of the contract. If the State Board of Education does not elect to continue the contract, the State Board of Education may do any of the following:
 - a. Select another AS operator for a three-year contract.
 - b. Close the school as provided in subdivision (2) of this subsection.
 - c. Develop a transition plan to return the school to the local school administrative unit for the next school year.
- (4) AS operator option to extend contract for three years. – If, by the end of the five-year contract, the achievement school receives a grade of C or higher under G.S. 115C-12(9)c1., the AS operator shall have the option to extend the contract for another three-year term. The ASD Superintendent and AS operator shall engage the school, the school community, and the school's local board of education in developing a transition plan for the school to leave the supervision of the ASD at the conclusion of the three-year extension of the contract. Options at the conclusion of the contract shall include the following:
 - a. Conversion to charter. – If, in the development of the transition plan, a local board of education indicates by resolution to the State Board of Education that the local board of education elects to not receive the transfer of the achievement school back to the local school administrative unit, the AS operator may apply to convert the school to a charter school under Article 14A of this Chapter. If a charter is awarded, the charter board of directors may request to use the facility as provided in G.S. 115C-218.35. If the AS operator does not seek conversion to a charter school or fails to receive a charter, the State Board of Education may close the school as provided in subdivision (2) of this subsection.

b. Alternate as operator or return to local school administrative unit. – If the AS operator does not elect to continue the contract, the State Board of Education may select another AS operator for a three-year contract or may develop a transition plan to return the school to the local school administrative unit for the next school year.

(5) Termination of contract on other grounds. – The State Board of Education, upon the recommendation of the ASD Superintendent, may terminate a contract with an AS operator at any time during the contract for financial mismanagement, noncompliance with federal or State laws, failure to comply with the terms of the contract, or evidence of criminal activity. The State Board of Education shall develop a transition plan to return the school to the local school administrative unit.

(b) An achievement school shall remain under the supervision of the ASD for no more than eight years.

(c) The State Board of Education shall make all decisions related to contracts for AS operators no later than May 1, except as provided in subdivision (5) of subsection (a) of this section.

"§ 115C-75.13. Innovation zones.

(a) If a local board of education transfers a qualifying school to the ASD, the local board of education may ask the State Board of Education to be allowed to create an innovation zone for up to three continually low-performing schools within its local school administrative unit. The State Board of Education shall grant such requests for the creation of an innovation zone. The State Board of Education shall also authorize the local board of education the flexibility to operate the schools within the innovation zone with the same exemptions from statutes and rules as a charter school authorized under Article 14A of this Chapter and with exemptions from local board of education policies as needed to ensure autonomy under the guidance of the innovation zone office for financial, programmatic, staffing, and time allocation decisions.

(b) The innovation zone created by a local board of education must include all of the following:

- (1) Development of a clear and specific plan for improving schools within the innovation zone.
- (2) Establishment of an innovation zone office with a leader appointed by the local board of education and approved by the State Board of Education to govern and lead the schools in the innovation zone.
- (3) Attraction of high-quality staff at schools in the innovation zone through the use of incentives, favorable working conditions, and development of partnerships to develop human capital.
- (4) Accountability for those schools based on established benchmarks and goals for student achievement and for support services provided by the local school administrative unit based on metrics established by the innovation zone office for effective and efficient delivery.
- (5) Support for those schools by the innovation zone office to ensure priority in services from the local school administrative unit, pursuit of outside funding, and technical support, including support from external partners.

(c) A local board of education may maintain an innovation zone created as provided in subsection (a) for up to five consecutive years. The State Board of Education may terminate the innovation zone as follows:

- (1) Early termination of innovation zone based on performance. – If, during the five-year period, the average of the annual percentage growth of the schools within the innovation zone does not exceed the average annual percentage growth of other continually low-performing schools for three consecutive years, the State Board of Education, upon the recommendation of the ASD Superintendent, may terminate the innovation zone at the conclusion of the academic year.

- (2) Nonrenewal of innovation zone based on performance. – If, by the end of the five-year period, the average annual percentage growth of the schools within the innovation zone over the five-year period does not exceed the average annual percentage growth of other continually low-performing schools during the same term, the State Board of Education shall not permit the local board of education to continue the innovation zone.
- (3) State Board of Education optional extension of innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone remain continually low-performing schools but have exceeded the average annual percentage growth of other continually low-performing schools, the State Board of Education, upon the recommendation of the ASD Superintendent in his or her discretion, may allow continuation of the innovation zone for an additional three years.
- (4) Local board of education option to extend innovation zone for three years. – If, by the end of the five-year period, the schools within the innovation zone receive a grade of C or higher under G.S. 115C-12(9)c1., the local board of education shall have the option to extend the innovation zone for another three years."

SECTION 2. G.S. 115C-105.37A is amended by adding a new subsection to read:

"(d) The State Board of Education shall report annually to the Superintendent of the Achievement School District on any schools identified under this section as qualifying schools as defined in G.S. 115C-75.5 for consideration to be selected as achievement schools in accordance with Article 7A of this Chapter."

SECTION 3. G.S. 115C-321(a) reads as rewritten:

"(a) All information contained in a personnel file, except as otherwise provided in this Chapter, is confidential and shall not be open for inspection and examination except to any of the following persons:

- (1) The employee, applicant for employment, former employee, or his properly authorized agent, who may examine his own personnel file at all reasonable times in its entirety except for letters of reference solicited prior to employment.
- (2) The superintendent and other supervisory personnel.
- (3) Members of the local board of education and the board's attorney.
- (4) A party by authority of a subpoena or proper court order may inspect and examine a particular confidential portion of an employee's personnel file.
- (5) An achievement school operator and the Superintendent of the Achievement School District if the school where the individual is employed has been selected as an achievement school as provided in Article 7A of this Chapter."

SECTION 4. Evaluation of the Achievement School District and Other Innovation Models. – The State Board of Education shall contract during the 2016-2017 school year with an independent research organization to evaluate the implementation and effectiveness of the following:

- (1) The Achievement School District in turning around low-performing schools beginning with the 2017-2018 school year through the 2021-2022 school year, including the innovation zone established in Section 4.5 of this act. The State Board of Education shall require AS operators to provide the independent research organization with requested data to conduct the evaluation. The independent research organization shall include an analysis on the impact of public versus private funding in the effectiveness of the Achievement School District.
- (2) Innovation zones in turning around low-performing schools beginning with the 2016-2017 school year through the 2021-2022 school year. The State Board of Education shall require local boards of education granted innovation zones to provide the independent research organization with requested data to conduct the evaluation.

The independent research organization shall report its interim findings to the State Board of Education annually no later than February 15, beginning in 2017, and shall submit a final report no later

than February 15, 2023. The State Board of Education shall provide the report of the independent research commission, along with any recommended legislative changes, to the Joint Legislative Education Oversight Committee annually no later than March 1, beginning in 2017 until submission of the final report in 2023.

SECTION 4.5 The State Board of Education shall authorize the Charlotte-Mecklenburg (CMS) Board of Education to create an innovation zone among Project LIFT schools and Beacon Initiative schools, as provided in G.S. 115C-75.13, for the 2017-2018 through 2021-2022 school years. Notwithstanding G.S. 115C-75.13, the CMS innovation zone may include up to five low-performing schools. For the purposes of this section, Project LIFT schools are those schools within the feeder area for West Charlotte High School governed by the collaborative agreement between the CMS Board of Education and Project Leadership and Investment for Transformation. Beacon Initiative schools are those schools designated by the CMS Board of Education to participate in the Beacon Initiative Partnership between the CMS Board of Education and the University of Virginia.

SECTION 5. There is appropriated from the General Fund to the Department of Public Instruction four hundred thousand dollars (\$400,000) in recurring funds for the 2016-2017 fiscal year for salary and benefits for the ASD Superintendent, staff, and other expenses associated with the ASD. There is appropriated from the General Fund to the Department of Public Instruction five hundred thousand dollars (\$500,000) for the 2016-2017 fiscal year to contract with an independent research organization to conduct the evaluation required in Section 4 of this act.

SECTION 6. It is the intent of the General Assembly to appropriate to the Department of Public Instruction four hundred fifty thousand dollars (\$450,000) for the 2017-2018 fiscal year and annually thereafter for innovation zone model grants. Upon appropriation of funds, the State Board of Education shall award innovation zone model grants of up to one hundred fifty thousand dollars (\$150,000) per fiscal year for five years to local boards of education who (i) have been authorized to adopt the innovation zone model by the State Board of Education for up to three schools and (ii) provide a dollar-for-dollar match with non-State funding for the requested grant amount. Innovation zone model grants shall be directed by local boards of education to the innovation zone office to address specific issues in innovation zone schools.

SECTION 7. This act becomes effective only if funds are appropriated by the Current Operations Appropriations Act of 2016 for the Achievement School District.

SECTION 8. This act is effective when it becomes law and supervision of achievement schools by the Achievement School District shall begin with the 2017-2018 school year. In the discretion of the State Board of Education (i) the ASD Superintendent may not be required during the 2016-2017 school year to recommend qualifying schools for inclusion in the ASD for the 2017-2018 school year and (ii) the time line for selection of achievement schools for the 2017-2018 school year provided in G.S. 115C-75.7 may be varied, but in no event may the local board of education's decision occur later than April 1, 2017. The State Board of Education may select up to five qualifying schools to transfer to the ASD beginning with the 2017-2018 school year but shall select at least two qualifying schools to transfer to the ASD no later than the 2018-2019 school year and shall have selected five qualifying schools for transfer to the ASD no later than the 2019-2020 school year.

In the General Assembly read three times and ratified this the 30th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:05 p.m. this 22nd day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-55
HOUSE BILL 1137**

**AN ACT TO ENACT THE TREASURER'S 2016 INVESTMENT AND ADMINISTRATIVE
CHANGES ACT.**

The General Assembly of North Carolina enacts:

PART I. UPDATE STATUTES FOR TODAY'S MARKET

SECTION 1.1. G.S. 147-66 reads as rewritten:

"§ 147-66. Office and office hours.

The Treasurer shall keep his or her office at the City of Raleigh, and shall attend there between the hours of 10 o'clock A.M. and three o'clock P.M., ~~Sundays~~Saturdays, Sundays, periods of travel, and legal holidays excepted. ~~He~~The Treasurer shall be allowed such office room as may be necessary."

SECTION 1.2. G.S. 147-69.1(c) reads as rewritten:

"(c) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (b) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

- (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- (2) Obligations of ~~the Federal Financing Bank, the Federal Farm Credit Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the United States Postal Service, the Export Import Bank, the International Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank, and the Student Loan Marketing Association Bank.~~
- ...
- (7) Prime quality commercial paper ~~bearing that, when acquired, bears the highest rating~~rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and does not bearingbear a rating below the highest by any nationally recognized rating service which rates the particular obligation.
- (8) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that when bills or drafts are acquired, the accepting bank or its holding company is either (i) incorporated in the State of North Carolina or (ii) has outstanding publicly held obligations bearingthat bear the highest rating, such as a minimum of "P1," "A1," or "F1," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bearingbear a rating below the highest by any nationally recognized rating service which rates the particular obligations.

- (9) Asset-backed securities (whether considered debt or equity) ~~provided they provided, when acquired, the securities~~ bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest rating by any nationally recognized rating service which rates the particular securities.
- (10) Corporate bonds and notes ~~provided they they, when acquired,~~ bear the highest rating, such as "AAA" or "Aaa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission, and do not bear a rating below the highest by any nationally recognized rating service which rates the particular obligation."

SECTION 1.3. G.S. 147-69.2 reads as rewritten:

"§ 147-69.2. Investments authorized for special funds held by State Treasurer.

- (a) This section applies to funds held by the State Treasurer to the credit of each of the following:
 - (1) The Teachers' and State Employees' Retirement ~~System~~ System of North Carolina.
 - (2) The Consolidated Judicial Retirement ~~System~~ System of North Carolina.
 - (3) The State Health Plan for Teachers and State Employees.
 - ~~(4) The General Assembly Medical and Hospital Care Plan.~~
 - (5) The Disability Salary Continuation ~~Plan~~ Income Plan of North Carolina.
 - (6) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund.
 - (7) The North Carolina Local Governmental Employees' Retirement System.
 - (8) The Legislative Retirement ~~System~~ System of North Carolina.
 - (9) The Escheat Fund.
 - (10) The Legislative Retirement Fund.
 - (11) The State Education Assistance Authority.
 - (12) The State Property Fire Insurance Fund.
 - ~~(13) The Stock Workers' Compensation Fund.~~
 - ~~(14) The Mutual Workers' Compensation Fund.~~
 - (15) The Public School Insurance Fund.
 - (16) The Liability Insurance Trust Fund.
 - (16a) The University of North Carolina Hospitals at Chapel Hill funds, except appropriated funds, deposited with the State Treasurer pursuant to G.S. 116-37.2.
 - (17) Trust funds of The University of North Carolina and its constituent institutions deposited with the State Treasurer pursuant to G.S. 116-36.1.
 - (17a) North Carolina Veterans Home Trust Fund.
 - (17b) North Carolina National Guard Pension Fund.
 - (17c) Retiree Health Benefit Fund.
 - (17d) The Election Fund.
 - (17e) The North Carolina State Lottery Fund.
 - (17f) Funds deposited with the State Treasurer by public hospitals pursuant to G.S. 159-39(g).
 - (17g) Funds deposited with the State Treasurer by Local Government Other Post-Employment Benefits Trusts pursuant to G.S. 159-30.1.
 - (17h) The Local Government Law Enforcement Special Separation Allowance Fund.
 - (17i) The North Carolina Conservation Easement Endowment Fund.
 - (17j) The Conservation Grant Fund.
 - (18) Any other special fund created by or pursuant to law for purposes other than meeting appropriations made pursuant to the Executive Budget Act.
 - (19) The Swain County Settlement Trust Fund.
 - (20) Institutional funds of the colleges of the North Carolina Community College System.

(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds. The State Treasurer may invest the funds as provided in this ~~subsection~~ subsection in the manner authorized by subsection (e) of this section. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then that investment shall continue to be authorized by this subsection, and none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications. For purposes of computing market values on which percentage limitations on investments in this subsection are based, all investments shall be valued as of the last date of the most recent fiscal quarter. Notwithstanding anything in this section to the contrary, the State Treasurer shall categorize investment management arrangements according to the primary investment type or primary strategy utilized under the arrangement authorized under subsection (e) of this section. No investment management arrangement may be categorized in more than one of the subdivisions of this section.

- (1) Investments authorized by G.S. 147-69.1(c)(1)-(7).
- (2) General obligations of other states of the United States.
- (3) General obligations of cities, counties and special districts in North Carolina.
- (4) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or outside the United States, including obligations that are convertible into equity securities, if, when acquired, the obligations bear one of the four highest ratings of at least one nationally recognized rating service when acquired are within one of the four highest rating categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating service designated by the U.S. Securities and Exchange Commission.
- (5) Repealed by Session Laws 2001-444, s. 2, effective October 1, 2001.
- (6) Asset-backed securities (whether considered debt or equity) provided they bear ratings by equity), if, when acquired, the obligations are within one of the four highest ratings categories regardless of gradations, such as ratings beginning with "AAA," "AA," "A," or either "BBB" or "Baa," of at least one nationally recognized rating services as provided in G.S. 147-69.2(b)(4).service designated by the U.S. Securities and Exchange Commission.
- (6a) In addition to the limitations and requirements with respect to the investments of the Retirement Systems set forth in this subsection, the State Treasurer shall select investments of the assets of the Retirement Systems such that investments made pursuant to subdivisions (b)(1) through (6) of this section shall at all times equal or exceed twenty percent (20%) of the market value of all invested assets of the Retirement Systems.
- ~~(6b) Investments pursuant to subdivisions (b)(1) through (6) of this section may be made directly by the State Treasurer, through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by subdivisions (1) through (6) of this subsection, or through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by subdivisions (b)(1) through (6) of this section, provided for each indirect investment, the investment manager has assets under management of at least one hundred million dollars (\$100,000,000).~~

- (6c) ~~With respect to Retirement Systems' assets referred to in subdivision (b)(8), they may be invested~~invested, within or outside the United States, in obligations, debt securities, and asset-backed ~~securities; securities,~~ whether considered debt or equity, including obligations and securities convertible into other securities, that do not meet the requirements of any of subdivisions (b)(1) through (6) of this section nor subdivision (b)(7) of this section, ~~provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common, or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized~~section. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems.
- (7) ~~With respect to Retirement Systems' assets referred to in subdivision (8) of this subsection, (i) insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies, (ii) group trusts, (iii) individual, common, or collective trust funds of banks and trust companies, (iv) real estate investment trusts, (v) investment companies registered under the Investment Company Act of 1940, (vi) limited partnerships, limited liability companies, or other limited liability investment vehicles, and (vii) contractual arrangements in which the investment manager has discretion and authority to invest assets specified in such arrangements in investments authorized by this subsection; provided the investment manager has assets under management of at least one hundred million dollars (\$100,000,000); provided such investment assets are~~subsection may be invested in strategies managed primarily for the purpose of investing in or owning real estate or related debt financing, excluding asset-backed financing, financing and timberlands, located within or outside the United States; and provided that the investments authorized byStates. The amount invested under this subdivision shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems.
- (8) With respect to assets of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, the Registers of Deeds' Supplemental Pension Fund, and the Retiree Health Benefit Fund (hereinafter referred to collectively as the Retirement Systems), ~~and assets invested pursuant to subdivision (b2) of this section,~~ they may be invested in a strategy composed primarily of equity securities traded on a public securities exchange or market organized and regulated pursuant to the laws of the jurisdiction of such exchange or market and issued by any company incorporated or otherwise created or located within or outside the United States; provided the investments meet the conditions of this subdivision. The investments authorized for the Retirement Systems under this subdivision ~~cannot exceed sixty five percent (65%) of the market value of all invested assets of the Retirement Systems.~~
~~The assets authorized under this subdivision may be invested directly by the State Treasurer in any equity securities authorized by this subdivision for the primary purpose of approximating the movements of a nationally recognized and published~~

market benchmark index. No more than one and one-half percent (1.5%) of the market value of the Retirement Systems' assets that may be invested directly under this subdivision can be invested in the stock of a single corporation, and the total number of shares in that single corporation cannot exceed eight percent (8%) of the issued and outstanding stock of that corporation.

~~So long as each investment manager has assets under management of at least one hundred million dollars (\$100,000,000), the assets authorized under this subdivision may also be invested through any of the following:~~are subject to the following limitations:

- a. ~~Investment companies registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks and trust companies; and group trusts that invest primarily in investments authorized by this subdivision.~~
 - a1. The aggregate amount of such investments cannot exceed sixty-five percent (65%) of the market value of all invested assets of the Retirement Systems.
 - b. ~~Limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded and invest primarily in investments authorized by this subdivision. Investments under this sub-subdivision~~The aggregate amount of the investment invested through investment companies described in sub-subdivision (e)(4)b. of this section shall not exceed eight and one-half percent (8.5%) of the market value of all invested assets of the Retirement Systems.Systems, except that the market value of group trusts and individual, common, or collective trust funds of banks and trust companies shall not be applied against this limit.
 - e. ~~Contractual arrangements in which investment managers have full and complete discretion and authority to invest assets specified in such contractual arrangements in investments authorized by this subdivision.~~
- (9) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in ~~interests in limited partnerships, limited liability companies, or other limited liability investment vehicles that are not publicly traded if the primary purpose of the limited partnership, limited liability company, or other limited liability investment vehicle is (i) to invest in~~(i) a strategy composed primarily of private equity, or corporate buyout transactions, within or outside the United States or (ii) an arrangement authorized under subsection (e) of this section with the primary purpose to engage in other strategies not expressly authorized by any other subdivision of this subsection. The amount invested under this subdivision shall not exceed eight and three-quarters percent (8.75%) of the market value of all invested assets of the Retirement Systems.
- (9a) With respect to Retirement Systems' assets, as defined in subdivision (b)(8) of this subsection, they may be invested in ~~inflation-linked bonds, timberlands, commodities,~~invested, within or outside the United States, in obligations, debt securities, asset-backed securities, whether considered debt or equity, and other investments that are acquired by the Treasurer for the primary purpose of providing protection against risks associated with inflation, provided such investments are made through investment companies registered under the Investment Company Act of 1940, individual, common or collective trust funds of banks and trust companies, group trusts and limited partnerships, limited liability companies or other limited liability investment vehicles that invest primarily in investments authorized by this subdivision and through contractual arrangements in which the investment manager has full and complete discretion and authority to invest assets specified in such arrangements in investments authorized by this subdivision, provided the investment manager for each

~~investment pursuant to this subdivision has assets under management of at least one hundred million dollars (\$100,000,000) and provided that the investments authorized along with timberland, natural resources, commodities, infrastructure, transportation, agriculture, and other tangible and intangible real assets. The amount invested under this subdivision shall not exceed seven and one-half percent (7.5%) of the market value of all invested assets of the Retirement Systems. Notwithstanding anything in this subsection to the contrary, the investments authorized by this subdivision shall not be included in any subdivision other than this subdivision for purposes of the percentage investment limitations therein or otherwise.~~

- (10) Recodified as part of subdivision (b)(9) by Session Laws 2000-160, s. 2.
- (10a) With respect to Retirement Systems' assets, as defined in subdivision (8) of this subsection, the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection shall not exceed ten percent (10%) of the market value of all invested assets of the Retirement Systems; and the aggregate market value of all assets invested pursuant to subdivisions (6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a) of this subsection shall not exceed thirty-five percent (35%) of the market value of all invested assets of the Retirement Systems. ~~The quarterly report provided by the Treasurer pursuant to G.S. 147-68(d1) shall include a specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of subdivisions (6c) and (7), sub-subdivision b. of subdivision (8), and subdivisions (9) and (9a) of this subsection. In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of this subsection increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement Systems as of the prior fiscal year end, then the quarterly report provided by the Treasurer pursuant to G.S. 147-68(d1) shall describe how that increase complies with the duties described in G.S. 147-69.7 and the consequent expected impact on the risk profile of the Retirement Systems' assets.~~
- (11) Repealed by Session Laws 2013-360, s. 6.3(c), effective July 1, 2013.
- (12) It is the intent of the General Assembly that the Escheat Fund provide a perpetual and sustainable source of funding for the purposes authorized by the State Constitution. Accordingly, the following provisions apply:
 - a. With respect to assets of the Escheat Fund, in addition to those investments authorized by subdivisions (1) through (6) of this subsection, up to ten percent (10%) of such assets may be invested in the investments authorized under subdivisions (6c) through (9a) of this subsection, notwithstanding the percentage limitations imposed on the Retirement Systems' investments under those subdivisions, and provided that the State Treasurer may invest the assets as provided in subsection (e) of this section.
 - b. ~~The State Treasurer shall engage a third-party professional actuary or consultant to conduct a valuation and projection of the financial status of the Escheat Fund. The associated costs for the services may be directly charged to the Escheat Fund. The State Treasurer shall communicate the valuation of the actuary or consultant in an annual report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the chairs of the respective appropriations and appropriate substantive committees of each chamber. The annual report shall evaluate claims by owners upon the Escheat Fund, current and projected investment returns, and projected contributions to the Escheat Fund. In the report, the State Treasurer shall assess~~

~~the status of utilizing the Escheat Fund as an endowment fund and shall recommend an annual amount available for the funding of scholarships, loans, and grants from the Fund. The annual report shall be presented no later than December 31 of each year.~~

- c. The State Treasurer shall invest, in addition to those investments authorized by ~~subdivision (12) of this subsection~~sub-subdivision a. of this subdivision, ten percent (10%) of the net assets of the Escheat Fund as authorized under G.S. 147-69.2A.

(b1) ~~With respect to investments authorized by subdivisions (b)(7), (b)(8), and (b)(9) of this section, the~~ The State Treasurer shall appoint an Investment Advisory Committee, which shall consist of seven members: the State Treasurer, who shall be chairman ex officio; two members selected from among the members of the boards of trustees of the Retirement Systems; and four members selected from the general public. ~~The four public~~All appointed members must have experience in areas relevant to the administration of a large, diversified investment program, including, but not limited to, investment management, securities law, real estate development, or absolute return strategies. The State Treasurer shall also appoint a Secretary of the Investment Advisory Committee who need not be a member of the committee. Members of the committee shall receive for their services the same per diem and allowances granted to members of the State boards and commissions generally. The committee shall have advisory powers only and membership shall not be deemed a public office within the meaning of Article VI, Section 9 of the Constitution of North Carolina or G.S. 128-1.1.

(b2) The State Treasurer may invest funds deposited pursuant to subdivision (a)(17f) of this section in any of the investments authorized under subdivisions (b)(1) through (6), subdivision (b)(6c), and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by a hospital shall remain the funds of that hospital, and interest or other investment income earned thereon shall be prorated and credited to the contributing hospital on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this ~~subsection~~. Subsection and expenditures authorized under this section.

(b3) The State Treasurer may invest funds deposited pursuant to subdivision (a)(16a) of this section in any of the investments authorized under subdivisions (1) through (6), subdivision (6c) and subdivision (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess reasonable fees, not to exceed 15 basis points per annum, as a condition of participation pursuant to this subsection. Funds deposited pursuant to this subsection by the University of North Carolina Hospitals at Chapel Hill shall remain the funds of the University of North Carolina Hospitals at Chapel Hill, and interest or other investment income earned thereon shall be prorated and credited to the University of North Carolina Hospitals at Chapel Hill on the basis of the amounts thereof contributed, figured according to sound accounting principles. Fees assessed by the State Treasurer may be used to defray the cost of administering investments pursuant to this ~~subsection~~. Subsection and expenditures authorized under this section.

(b4) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the State Treasurer may invest funds deposited pursuant to subdivision (17g) of subsection (a) of this section in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. Funds deposited pursuant to this subsection by a Local Government Other Post-Employment Benefits Trust and interest or other investment income earned from those funds shall be prorated and credited to the contributing trust on the basis of the amounts contributed, figured according to sound accounting

principles. For investments under subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of participation pursuant to this subsection. Fees assessed by the State Treasurer may be used to defray the costs of administering the ~~Fund~~. Fund and expenditures authorized under this section.

(b5) In addition to the investments authorized under subdivisions (b)(1) through (6) of this section, the State Treasurer may invest funds deposited in the Local Government Law Enforcement Special Separation Allowance Fund in any of the investments authorized under subdivisions (b)(6c) and (b)(8) of this section, notwithstanding the percentage limitations imposed on the Retirement Systems' investments therein. For investments from that Fund made under subdivisions (b)(6c) and (b)(8) of this section, the State Treasurer may require a minimum deposit of up to one hundred thousand dollars (\$100,000) and may assess reasonable fees of up to 15 basis points per annum as a condition of making the investment. The fee may be used to defray the costs of administering the ~~Fund~~. Fund and expenditures authorized under this section.

(c) Repealed by Session Laws 1995, c. 501, s. 2.

(d) The State Treasurer may invest funds deposited pursuant to subdivisions (a)(17i) or (a)(17j) of this section in any of the investments authorized under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The State Treasurer may require a minimum deposit, up to one hundred thousand dollars (\$100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of participation pursuant to this subsection. Fees assessed by the State Treasurer may be used to defray the costs of administering the funds and expenditures authorized under this section. Funds deposited pursuant to this subsection shall remain the funds of the North Carolina Conservation Easement Endowment Fund or the Conservation Grant Fund, as applicable, and interest or other investment income earned thereon shall be prorated and credited to the North Carolina Conservation Easement Endowment Fund or the Conservation Grant Fund on the basis of the amounts contributed to the respective Funds, figured according to sound accounting principles.

(e) Investments made pursuant to this section may be made as internally managed investments by the State Treasurer or may be made through third-party investment management arrangements, under the following conditions:

- (1) Internally managed portfolios shall be subject to industry standard portfolio guidelines developed with periodic consultation by the Investment Advisory Committee.
- (2) In assessing whether to invest directly or to utilize indirect third-party investment management arrangements, the State Treasurer shall consider all material factors he or she considers relevant to the decision consistent with the Treasurer's fiduciary duties under G.S. 147-69.7, including financial, operational, and investment expertise and resources, alignment of interests and investor protections, transparency and repeatability of investment process, risk controls, and cost-effectiveness.
- (3) For any third-party investment management arrangements, the investment manager must have total assets under management of at least one hundred million dollars (\$100,000,000) at the inception of the investment management arrangement with the State Treasurer.
- (4) Third-party investment management arrangements may be with persons and legal entities located within or outside the United States, including through any of the following:
 - a. Contractual arrangements in which the investment manager has delegated discretion and authority to invest assets.
 - b. Investment companies as defined under United States generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, including without limitation entities registered under the Investment Company Act of 1940; individual, common, or collective trust funds of banks

and trust companies; limited partnerships; limited liability companies or other limited liability investment vehicles; and insurance contracts that provide for participation in individual or pooled separate accounts of insurance companies.

Any limited liability investment vehicles organized by the State Treasurer shall be deemed investment companies for the purposes of this subsection.

- (5) Investment companies shall provide annual audited financial statements to the State Treasurer, unless the State Treasurer waives the requirement after conducting a cost-benefit analysis.
- (6) In connection with any investment otherwise authorized under this section, the State Treasurer may enter into an indemnification agreement provided that, under any agreement, the liability of the State Treasurer will be limited to the amount of the State Treasurer's contractual investment."

SECTION 1.4. (a) G.S. 147-69.2A(a) reads as rewritten:

"§ 147-69.2A. Investments; special funds held by the State Treasurer.

(a) Firm to Administer Special Fund. – Following a public procurement process, a designee of the Governor, a designee of the State Treasurer, a designee of the Speaker of the House of Representatives, and a designee of the President Pro Tempore of the Senate shall jointly and unanimously select a third-party professional investment management firm, registered with the U.S. Securities and Exchange Commission, to administer ~~the Fund~~ special fund created to invest assets described in G.S. 147-69.2(b)(12)c. and select investment opportunities appropriate for receiving allocations from the Fund on the basis of potential return on investment and the risks attendant thereto. The State Treasurer shall assign professional and clerical staff to assist in the oversight of the Fund. All costs for the third-party investment management firm and the professional and clerical staff shall be borne by the Fund pursuant to G.S. 147-69.3(f). The State Treasurer shall discharge his or her duties with respect to the Fund as a fiduciary consistent with ~~the provisions of applicable law, including, without limitation, G.S. 36E-3.~~ G.S. 147-69.7."

SECTION 1.4. (b) G.S. 147-69.2A(d) reads as rewritten:

"(d) Report on Escheat Fund ~~Valuation.~~ Financial Status. – The State Treasurer shall engage a third-party professional ~~actuary or consultant~~ to conduct ~~a valuation~~ an assessment and projection of the financial status of the Escheat Fund. The associated costs for the services may be directly charged to the Escheat Fund. The State Treasurer shall communicate ~~the valuation of the actuary or assessment of the consultant~~ in an annual report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the chairs of the respective appropriations and appropriate substantive committees of each chamber. The annual report shall evaluate claims by owners upon the Escheat Fund, current and projected investment returns, and projected contributions to the Escheat ~~Fund.~~ Fund, current and projected legislative appropriations, and authorized expenses. In the report, the State Treasurer shall assess the status of utilizing the Escheat Fund as an endowment fund and shall recommend an annual amount available for the funding of scholarships, loans, and grants from the Fund. The annual report shall be presented no later than December 31 of each year."

SECTION 1.5. G.S. 147-75 reads as rewritten:

"§ 147-75. Deputy to act for Treasurer.

The Treasurer may authorize a deputy to perform any duties pertaining to the office. The Treasurer may authorize a deputy to affix the Treasurer's signature to any check, warrant or any other instrument the Treasurer is required to ~~sign by use of the facsimile signature machine or device during the Treasurer's absence or disability sign.~~ The Treasurer shall be responsible for the conduct of his or her deputies."

SECTION 1.6. G.S. 147-78.1 reads as rewritten:

"§ 147-78.1. Good faith deposits; use of master trust.

Notwithstanding any other provision of law, the State Treasurer is authorized to select a bank or trust company as master trustee to hold cash or securities to be pledged to the State when deposited with ~~him~~ the State Treasurer pursuant to statute or at the request of another State agency. Securities may be held

by the master trustee in any form that, in fact, perfects the security interest of the State in the securities. The State Treasurer shall ~~by rule or regulation~~contractually establish the manner in which the master trust shall operate. The master trustee may charge reasonable fees for services rendered to each person who deposits the cash or securities with the State."

PART II. UPDATES TO THE STATE TREASURER'S INVESTMENT PROGRAMS

SECTION 2.1. G.S. 147-69.3 reads as rewritten:

"§ 147-69.3. Administration of State Treasurer's investment programs.

(a) The State Treasurer shall establish, maintain, administer, manage, and operate within the Department of State Treasurer one or more investment programs for the deposit and investment of assets pursuant to the provisions of G.S. 147-69.1 and G.S. 147-69.2. Different Retirement Systems and other funds held by the State Treasurer may be invested collectively or separately in the State Treasurer's discretion consistent with the fiduciary duties stated in G.S. 147-69.7.

(b) Any official, board, commission, other public authority, local government, school administrative unit, local ABC board, or community college of the State having custody of any funds not required by law to be deposited with and invested by the State Treasurer may deposit all or any portion of those funds with the State Treasurer for investment in one of the investment programs established pursuant to this section, subject to any provisions of law with respect to eligible investments, provided that any occupational licensing board as defined in G.S. 93B-1 may participate in one of the investment programs established pursuant to this section regardless of whether or not the funds were required by law to be deposited with and invested by the State Treasurer. In the absence of specific statutory provisions to the contrary, any of those funds may be invested in accordance with the provisions of G.S. 147-69.2 and 147-69.3. Upon request from any depositor eligible under this subsection, the State Treasurer may authorize moneys invested pursuant to this subsection to be withdrawn by warrant on the State Treasurer.

(c) The State Treasurer's investment programs shall be so managed that in the judgment of the State Treasurer funds may be readily converted into cash when needed.

(d) Except as provided by G.S. 147-69.1(d), the total return earned on investments shall accrue pro rata to the fund whose assets are invested according to the formula prescribed by the State Treasurer with the approval of the Governor and Council of State.

(e) The State Treasurer has full powers as a fiduciary to hold, purchase, sell, assign, transfer, lend and dispose of any of the securities or investments in which any of the programs created pursuant to this section have been invested, and may reinvest the proceeds from the sale of those securities or investments and any other investable assets of the program.

(f) The cost of administration, management, and operation of investment programs established pursuant to this section shall be apportioned equitably among the programs in such manner as may be prescribed by the State Treasurer, such costs to be paid from each program, and to the extent not otherwise chargeable directly to the income or assets of the specific investment program or pooled investment vehicle, shall be deposited with the State Treasurer as a General Fund nontax revenue. The cost of administration, management, and operation of investment programs established pursuant to this section and not directly paid from the income or assets of such program shall be covered by an appropriation to the State Treasurer for this purpose in the Current Operations Appropriations Act.

(g) The State Treasurer is authorized to retain the services of independent appraisers, auditors, actuaries, attorneys, investment counseling firms, statisticians, custodians, or other persons or firms possessing specialized skills or knowledge necessary for the proper administration of investment programs created pursuant to this section.

~~(h) The State Treasurer shall prepare, as of the end of each fiscal year, a report on the financial condition of each investment program created pursuant to this section. A copy of each report shall be submitted within 30 days following the end of the fiscal year to the official, institution, board, commission or other agency whose funds are invested, the State Auditor, and the chairs of the Finance Committees of the House of Representatives and the Senate.~~

(i) ~~The State Treasurer shall report at least twice a year to the General Assembly, through the Finance Committees of the House of Representatives and the Senate, on the investment programs created under this section. The Treasurer shall present the reports to a joint meeting of the Finance Committees. The chairs of the Finance Committees may receive the reports and call the meetings. The Finance Committees may meet during the interim as necessary to hear the reports from the State Treasurer. The State Treasurer's report and presentation to the Finance Committees shall include all of the following:~~

- ~~(1) A full and complete statement of all moneys invested by virtue of the provisions of G.S. 147-69.1 and G.S. 147-69.2.~~
- ~~(2) The nature and character of the investments.~~
- ~~(3) The revenues derived from the investments.~~
- ~~(4) The costs of administering, managing, and operating the investment programs, including the recapture of any investment commissions.~~
- ~~(5) A statement of the investment policies for the revenues invested.~~
- ~~(6) Any other information that may be helpful in understanding the State Treasurer's investment policies and investment results.~~
- ~~(7) Any other information requested by the Finance Committees.~~

(i1) The State Treasurer shall report the incentive bonus paid to the Chief Investment Officer to the Joint Legislative Commission on Governmental Operations by October 1 of each year.

(i2) In order to promote achievement of long-term investment objectives and to retain key public employees with investment functions, the State Treasurer is authorized to ~~establish~~establish, consistent with the State Treasurer's fiduciary duties, market-oriented compensation plans, including salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs, who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. The design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation. The compensation and other associated employee benefits shall be apportioned directly from the investment program. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually.

(j) Subject to the provisions of G.S. 147-69.1(d), the State Treasurer shall adopt any rules necessary to carry out the provisions of this section."

SECTION 2.2. G.S. 147-69.7 reads as rewritten:

"§ 147-69.7. Discharge of duties to Retirement Systems funds.

(a) The State Treasurer shall discharge his or her duties with respect to ~~the Retirement System~~each fund or investment program held by the State Treasurer, including each of the funds, enumerated in ~~G.S. 147-69.2(b)(8)~~G.S. 147-69.2 as follows:

- (1) Solely in the interest of the ~~participants and beneficiaries~~intended beneficiaries of the fund, if any.
- (2) For the exclusive purpose of carrying out the purpose of the fund, including providing benefits to participants and beneficiaries~~beneficiaries~~, and paying reasonable expenses of administering the ~~Retirement Systems fund.~~
- (3) With the care, skill, and caution ~~under the that~~a prudent investor would use after considering the purposes, distribution requirements, and other circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose prevailing.
- (4) Impartially, taking into account any differing interests of participants and beneficiaries.
- (5) Incurring only costs that are appropriate and reasonable.
- (6) In accordance with a good-faith interpretation of the provisions of G.S. 147-69.2 and any other applicable law governing the Retirement Systems fund.

(b) In investing and managing assets of the ~~Retirement Systems~~fund pursuant to subsection (a) of this section, the State Treasurer:

- (1) Shall consider the following circumstances:
 - a. General economic conditions.
 - b. The possible effect of inflation or deflation.
 - c. The role that each investment or course of action plays within the overall portfolio of the ~~Retirement Systems~~fund.
 - d. The expected total return from income and the appreciation of capital.
 - e. Needs for liquidity, regularity of income, and preservation or appreciation of capital.
 - f. ~~The~~ With respect to the Retirement Systems defined in G.S. 147-69.2(d) and any other pension plans, the adequacy of funding for the Retirement Systems based on reasonable actuarial factors.
 - g. The purpose of the fund, if established.
- (2) Shall diversify the investments of the ~~Retirement Systems~~fund unless the State Treasurer reasonably determines that, because of special circumstances, including applicable investment restrictions, it is clearly prudent not to do so.
- (3) Shall make a reasonable effort to verify facts relevant to the investment and management of assets of the ~~Retirement Systems~~funds.
- (4) ~~May~~ Shall invest only in any kind of property or type of investment ~~those investments authorized by law~~ consistent with the provisions of Article 6 of Chapter 146 of the General Statutes.
- (5) May consider benefits created by an investment in addition to investment return only if the State Treasurer determines that the investment providing these collateral benefits would be prudent even without collateral benefits.

(c) Compliance by the State Treasurer with this section must be determined in light of the facts and circumstances existing at the time of the Treasurer's decision or action and not by hindsight.

(d) The State Treasurer's investment and management decisions must be evaluated not in isolation but in the context of the portfolio of the ~~Retirement Systems~~fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the ~~Retirement Systems~~fund.

(e) Notwithstanding any of the foregoing, the State Treasurer shall have no duty to assist or advise any official, board, commission, local government, other public authority, school administrative unit, local ABC board, community college of the State, or other person, trust, agency, institution, or entity in connection with any of the following decisions and directions with respect to any funds to be deposited with and invested by the State Treasurer:

- (1) The voluntary decision to deposit or withdraw funds in accordance with applicable law in one or more of the State Treasurer's investment programs.
- (2) The voluntary direction as to the allocation of deposited funds in accordance with applicable law among the State Treasurer's investment programs.
- (3) Any other decision or direction by which the depositor exercises control over assets deposited or to be deposited with the State Treasurer in accordance with applicable law."

PART III. CODIFY KEY DEPARTMENT OF STATE TREASURER POLICIES

SECTION 3. Article 6 of Chapter 147 of the General Statutes is amended by adding new sections to read:

"§ 147-69.9. Third-party audit of State Treasurer's investments,

(a) In addition to all other audits and reports required by the law, the State Treasurer shall prepare and issue, at the end of each fiscal year beginning with the 2015-2016 fiscal year, a set of consolidated stand-alone financial statements regarding investments authorized in G.S. 147-69.1 and G.S. 147-69.2.

These financial statements shall be audited by a commercial independent third-party audit firm selected and engaged by the State Treasurer. The audit firm's report and the financial statement shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representative Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within six months after the closing of the reporting period.

(b) The management discussion and analysis section of the report accompanying the financial statements shall include a discussion of the investment programs' risk and returns compared to benchmarks, total management fees and incentives paid, and comparison to peer cost benchmarks.

"§ 147-69.10. Investment policies and performance reviews of Retirement Systems investment programs.

(a) On at least a biennial basis, the State Treasurer shall present an investment policy statement to the Investment Advisory Committee for the Committee's consultation. The investment policy statement must include descriptions of investment objectives and strategy, roles and responsibilities, permissible asset classes, asset allocation targets and ranges, risk management and compliance guidelines, and evaluation criteria necessary to measure investment performance.

(b) At least once every four years, the State Treasurer shall engage a commercial independent expert firm, pursuant to G.S. 147-69.3(g), to evaluate the governance, operations, and investment practices of the State Treasurer in order to develop recommendations for improvement. The State Treasurer must consult with the Investment Advisory Committee to develop the scope of the evaluation. The report of the independent expert firm shall be provided to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Committee, the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division within 30 days of receipt.

"§ 147-69.11. Ethics policies.

(a) To ensure that the State Treasurer's investment programs operate under a strong governance framework with rigorous internal controls and a high degree of operational transparency and are managed with the highest ethical and professional standards and in the most efficient and effective manner possible, the State Treasurer, after consultation with the Investment Advisory Committee, is authorized and required to adopt policies and procedures on the following topics:

- (1) Requiring that the Department of State Treasurer's Investment Management Division adopt a code of ethics.
- (2) Requiring all employees of the Department who have responsibility for matters related to investments to be provided with training with respect to the discharge of their duties and responsibilities to the funds.
- (3) Governing gifts to employees of the Department who have responsibility for matters related to investments.
- (4) Imposing limitations on external investment managers' use of placement agents and other persons that appear before the Department to ensure that these persons play only a proper role in investment opportunities.
- (5) As a component of the investment due diligence, negotiations, and contracting process, requiring an independent assessment of whether circumstances exist that create a material risk that professional judgement or actions regarding a potential investment arrangement's recommendation, approval, or execution have been or will be unduly influenced by a direct or indirect personal interest."

PART IV. REQUIRE DETAILED FEE AND PERFORMANCE REPORTING BY STATE TREASURER; CONSOLIDATE STATUTORY REPORTING REQUIREMENTS

SECTION 4.1.(a) Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"§ 147-69.12. Reporting on the State Treasurer's investment programs.

(a) No later than the tenth day of February, May, August, and November of each year, the State Treasurer shall report on all investments for which the State Treasurer is in any way responsible. The State Treasurer's quarterly report shall include each of the following:

- (1) A specific listing of all direct and indirect placement fees, asset fees, performance fees, and any other money management fees incurred by the State in the management of the Retirement Systems defined in G.S. 147-69.2(b)(8). In the event that the market value of any of subdivision (6c) or (7), sub-subdivision b. of subdivision (8), or subdivision (9) or (9a) of G.S. 147-69.2 increases during a fiscal year by an amount greater than three percent (3%) of the market value of all invested assets of the Retirement Systems as of the prior fiscal year end, then the quarterly report provided shall describe how that increase complies with the duties described in G.S. 147-69.7 and the consequent expected impact on the risk profile of the Retirement Systems' assets.
- (2) A specific listing of all investments made with certified green managers and companies and funds that support sustainable practices, including the names of the companies, managers, and funds, the amount invested, and the State's return on investment.
- (3) For bank balances:
 - a. The State's total bank balance with the State Treasurer, including the amount of cash on hand and money on deposit.
 - b. For each bank or other qualified depository utilized by the State Treasurer to hold cash balances, (i) the name of each depository and (ii) current quarter-end cash balances.
- (4) For the State Treasurer's cash management programs:
 - a. Total assets.
 - b. Duration of investments.
 - c. Rate of return, including a comparison to an appropriate benchmark, if available.
- (5) For the Retirement Systems, as defined in G.S. 147-69.2(b)(8), reported separately for each asset class authorized by G.S. 147-69.2(b):
 - a. Total assets.
 - b. Rate of return, including a comparison to an appropriate benchmark, if available.
 - c. Percentage of the total assets that are invested in the asset class and the limitation, if any, on the percentage under G.S. 147-69.2(b).
- (6) For each investment program created under G.S. 147-69.3:
 - a. The financial condition of each investment program.
 - b. A full and complete statement of all moneys invested by virtue of the provisions of G.S. 147-69.1 and G.S. 147-69.2.
 - c. The nature and character of the investments.
 - d. The revenues derived from the investments, net of fees and expenses.
 - e. The costs of administering, managing, and operating the investment programs, including the recapture of any investment commissions.
 - f. The location on the State Treasurer's Web site where the public may find a statement of the investment policies for the revenues invested.
 - g. Any other information that may be helpful in understanding the State Treasurer's investment policies, investment practices, and investment results.
 - h. Any other information requested by the House of Representatives and Senate Finance Committees.
 - i. The location on the State Treasurer's Web site where the public may find a list of new commitments to external investment managers.

- j. The location on the State Treasurer's Web site where the public may find information on the use of placement agents by investment managers.
- (7) For all other investments with or on behalf of the State or any of its agencies or institutions:
 - a. The particular agency or institution, fund, rate of return, and duration of the investment.
 - b. The amount of deposit on all noninterest bearing accounts.

(b) No later than the date set by G.S. 147-69.9 for the submission of consolidated stand-alone financial statements, the State Treasurer shall report annually on the fees and performance of all externally and internally managed investments for the Retirement Systems defined in G.S. 147-69.2(b)(8). Externally managed investments shall be reported on the basis of each investment vehicle or investment manager, as applicable. Internally managed investments shall be reported on a portfolio-by-portfolio basis. The State Treasurer's annual report shall include all of the following, as applicable, reported separately for each investment:

- (1) The name, commitment amount, statutory classification, and inception year.
- (2) Either a statement that the investment is managed internally by the staff of the State Treasurer or the names of the external investment manager and the investment vehicle for that investment.
- (3) Value of the investment.
- (4) Dollar amount of the management fees and incentive fees.
- (5) For investment-grade fixed income or public equity investments, the periodic net annualized time-weighted rate of return for that fiscal year and since inception, reported net of fees.
- (6) For all investments other than investment-grade fixed income or public equity investments, all of the following:
 - a. The net annualized internal rate of return and investment multiple since inception, reported net of fees.
 - b. The total cash contributions or other investments made by the State Treasurer.
 - c. The total distribution received by the State Treasurer with respect to that investment since inception, reported net of fees.
- (7) For any fund of funds investment vehicles, the aggregate management fees and incentive fees for the underlying investment managers or investment vehicles used by the external investment manager.
- (8) If any placement agent fees relating to the investment were directly or indirectly borne by the State Treasurer or Retirement Systems, a list of the amount and type of those fees.

(c) Reserved.

(d) The reports required by this section shall be delivered to the Joint Legislative Commission on Government Operations, chairs of the House of Representatives and Senate Appropriations Committees, chairs of the House of Representative and Senate Finance Committees, Fiscal Research Division, Governor, Council of State, and State Auditor. The reports shall also be made available for public review, including by posting on the State Treasurer's Web site.

A copy of a report on any State Treasurer investment program shall be sent to the official, institution, board, commission, or other agency investing in that program.

(e) On or before December 31, 2016, the State Treasurer shall adopt rules to implement the provisions of this section, including rules to define the terms used in this section."

SECTION 4.1.(b) G.S. 147-68(d) is recodified as G.S. 147-69.12(c).

SECTION 4.1.(c) G.S. 147-69.1(e) is repealed.

SECTION 4.1.(d) G.S. 147-68(d1) is repealed.

SECTION 4.2. G.S. 147-69.8 reads as rewritten:

"§ 147-69.8. Annual report on new investment authority.

Whenever the General Assembly broadens the investment authority of the State Treasurer as to the General Fund, the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund, the Local Governmental Employees' Retirement System, the Legislative Retirement System, the North Carolina National Guard Pension Fund, or any idle funds, the State Treasurer shall annually report in detail to the General Assembly the investments made under such new authority, including the returns on those investments, earnings, changes to value, and gains and losses in disposition of such investments. The report shall be made ~~during~~no later than the first six months of each calendar year, covering performance in the prior ~~calendar~~fiscal year. As to each type of new investment authority, the report shall be made for at least four years. To the extent the information required by this section is also required in the reports under G.S. 147-69.12, the State Treasurer may combine reports or make cross-reference to those reports."

SECTION 4.3. G.S. 147-69.2A(b) reads as rewritten:

"(b) Organization and Reporting. – All documents of the Governor or the State Treasurer concerning the Fund are public records governed by Chapter 132 of the General Statutes and any applicable provisions of the General Statutes protecting confidential information.

The State Treasurer and the Governor shall jointly develop and adopt an investment policy statement for the Fund.

The State Treasurer and Governor shall jointly adopt a common policy to prevent conflicts of interests such that (i) the designees of the State Treasurer and Governor who selected the third-party investment management firm, (ii) the staff of the State Treasurer overseeing the Fund, and (iii) the third-party investment management firm's employees selecting or overseeing Fund investments do not provide services for compensation (as an employee, consultant, or otherwise), within two years after the end of their service to the Fund, to any entity in which an investment from the Fund was made.

By October 1, 2015, and at least semiannually thereafter, the State Treasurer shall submit a report to the Governor, the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on investments made from the Fund and any return on investment. This report shall be made for the Fund in lieu of the reports required by ~~G.S. 147-69.1(e), 147-69.2(b)(10a), 147-69.3(h), 147-69.3(i), and 147-69.8.~~G.S. 147-69.8 and G.S. 147-69.12(b)."

SECTION 4.4. Sections 4.1, 4.2, 4.3, and 4.4 of this act become effective July 1, 2016, and apply to all reporting periods beginning on or after that date.

PART V. EFFECTIVE DATE

SECTION 5. Section 5 of this act is effective when it becomes law. Except as otherwise provided, the remainder of this act becomes effective January 31, 2017.

In the General Assembly read three times and ratified this the 21st day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:20 a.m. this 30th day of June, 2016

2016 Report on Education Legislation – Senate Bill Summaries

SL 2016-58

SB 330 Change Orders on School Construction Projects (McInnis, Tillman)

Amends: G.S. 115C-521

Application/Effective Date: October 1, 2016, and applies to contracts awarded, extended, or renewed on or after that date.

Local Action Required: Under new subsection (h) of G.S. 115C-321, local boards of education will adopt a conforming policy on change orders for certain construction or repair contracts.

SBE/DPI Action Required: None.

Summary: Requires every local board of education to adopt its own policy governing change orders to construction or repair work for which a contract has been awarded. Said policy must include all of the following at a minimum under G.S. 115C-521(h):

- (1) The process by which a proposed change order is submitted by the contractor for approval, including any request for expedited review.
- (2) The individual or individuals with responsible authority for approving change orders of a particular category of work or amount, or a combination thereof, and the corresponding descriptions and dollar limits.
- (3) The process by which any change order that must be reviewed and approved by the local board is submitted to the local board.
- (4) The process by which the local board is notified of all change orders submitted to the individual or individuals identified with responsible authority to approve those orders, and the resulting actions taken.

SL 2016-23

SB 575 NC/SC Original Boundary Confirmation (Tucker)

Amends: The current North Carolina/South Carolina boundary line and G.S. 18B-1006

Application/Effective Date: For public education purposes, adjusts the North Carolina/South Carolina boundary line effective January 1, 2017.

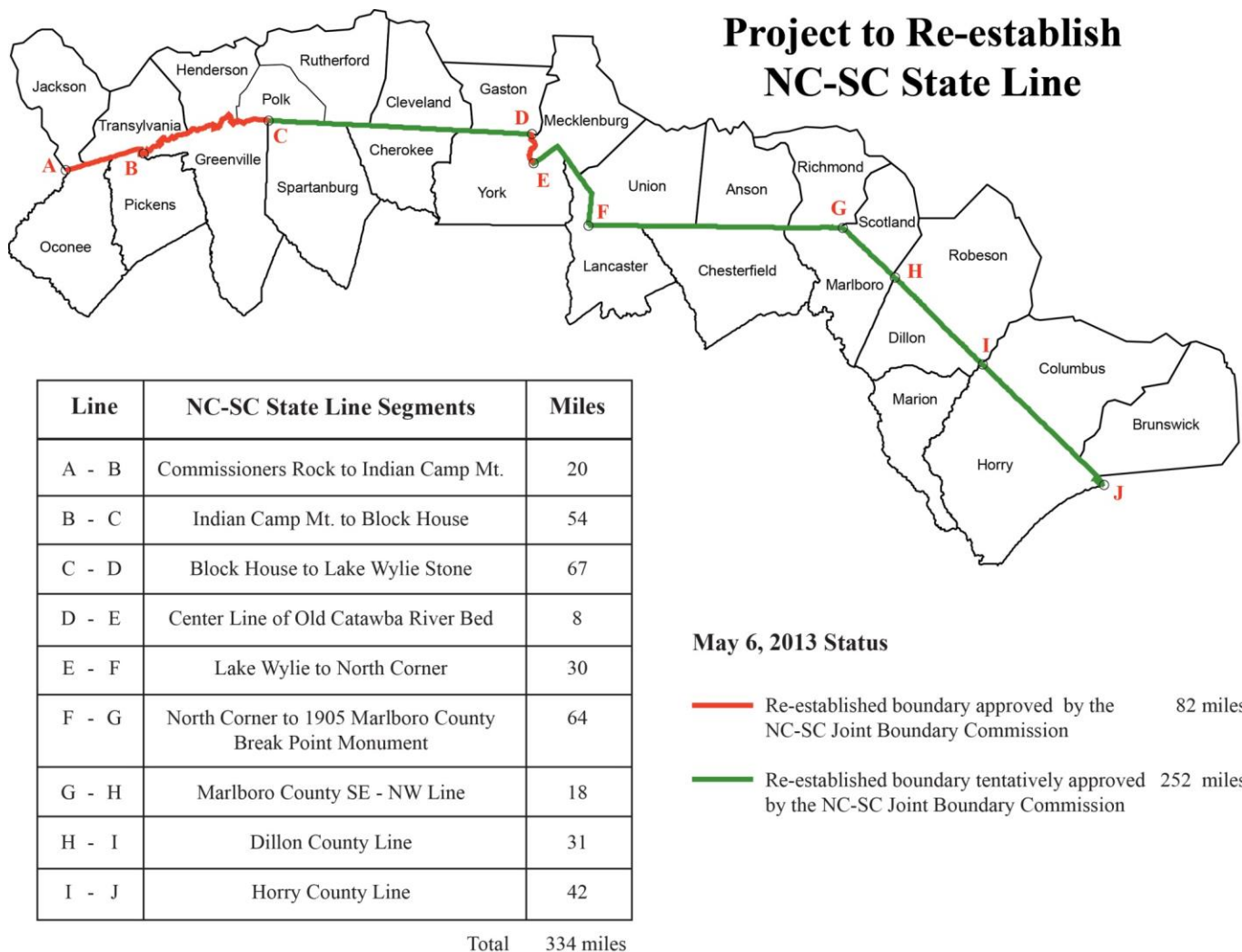
Local Action Required: Oversee the necessary transitions for public school students (including charters) who are affected by the boundary line changes.

SBE/DPI Action Required: SBE must ensure that a student enrolled in a North Carolina public school (who will technically be a South Carolina resident under this law) continue to be included in calculations for average daily membership, reporting for the Uniform Education Reporting System, and have eligibility for State and federal funds. NC Department of Transportation, Division of Motor Vehicles, in collaboration with SBE, must develop a procedure for any new North Carolina resident (as deemed by this law) who is a student enrolled in a South Carolina school to satisfy the driver eligibility certificate requirements to obtain and continue to hold a limited or full provisional license.

Summary: Reestablishes the boundary between North Carolina and South Carolina as approved by the Boundary Commissions of the two respective states. Any student eligible to enroll in a North Carolina public school (including charters) who loses their eligibility based on their new South Carolina

Residency, may attend a North Carolina school until they: (1) reach 21 years of age, (2) obtain a high school diploma, (3) no longer meet requirements of G.S 115C-366, (4) or lose eligibility due to a violation of compulsory attendance laws.

If a student enrolled in a North Carolina public school obtains a beginner's permit in South Carolina, the student shall be eligible to participate in behind-the-wheel instruction as part of a driver education course offered by the LEA in which the student is enrolled. Independent persons and their dependents formerly residents of North Carolina counties who are residents of South Carolina counties as a result of this boundary certification may be considered eligible for in-State tuition rates for a period of up to 10 years from the effective date of the boundary change.



SL 2016-5

SB 729 Various Changes to Revenue Laws (Rucho, Rabon, Tillman)

Amends: In relevant part, G.S. 105-164.3, -164.13

Application/Effective Date: Section 3.2(a) was effective May 11, 2016. Section 3.9 is effective January 1, 2017, and applies to sales made on or after that date.

Local Action Required: Note change in sales tax exemptions.

SBE/DPI Action Required: None.

Summary: In relevant part, Section 3.2(a) deletes obsolete definitions of “school instructional materials,” “school suppl[ies]” and “sport or recreational equipment” from the state sales tax law under G.S. 105-164.3 as a result of the 2013 repeal of the “sales tax holidays” (*i.e.*, repeal of G.S. 105-164.13C). Section 3.9(a) repeals the sales tax exemption under G.S. 105-164.13(34) for items sold by a nonprofit organization when the receipts from the sale will be directly or indirectly contributed to the State or school. Section 3.9(b) creates a new sales tax exemption under G.S. 105-164.13(26b) for food, prepared food, soft drinks, candy and other items of tangible personal property sold not-for-profit for or at an event that is sponsored by an elementary or secondary school when the proceeds will be given directly to the school or to a nonprofit charitable organization that serves as a conduit where the net proceeds will flow to the school.

SL 2016-119

SB 747 State-Owned Real Property Management/PED (Gunn, Hartsell, Krawiec)

Amends: Article 36 of Chapter 143 (by adding new G.S. 143-341.2); G.S. 146-72; G.S. 143-341(4); G.S. 143C-8-1(b)(1); G.S. 146-23; G.S. 143-341(4)d1; repeals G.S. 143C-8-2

Application/Effective Date: July 28, 2016, except that Sections 3(a) and (b) become effective July 1, 2018

Local Action Required: None.

SBE/DPI Action Required: Comply with the new statutory requirements of the Department of Administration (DOA) in its active management of the state’s real property, including new reporting and planning obligations.

Summary: Adds a series of statutory responsibilities to DOA’s oversight and management of state properties under new G.S. 143-341.2, “Proactive management of State-owned and State-leased real property portfolio.” State agencies subject to DOA’s oversight must comply with new reporting obligations on state facilities and real property management plans, etc. By June 1, 2017, DOA is required to perform random and unannounced visits to a facility owned by or allocated to each State agency. These visits are to be carried out to assess the property use and management of each facility. After space is assessed, state property that is not needed will be condensed or disposed. Additionally, Section 3(e) prohibits state agencies from entering into or renewing a lease prior to July 1, 2018, unless said agency certifies to DOA that no other state property suffices for the purpose.

SL 2016-113

SB 770 NC Farm Act of 2016

Amends: In relevant part, adds new G.S. 115C-264.4 “Local preference for produce in schools.”

Application/Effective Date: July 26, 2016

Local Action Required: Note new state law on food procurement and local board policy.

SBE/DPI Action Required: None.

Summary: This act makes various changes to agriculture and wildlife laws. Section 8 allows local school boards to adopt policies and procedures that incentivize the purchase of locally grown food. A price percentage preference on locally grown food is permitted, such that a responsible bidder whose product is grown or raised in the state can have a bid that exceeds the lowest responsive bid and still be selected pursuant to local board policy.

SL 2016-85

SB 792 State IT Contracts/Contractor Liability (Tarte, Hise)

Amends: G.S. 143B-1350, adding new subsection (h1)

Application/Effective Date: June 30, 2016, and applies to all new, amended, renewed, and extended contracts entered into on or after that date.

Local Action Required: None.

SBE/DPI Action Required: Comply with new statute on State IT contractor liability limitations.

Summary: Requires the NC Department of Information Technology (DIT) or other state agencies to include limitations on a contractor's liability for damages in Information Technology (IT) contracts. The new subsection (h1) of G.S. 143B-1350 sets a presumptive default limit on contractor liability of no more than two times the value of the contract; however, the limit can be raised to three times the contract value under conditions controlled by the State Chief Information Officer. Prior to entering any contract, DIT or a separate state agency should determine that the contractor possesses sufficient financial resources, either independently or through third-party sources, such as insurance, to satisfy the agreed upon limitation of liability.

SL 2016-121

SB 838 Medicaid Transformation Modifications (Hise, Cook, Pate, Sanderson)

Amends: In relevant part, Section 4 of SL 2015-245 (SB 372 “Medicaid Transformation and Reorganization”)

Application/Effective Date: June 1, 2016

Local Action Required: Advise Exceptional Children Directors and experts on this Medicaid reform and LEAs’ continuing ability to use the “fee for service” model.

SBE/DPI Action Required: None.

Summary: In relevant part, this law adds a list of services to be excluded from Prepaid Health Plan (PHP) coverage. Therefore, the relevant provision ensures that LEAs are able to use the “fee for service” model to bill Medicaid at the actual rate prescribed for services such as “[a]udiology, speech therapy, occupational therapy, physical therapy, nursing, and psychological services prescribed in an Individualized Education Program (IEP) and performed by schools or individuals contracted with Local Education Agencies.” *See* Section 2(b), amending Section 4(4)d. of SL 2015-245.

SL 2016-104

SB 865 State Health Plan/Admin Changes/Local Govts. (Sanderson)

Amends: G.S. 135-48.1, -48.10(a), -48.32, -48.47(b), (c), and (d), -48.49; G.S. 58-3-167

Application/Effective Date: July 22, 2016, and applies to contracts entered into on or after that date. However, Section 4 becomes effective January 1, 2017, and applies to premiums paid on or after that date.

Local Action Required: Comply with the revised law and notify employees of the State Health Plan revisions as necessary.

SBE/DPI Action Required: Same as above. Local action required.

Summary: Makes several changes to the statutes governing the State Health Plan for Teachers and State Employees.

Section 1 adds the definitions for “Claims Data Feed” and “Claim Payment Data” to G.S. 135-48.1. Section 2 ensures confidentiality of the Claim Payment Data. Section 3 amends G.S. 135-48.32 to require

claims processors to provide the Claims Data Feed and all available claims data elements to the Plan. Claims Processors are allowed to withhold certain information, so long as sufficient documentation to support the payment of claims is provided. This Section further sets forth state law on how and when Claims Payment Data may or may not be disclosed. Section 4 prohibits local government units that participate in the Plan from charging employees (and their dependents) more for their coverage than allowed under the structure set by the Plan. Sections 5 & 6 revises state law on when local governments are permitted to enroll in the plan, sets caps on allowable enrollment and gives withdrawal dates. Section 7 adds a new statute, G.S. 135-48.49, to clarify the Plan's responsibility to report coverage for retirees and direct bill members, but employing units are responsible for filings for all other individuals (e.g., those participating in the Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage). The Plan shall provide employing units access to necessary data to meet Internal Revenue Code filing requirements and may facilitate a reporting solution. The employing unit will be responsible for all costs associated with any reporting solution made available by the Plan. Section 8 clarifies that a "health benefit plan" under G.S. 58-3-167 does not include any plan implemented or administered by the State Health Plan for Teachers and State Employees.

SL 2016-108

SB 886 Retirement Amendments (Wells, Apodaca)

Amends: G.S. 58-86-2; G.S. 58-86-55; G.S. 58-86-60; G.S. 58-86-55; G.S. 135-6.1.; G.S. 126-22; G.S. 135-10.1; G.S. 128-32.1; G.S. 147-79(a); G.S. 135-6(b); G.S. 135-6(g); G.S. 136-6(o); G.S. 128-28(h); G.S. 128-28(p); G.S. 115C-341.2; G.S. 135-109; repeals G.S. 58-86-55(d2); G.S. 115C-321(b1); G.S. 115D-29(c); G.S. 153A-98(c3); G.S. 160A-168(c3)

Application/Effective Date: In relevant part, July 22, 2016

Local Action Required: Note where public record/retirement information disclosure statutes have been re-codified.

SBE/DPI Action Required: Same as above.

Summary: In relevant part, creates new consolidated statutes (and repeals old repetitive statutes) on public records law involving retirement records and makes conforming changes to existing statutes. For example, it repeals G.S. 115C-321(b1) on mailings to in-state retiree organizations of retiree addresses, and essentially re-codifies it under new section G.S. 128-33.1. Currently, the Retirement Systems Division relies on nine different statutes governing groups of public employees and three separate opinions from the Department of Justice to respond to requests for public information regarding all members of the Retirement Systems. This Session Law consolidates the laws that apply to retirement records into the retirement statutes and does not convert any information that is currently public into private information or vice versa.

SL 2016-70

SB 898 2016 Appointments Bill (Apodaca)

Amends: Membership of various state boards and commissions

Application/Effective Date: July 1, 2016, except as otherwise provided.

Local Action Required: None.

SBE/DPI Action Required: Note new appointments to relevant boards and commissions.

Summary: Appoints persons recommended by the General Assembly to various boards, commissions, and other public offices.

Education-related Senate appointments:

1. Virginia R. Smith of Johnston County is appointed to the Board of Trustees of the State Health Plan for Teachers and State Employees for a term expiring on June 30, 2018.
2. Aaron Fleming of Wake County and Cory S. Causby of Haywood County are appointed to the North Carolina Center for the Advancement of Teaching Board of Trustees for terms expiring June 30, 2020;
3. Elizabeth Gilleland of Wake County and Reverend Charles F. McDowell III of Scotland County are appointed to the North Carolina Child Care Commission for terms expiring on June 30, 2018;
4. Michael J. Martini of Guilford County and Sajjan Agarwal of Wake County are appointed to the North Carolina Education and Workforce Innovation Commission for terms expiring on June 30, 2019;
5. Effective January 1, 2017, Marie D. Inscore of Nash County, James P. Danahy of Guilford County, and Lorraine Benthin of Rockingham County are appointed to the Board of Directors of the North Carolina Partnership for Children, Inc., for terms expiring on December 31, 2019; and
6. Effective January 1, 2017, Cheryl Cavanaugh of Onslow County is appointed to the North Carolina Partnership for Children, Inc., Board of Directors for a term expiring on December 31, 2019.

Education-related House appointments:

7. Kristin Weaver of Wake County, Brooke H. King of Wayne County, and Amelie F. Schoel of Union County are appointed to the North Carolina Child Care Commission for terms expiring on June 30, 2018;
8. Effective January 1, 2017, Representative D. Craig Horn of Union County is appointed to the Education Commission of the States for a term expiring on December 31, 2019;
9. Judith E. Irwin of Johnston County and Anthony D. Fogleman of Cleveland County are appointed to the North Carolina Education and Workforce Innovation Commission for terms expiring on June 30, 2019; and
10. Dr. Donald L. Martin, Jr., of Forsyth County is appointed to the Board of Trustees of the State Health Plan for Teachers and State Employees for a term expiring on June 30, 2018.

RESOLUTION 2016-22

SJR 902 SBE Confirmation (Barefoot, Ballard)

Amends: None.

Application/Effective Date: June 30, 2016.

Local Action Required: None.

SBE/DPI Action Required: Accommodate changes to SBE membership.

Summary: The Governor's new appointments to SBE are as follows:

1. James Todd Chasteen – Northwest Educational District: Alleghany, Ashe, Alexander, Avery, Burke, Caldwell, Catawba, McDowell, Mitchell, Watauga, Wilkes, and Yancey counties. Term expires March 31, 2023.
2. Amy Bannister White – North Central Educational District: Chatham, Durham, Edgecombe, Franklin, Granville, Harnett, Johnston, Lee, Nash, Orange, Person, Vance, Wake, Warren, and Wilson counties. Term expires March 31, 2023.

2016 Report on Education Legislation – Senate Bills

GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2015

SESSION LAW 2016-58 SENATE BILL 330

AN ACT TO AMEND THE LAW REGARDING CHANGE ORDERS ON SCHOOL CONSTRUCTION PROJECTS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-521 is amended by adding a new subsection to read:

"(h) Each local board of education shall adopt a policy governing change orders to any construction or repair work for which a contract has been awarded in accordance with G.S. 143-128, 143-128.1, 143-128.1A, 143-128.1B, 143-128.1C, or 143-129. The policy shall address, at a minimum, all of the following:

- (1) The process by which a proposed change order is submitted by the contractor for approval, including any request for expedited review.
- (2) The individual or individuals with responsible authority for approving change orders of a particular category of work or amount, or a combination thereof, and the corresponding descriptions and dollar limits.
- (3) The process by which any change order that must be reviewed and approved by the local board is submitted to the local board.
- (4) The process by which the local board is notified of all change orders submitted to the individual or individuals identified with responsible authority to approve those orders, and the resulting actions taken."

SECTION 2. This act becomes effective October 1, 2016, and applies to contracts awarded, extended, or renewed on or after that date.

In the General Assembly read three times and ratified this the 21st day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:28 a.m. this 30th day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-23
SENATE BILL 575**

AN ACT TO MAKE LEGISLATIVE CHANGES TO FACILITATE THE WORK OF THE
BOUNDARY COMMISSION IN CONFIRMING AND REESTABLISHING THE ORIGINAL
BOUNDARY EXISTING BETWEEN THE STATES OF NORTH CAROLINA AND SOUTH
CAROLINA.

The General Assembly of North Carolina enacts:

PART I. GENERAL PROVISIONS

SECTION 1.(a) Findings. – The General Assembly finds that:

- (1) North Carolina and South Carolina were created as separate British colonies.
- (2) Surveys to determine the boundary between North Carolina and South Carolina began in 1735 and concluded in 1815.
- (3) Resurveys of three sections of the boundary between North Carolina and South Carolina were performed in 1813, 1905, and 1928.
- (4) The boundary between North Carolina and South Carolina has not changed; however, over the course of time from the original survey of the boundary, some of the markers denoting the boundary from the original surveys have been lost or destroyed by the elements.
- (5) The boundary commission authorized pursuant to Chapter 141 of the General Statutes has worked with commissioners appointed by South Carolina to reestablish the boundary between North Carolina and South Carolina.

SECTION 1.(b) Intent. – It is the intent of the General Assembly to address the effects on persons or land with a situs recognized, as a result of a boundary certification, to be in this State and to avoid disputes with such persons or owners of such land. This act does not apply to persons whose property, rights, and businesses are not affected by boundary certification. For purposes of this act, "boundary certification" means the certification by the General Assembly of the boundary between North Carolina and South Carolina, as provided for in subsection (c) of this section.

SECTION 1.(c) Certification. – For purposes other than property tax, the General Assembly hereby certifies that, as of January 1, 2017, the boundary between North Carolina and South Carolina is the boundary that was established by the original survey and resurveys that were adopted through legislative and executive actions, and the reestablished boundary has been approved by the boundary commissions of North Carolina and South Carolina and proclaimed as the boundary by the Governor, pursuant to G.S. 141-5. For property tax purposes, the General Assembly hereby certifies that, as of January 1 of the year following the year this act becomes effective or the year an executive order has been issued by the Governor proclaiming the boundary between North Carolina and South Carolina, whichever is earlier, the boundary between North Carolina and South Carolina is the boundary that was established by the original survey and resurveys that were adopted through legislative and executive actions, and the reestablished boundary has been approved by the boundary commissions of North Carolina and South Carolina and proclaimed as the boundary by the Governor, pursuant to G.S. 141-5.

PART II. TAX LIABILITY

SECTION 2.(a) Taxes. – The following provisions apply to taxes affected by boundary certification:

- (1) Neither the State nor a subdivision of the State may assess a tax on a person for activities occurring prior to the date of certification where the basis of the assessment is the certification.
- (2) The State and its subdivisions may assess a tax for activities occurring on or after the date of certification subject to the following conditions:
 - a. For taxes imposed for a taxable period, the tax may not be imposed for a period beginning prior to the date of certification.
 - b. For sales and use taxes for an item that is provided and billed on a monthly or other periodic basis, the tax may not be assessed for periods beginning prior to the date of certification.
 - c. For a person subject to taxes levied under Article 2A of Chapter 105 of the General Statutes who, on the date of the certification, has on hand any tobacco products, the person must file a complete inventory of the tobacco products within 20 days after date of certification and must pay an additional tax to the Secretary of Revenue when filing the inventory. The amount of the tax due is the amount due based on the current tax rate less any tax paid on the inventory to another state.
 - d. For installments and carryforwards of tax benefits allowed by this State at the time of boundary certification for activities with a situs in South Carolina, a person may claim remaining installments and carryforwards against State tax liability.
 - e. For land that is classified under G.S. 105-277.3 at the time of boundary certification and that fails to meet the size requirements of G.S. 105-277.3 solely because of boundary certification, (i) no deferred taxes are due as a result of boundary certification, (ii) the deferred taxes remain a lien on the land located in this State, and (iii) the deferred taxes for the land in this State are otherwise payable in accordance with G.S. 105-277.3. The tax benefit provided in this sub-subdivision is forfeited if any portion of the land located in this State is sold.
 - f. For land receiving a property tax benefit other than classification under G.S. 105-277.3 at the time of boundary certification that fails to meet the requirements for the property tax benefit solely because of boundary certification, the land is not entitled to receive the property tax benefit after the time of boundary certification unless it meets the statutory requirements, but the lien on the land for the deferred taxes is extinguished as if it has been paid in full.
- (3) A person may not seek a refund for activities occurring prior to the date of certification where the basis of the refund is the certification.

SECTION 2.(b) An establishment to which permits may be issued pursuant to G.S. 18B-1006(n1), as enacted by this act, is designated a special class of property under Section 2(2) of Article V of the North Carolina Constitution, and the motor fuel sold by that establishment is taxable in accordance with this section. Notwithstanding G.S. 105-449.80, the motor fuel excise tax rate for an establishment to which permits may be issued pursuant to G.S. 18B-1006(n1), as enacted by this act, is sixteen cents (16¢) per gallon. The Revenue Laws Study Committee shall annually compare the motor fuel excise tax rate imposed by this section with the rate levied by the State of South Carolina on motor fuels and may recommend a change in the rate imposed by this section to an amount no greater than the rate then in effect for the State of South Carolina. An establishment designated as a special class of

property by this section may obtain monthly refunds on the difference between the motor fuel excise tax imposed under G.S. 105-449.80 and the motor fuel excise tax imposed by this section. The Department shall calculate for each calendar year the difference between the motor fuel excise tax that would have been imposed under G.S. 105-449.80 on the motor fuel sold by an establishment classified by this section in the absence of this classification and the motor fuel excise tax that was imposed on the motor fuel sold by the establishment due to the classification. The difference in taxes, together with any interest, penalties, or costs that may accrue thereon, are a lien on the real property underlying the establishment as provided in G.S. 105-355(a). The difference in taxes shall be carried forward in the records of the Department as deferred taxes. The deferred taxes for the preceding three calendar years are due and payable on the day this subsection becomes ineffective due to the occurrence of a disqualifying event; provided, however, the amount collected for deferred taxes pursuant to this subsection does not exceed the tax value of the property. A disqualifying event occurs when the title to the real property underlying the establishment is transferred to a new owner. A lien for deferred taxes is extinguished when the amount required by this subsection is paid.

SECTION 2.(c) For property tax purposes, this Part is effective on the date of certification applicable to property tax purposes provided in Section 1(c) of this act. For all other purposes, this Part is effective for taxable periods beginning on or after January 1, 2017.

PART III. INSTRUMENTS OF TITLE TO REAL PROPERTY

SECTION 3.(a) The North Carolina Geodetic Survey shall record the final survey of the confirmed boundary in the office of the register of deeds in every county in this State where real property has been affected by the certification of the boundary. The applicable uniform fees provided in G.S. 161-10 shall apply to the recordation of the final survey. The register of deeds shall register and index the surveys in accordance with the provisions of Article 2 of Chapter 161 of the General Statutes.

SECTION 3.(b) For parcels of real property affected by the certification of the boundary, situated in whole or in part within the boundaries of this State, the North Carolina Geodetic Survey shall record a Notice of Affected Parcel in the office of the register of deeds in the county or counties where each affected parcel is situated. The register of deeds shall register and index the Notice in accordance with the provisions of Article 2 of Chapter 161 of the General Statutes. Notwithstanding any other provision of law to the contrary, the register of deeds shall not collect any fees or taxes for the Notice recorded pursuant to this subsection. The Notice shall contain at least all of the following information:

- (1) Reference to this act.
- (2) The recording reference for the final survey of the confirmed boundary recorded pursuant to subsection (a) of this section.
- (3) The names of the record owners of the parcel.
- (4) The property address of the parcel.
- (5) A tax parcel identification number or other applicable identifier used by a county tax office, if available.
- (6) A brief description of the parcel, if available.
- (7) A source deed reference for the parcel, if available.

SECTION 3.(c) Title to real property previously treated as being subject to the jurisdiction of the State of South Carolina but that is recognized as being within the boundaries of this State as a result of the certification of the boundary is not affected by the certification of the boundary or the recognition of the real property as being within the boundaries of this State. All conveyances and instruments of title, of any sort, made prior to the certification of the boundary shall be recognized and given full faith and credit in this State according to the law, jurisdiction, and terms in effect at the time of the conveyance in the jurisdiction the property was previously treated as being subject to. For the purposes of this subsection, "instruments of title" means any instrument that affects title or constitutes the chain of title to real property, including, but not limited to, all deeds, wills, estate documents evidencing transfer of title, plats,

surveys, easements, rights-of-way, outstanding mortgages and deeds of trust, judicial orders or decrees, and documents evidencing intestate succession.

SECTION 3.(d) Liens recorded prior to the date of boundary certification with the register of deeds or docketed with the clerk of superior court in the county in this State where the affected parcel is situated shall attach, as a class, to the affected parcel as of the effective date and time of the boundary certification. This class of liens shall be assigned priority as of the date of boundary certification but shall retain the same priority among themselves as if this subsection did not apply.

SECTION 3.(e) The Commissioner of Insurance shall not take any of the following actions with respect to a real estate title insurance company that previously operated only in South Carolina and issued a policy of title insurance in compliance under South Carolina law for a parcel of real estate now determined to be located wholly or partially in North Carolina:

- (1) Require a certificate of authority to do business as a real estate title insurance company under Article 26 of Chapter 58 of the General Statutes.
- (2) Take enforcement action against any title insurance company for failure to comply with the requirements of Article 26, 27, or 28 of Chapter 58 of the General Statutes applicable to real estate title insurance companies in North Carolina or any other statutory or regulatory requirements applicable to all insurance companies in North Carolina.

Nothing in this section is intended to prevent the Commissioner of Insurance from entering into a memorandum of agreement with the South Carolina Department of Insurance with respect to enforcement of South Carolina law against real estate title insurance companies subject to this section.

PART IV. FORECLOSURE OF DEEDS OF TRUST AND MORTGAGES

SECTION 4.(a) Foreclosure actions initiated on real property encumbered by a security instrument recorded in South Carolina wherein the real property is situated, in whole or in part, within the certified North Carolina boundaries shall be governed by the terms of the security instrument sought to be enforced for that portion of real property recognized as being in a different state. If the security instrument contains a power of sale clause, the party seeking to enforce the terms of the security instrument may initiate a foreclosure action in the county where the real property is situated pursuant to Chapter 45 of the General Statutes. A party seeking to enforce the terms of the security instrument may also resort to judicial foreclosure, pursuant to Article 29A of Chapter 1 of the General Statutes, in accordance with the terms within the security instrument. Judgments or orders of foreclosure entered by courts of this State are binding and effective only with respect to the portion of real property situated within this State. Prior to initiating an action to enforce a security instrument, the security instrument or a certified copy shall be recorded in the office of the register of deeds for the county where the subject property is situated. The provisions of G.S. 45-10(a) shall apply with regard to the appointment or substitution of a trustee for any mortgage or deed of trust foreclosed pursuant to this section.

SECTION 4.(b) Notwithstanding any other provision of law to the contrary, for mortgages foreclosed pursuant to subsection (a) of this section, a mortgagee or its successors or assigns shall be entitled to bid at a foreclosure sale conducted pursuant to a judgment or order of foreclosure entered by the courts of this State.

PART V. PUBLIC SCHOOL STUDENT ENROLLMENT

SECTION 5.(a) Notwithstanding any other provision of law, a student who (i) was eligible to enroll in a North Carolina local school administrative unit in accordance with G.S. 115C-366 prior to the date of the certification and (ii) loses the eligibility to enroll in a public school, including a charter school, as a result of certification may attend a North Carolina public school located within the local school administrative unit or attend a North Carolina charter school, without the payment of tuition, until that student:

- (1) Reaches the age of 21.

- (2) Obtains a high school diploma.
- (3) No longer meets the requirements of G.S. 115C-366 that were the basis for the student's eligibility for enrollment prior to the date of certification.
- (4) Loses eligibility pursuant to subsection (b) of this section.

SECTION 5.(b) A student who attends a North Carolina public school or charter school under subsection (a) of this section and the student's parent, legal guardian, or custodian shall be subject to the laws and rules governing North Carolina public schools and charter schools in accordance with Chapter 115C of the General Statutes, including meeting the requirements of the compulsory attendance law under Part 1 of Article 26 of Chapter 115C of the General Statutes.

Notwithstanding the enforcement provisions of G.S. 115C-378(f), 115C-380, 115C-381, and 115C-382, a parent, guardian, or custodian of a student enrolled in a North Carolina public school or charter school under this section who is determined by the principal of the student's public school or the charter school to be in violation of the compulsory attendance laws shall no longer be eligible to enroll the student in a North Carolina public school or charter school pursuant to subsection (a) of this section in a subsequent semester of the school year. In addition, the local school administrative unit or charter school in which the student is enrolled shall notify, based on the student's place of residence in South Carolina, the juvenile court or such other court in the county that has jurisdiction of juveniles and, if applicable, the attendance supervisor for that county.

SECTION 5.(c) The State Board of Education shall provide that a student enrolled in a North Carolina public school or charter school in accordance with subsection (a) of this section be included in calculations for average daily membership, reporting for the Uniform Education Reporting System, and eligibility for State and federal funds.

SECTION 5.(d) Except as otherwise provided by this section or G.S. 115C-366, a student who is a legal resident of South Carolina shall not be entitled to enroll in a North Carolina public school.

PART VI. DRIVER EDUCATION ELIGIBILITY/BEGINNER LICENSE

SECTION 6.(a) Notwithstanding State Board of Education policy, GCS-R-004, or any other provision of law, if a student enrolled in a North Carolina public school or charter school under subsection (a) of Section 5 of this act obtains a beginner's permit in South Carolina, the student shall be eligible to participate in behind-the-wheel instruction as part of a driver education course offered by the local school administrative unit in which the student is enrolled.

SECTION 6.(b) Notwithstanding G.S. 20-11(b)(1), a student who (i) as a result of the boundary certification becomes a legal resident of North Carolina on the date of the certification and (ii) is enrolled in a South Carolina school district in which his or her residence was located prior to certification or in the South Carolina statewide public charter school district may meet the requirement in G.S. 20-11(b)(1) for obtaining a limited learner's permit if the student passes a course of driver education offered by the South Carolina high school in which the student is enrolled.

SECTION 6.(c) The Department of Transportation, Division of Motor Vehicles, in collaboration with the State Board of Education, shall develop a procedure for any North Carolina resident who is a student enrolled in a South Carolina school pursuant to the conditions described in subsection (b) of this section to satisfy the driver eligibility certificate requirements of G.S. 20-11 to obtain and continue to hold a limited or full provisional license under this section.

PART VII. ELIGIBILITY FOR IN-STATE TUITION

SECTION 7.(a) Notwithstanding any other provision of law, independent persons and their dependents formerly domiciled in North Carolina counties who are domiciled in South Carolina counties as a result of the North Carolina-South Carolina boundary certification may be considered eligible for in-State tuition rates for a period of up to 10 years from the effective date of the boundary change. To be eligible for in-State tuition rates, such persons must have been domiciled and reside on property in North Carolina in accordance with G.S. 116-143.1 immediately prior to the effective date of North Carolina

legislation approving the North Carolina-South Carolina boundary certification and must maintain residence and domicile on that same property within South Carolina.

SECTION 7.(b) Notwithstanding any other provision of law, independent persons and their dependents previously domiciled on property in South Carolina which is located in North Carolina as a result of the North Carolina-South Carolina boundary certification may, for a period of two years from the effective date of the boundary certification, be eligible for in-State rates without the requirement of residency and domicile for 12 months in this State provided such independent persons have evidenced the intent to establish domicile in North Carolina in accordance with G.S. 116-143.1. To be eligible under this provision, such persons must reside on the same property that was in South Carolina immediately prior to the effective date of North Carolina legislation approving the certified North Carolina-South Carolina boundary. To maintain eligibility for in-State tuition rates longer than the two years permitted under this paragraph, the independent persons and their dependents must satisfy the requirements of G.S. 116-143.1.

SECTION 7.(c) The provisions established under subsections (a) and (b) of this section are not transferable to persons other than those independent persons and their dependents falling within the scope of those provisions.

SECTION 7.(d) Should the domicile and residence of independent persons and their dependents change from the property affected by the boundary certification, maintenance of eligibility for in-State rates will be determined as provided in G.S. 116-143.1.

PART VIII. ABC PERMITS

SECTION 8. G.S. 18B-1006 is amended by adding a new subsection to read:

"(n1) State Boundary Certification. – The Commission may issue permits listed in G.S. 18B-1001(2) and (4), without approval at an election, to qualified establishments defined in G.S. 18B-1000(7) that meet all of the following requirements:

- (1) The establishment is located in a county that borders on another state.
- (2) The location of the establishment was reclassified from out-of-state to North Carolina as a result of a State boundary certification.
- (3) The establishment was licensed or permitted by the previous state of record to sell malt beverages and unfortified wine."

PART IX. TITLE, REGISTRATION, AND HIGHWAY USE TAX

SECTION 9.(a) Definition. – For purposes of this section, "impacted person" shall mean any person who is the owner of a motor vehicle titled and registered in South Carolina and who has now been determined to be a resident of North Carolina as a result of a boundary certification agreed to by the states of North Carolina and South Carolina.

SECTION 9.(b) The Division of Motor Vehicles of the Department of Transportation shall require title, registration, and the payment of highway use tax from impacted persons in the same manner as it currently uses for persons moving to North Carolina from another state.

PART X. ENVIRONMENTAL COMPLIANCE SCHEDULE

SECTION 10.(a) Definition. – For purposes of this section, "impacted location" shall mean any facility or property that has now been determined to be located in North Carolina as a result of a boundary certification recognized by the states of North Carolina and South Carolina, and, as a result, either of the following applies to the facility or property:

- (1) It is required to obtain a permit, license, or approval from the North Carolina Department of Environmental Quality.
- (2) It is subject to a permit, license, or approval program that is operated by a local government and is delegated from or approved by the North Carolina Department of Environmental Quality.

SECTION 10.(b) Notwithstanding any other provision of law to the contrary, the Department of Environmental Quality, the Environmental Management Commission, or any local program delegated or approved by the Department or the Commission (collectively, the "permitting authorities"), in issuing any environmental permit, license, or approval to an impacted location, shall provide a schedule of compliance that allows the recipient of the permit, license, or approval a period of no less than five years to come into compliance with any North Carolina environmental rule or standard established by the permitting authorities that (i) has no corresponding rule or standard under South Carolina law or regulation or (ii) is more stringent than the corresponding rule or standard established under South Carolina law or regulations. The permitting authorities may include increments of progress applicable in each year of the schedule established under this subsection. The owner or operator of an impacted location may waive the schedule of compliance required by this subsection. Nothing in this section is intended to limit the applicability or employment of existing procedures under North Carolina statutes and regulations granting waivers or variances from otherwise applicable environmental rules or standards.

PART XI. UTILITIES/EXTENSION OF RURAL FIRE PROTECTION DISTRICTS, COUNTY SERVICE DISTRICTS, AND WATER AND SEWER DISTRICTS

SECTION 11.(a) The owner or occupant of a dwelling unit or commercial establishment on improved property that shall be deemed located in whole or in part in the State of North Carolina as a result of the boundary certification described in this act may continue to receive utility services from the South Carolina utility or its successor that is providing service to the dwelling unit or commercial establishment on January 1, 2017. However, the owner or occupant may, within his or her discretion, elect to have one or more of the utility services being provided to the property by a South Carolina utility on January 1, 2017, be provided by a North Carolina utility as long as the property is located within the North Carolina utility's service area. A North Carolina utility that is a city or county may require the owner of the property to pay a periodic availability fee authorized by law only if the owner elects to have utility service provided to the dwelling unit or commercial establishment by the North Carolina utility. A South Carolina utility that provides service to the property as authorized in this section is not a public utility under G.S. 62-3(23), and is not subject to regulation by the North Carolina Utilities Commission as it relates to providing the particular utility service involved. For purposes of this subsection only, the term "South Carolina utility" has the same meaning as the term "utility" or "utilities" in the Code of Laws of South Carolina, and the term "North Carolina utility" has the same meaning as the term "public utility" which is defined in G.S. 62-3(23), and also includes a city or county that provides any of the services listed in G.S. 160A-311 or G.S. 153A-274, an authority organized under the North Carolina Water and Sewer Authorities Act, or an electric or telephone membership corporation.

SECTION 11.(b) The governing body of a county that gains territory as a result of the boundary certification described in this act shall meet as soon as practicable after the date this act becomes law to determine whether the residents of the territory (i) require the services provided by an existing rural fire protection district established under Article 3A of Chapter 69 of the General Statutes or a county service district established under Article 16 of Chapter 153A of the General Statutes or (ii) would benefit from the services provided by an existing county water and sewer district established under Article 6 of Chapter 162A of the General Statutes. If the governing body finds that the residents of the territory require or would benefit from the services of the district, the governing body shall annex the territory to the district as provided in G.S. 69-25.11(1), 153A-303, and 162A-87.1.

PART XII. SEVERABILITY AND EFFECTIVE DATE

SECTION 12.(a) If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end, the provisions of this act are severable.

SECTION 12.(b) Except as otherwise provided, this act is effective when it becomes law.
In the General Assembly read three times and ratified this the 20th day of June, 2016.

s/ Robert A. Rucho
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:03 p.m. this 22nd day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-5
SENATE BILL 729***

AN ACT TO MAKE VARIOUS CHANGES TO THE REVENUE LAWS.

The General Assembly of North Carolina enacts:

PART I. BUSINESS TAX CHANGES

SECTION 1.1.(a) G.S. 105-121.1 is repealed.

SECTION 1.1.(b) G.S. 58-6-7(a) reads as rewritten:

"(a) In order to do business in this State, an insurance company shall apply for and obtain a license from the Commissioner. The license shall be perpetual and shall continue in full force and effect, subject to timely payment of the annual license continuation fee in accordance with this Chapter and subject to any other applicable provision of the insurance laws of this State. The insurance company shall pay a fee for each year the license is in effect, as follows:

For each domestic farmer's mutual assessment fire insurance company..	\$ 25.00
For each fraternal order	500.00
For each of all other insurance companies, except <u>domestic</u> mutual burial associations taxed under G.S. 105-121.1.	2,500.00

The fees levied in this subsection are in addition to those specified in G.S. 58-6-5."

SECTION 1.1.(c) This section is effective for taxes due on or after April 1, 2017.

SECTION 1.3.(a) G.S. 105-130.4(s) reads as rewritten:

"(s) All apportionable income of an air transportation corporation or a water transportation corporation shall be apportioned by a fraction, the numerator of which is the corporation's revenue ton miles in this State and the denominator of which is the corporation's revenue ton miles everywhere. A qualified air freight forwarder shall use the revenue ton mile fraction of its affiliated air carrier. The following definitions apply in this subsection:

- (1) Air carrier. – A corporation engaged in the business of transporting any combination of passengers or property of any kind in interstate commerce, and the majority of the corporation's revenue ton miles everywhere are attributed to transportation by aircraft.
- (2) Air transportation corporation. – One or more of the following:
 - a. An air carrier that carries any combination of passengers or property of any kind.
 - b. A qualified air freight forwarder.
- (3) Qualified air freight forwarder. – A corporation that is an affiliate of an air carrier and whose air freight forwarding business is primarily carried on with the affiliated air carrier.
- (4) The term "revenue ton mile" means one mile. – One ton of passengers, freight, mail, or other cargo carried one mile by the air transportation corporation or water transportation corporation by aircraft, motor vehicle, or vessel. In making this computation, a passenger is considered to weigh two hundred pounds."

SECTION 1.3.(b) This section is effective for taxable years beginning on or after January 1,

2016.

SECTION 1.4. G.S. 105-228.5(b)(4) reads as rewritten:

"(b) Tax Base. –

...

- (4) Self-insurers. – The tax imposed by this section on a self-insurer shall be measured by the gross premiums that would be charged against the same or most similar industry or business, taken from the manual insurance rate then in force in this State, applied to the self-insurer's payroll for the previous calendar year as determined under ~~Article 2 of Chapter 97~~ Article 36 of Chapter 58 of the General Statutes modified by the self-insurer's approved experience modifier."

SECTION 1.5. G.S. 105-130.7A(a) reads as rewritten:

"(a) Purpose. – Royalty payments received for the use of intangible property in this State are income derived from doing business in this State. This section provides taxpayers with an option concerning the method by which these royalties can be reported for taxation when the recipient and the payer are related members. As provided in this section, these royalty payments can be either (i) deducted by the payer and included in the income of the recipient, or (ii) added back to the income of the payer and excluded from the income of the recipient. Exercising the royalty reporting income option provided in this section does not prevent a taxpayer from having taxable nexus in this State as otherwise provided in this Article and does not permit the recipient of the income to exclude royalty payments from its calculation of sales as defined in G.S. 105-130.4."

SECTION 1.6.(a) G.S. 105-130.4 reads as rewritten:

"§ 105-130.4. Allocation and apportionment of income for corporations.

- (a) As used in this section, unless the context otherwise requires:

...

- (7) "Sales" means all gross receipts of the corporation except for the following receipts:
- a. Receipts from a casual sale of property.
 - b. Receipts allocated under subsections (c) through (h) of this section.
 - c. Receipts exempt from taxation.
 - d. The portion of receipts realized from the sale or maturity of securities or other obligations that represents a return of principal.
 - e. The portion of receipts from financial swaps and other similar financial derivatives that represents the notional principal amount that generates the cash flow traded in the swap agreement.
 - f. Receipts in the nature of dividends subtracted under G.S. 105-130.5(b)(3a), (3b), and dividends excluded for federal tax purposes.

...."

SECTION 1.6.(b) This section is effective for taxable years beginning on or after January 1, 2016.

SECTION 1.7.(a) Section 32.15(g) of S.L. 2015-241 reads as rewritten:

"SECTION 32.15.(g) This section is effective ~~January 1, 2017, for taxes due on or after that date for~~ taxable years beginning on or after January 1, 2017, and applies to the calculation of franchise tax reported on the 2016 and later corporate income tax return."

SECTION 1.7.(b) Section 10.1(i) of S.L. 2015-268 reads as rewritten:

"SECTION 10.1.(i) Subsections (b) and (f) of this section become effective for taxable years beginning on or after January 1, 2016. Subsection (g) of this section becomes effective March 1, 2016, and applies to sales occurring on or after that date. Subsections (e1) to (e4) of this section become effective July 1, 2016, and apply to local option sales taxes collected on or after that date and distributed to counties and cities on or after September 1, 2016. Subsection (a) of this section becomes effective ~~January 1, 2017, for taxes due on or after that date.~~ for taxable years beginning on or after January 1, 2017, and applies to the calculation of franchise tax reported on the 2016 and later corporate income tax return. The remainder of this section is effective when it becomes law."

SECTION 1.8.(a) G.S. 105-130.7B(b)(4) reads as rewritten:

"(4) ...

- a. ~~Tax is imposed by the State under this Article.~~ The State imposes an income tax on the interest income of the related member with respect to the interest under this Article.
- b. ~~The related member pays a net income tax or gross receipts tax to another state with respect to the interest income.~~ Another state imposes an income tax or gross receipts tax on the interest income of the related member. Interest amounts eliminated by combined or consolidated return requirements do not qualify as interest that is subject to tax under this sub-subdivision.
- c. The related member is organized under the laws of a foreign country that has a comprehensive income tax treaty with the United States, and that country taxes the interest income at a rate equal to or greater than G.S. 105-130.3.
- d. The related member is a bank."

SECTION 1.8.(b) G.S. 105-130.7B reads as rewritten:

"§ 105-130.7B. Limitation on qualified interest for certain indebtedness.

(a) Limitation. – In determining State net income, a deduction is allowed only for qualified interest expense paid or accrued by the taxpayer to a related member during a taxable year. This section does not limit the Secretary's authority to adjust a taxpayer's net income as it relates to payments to or charges by a parent, subsidiary, or affiliated corporation in excess of fair compensation in an intercompany transaction under G.S. 105-130.5(a)(9).

(b) Definitions. – The definitions in G.S. 105-130.7A apply in this section. In addition, the following definitions apply in this section:

- (1) Adjusted taxable income. – State net income of the taxpayer determined without regard to this section and other adjustments as the Secretary may by rule provide.
- (2) Bank. – One or more of the following, or a subsidiary or affiliate of one or more of the following:
 - a. A bank holding company as defined in the federal Bank Holding Company Act of 1956, as amended.
 - b. One or more of the following entities incorporated or chartered under the laws of this State, another state, or the United States:
 1. A bank. This term has the same meaning as defined in G.S. 53C-1-4.
 2. A savings bank. This term has the same meaning as defined in G.S. 54C-4.
 3. A savings and loan association. This term has the same meaning as defined in G.S. 54B-4.
 4. A trust company. This term has the same meaning as defined in G.S. 53C-1-4.
- (3) Net interest expense. – The excess of the interest paid or accrued by the taxpayer to ~~a~~ each related member during the taxable year over the amount of interest from ~~a~~ each related member includible in the gross income of the taxpayer for the taxable year.
- (4) Qualified interest expense. – The amount of net interest expense paid or accrued to a related member in a taxable year ~~not to exceed thirty percent (30%) with the amount limited to the greater of (i) fifteen percent (15%) of the taxpayer's adjusted taxable income.~~ income or (ii) the taxpayer's proportionate share of interest paid or accrued to a person who is not a related member during the same taxable year. This limitation does not apply to interest paid or accrued to a related member if one or more of the following applies:

...

- (5) Proportionate share of interest. – The amount of taxpayer's net interest expense paid or accrued directly to or through a related member to an ultimate payer divided by the total net interest expense of all related members that is paid or accrued directly to or through a related member to the same ultimate payer, multiplied by the interest paid or accrued to a person who is not a related member by the ultimate payer. Any amount that is distributed, paid, or accrued directly or through a related member that is not treated as interest under this Part does not qualify.
- (6) Ultimate payer. – A related member that receives or accrues interest from related members directly or through a related member and pays or accrues interest to a person who is not a related member."

2016. **SECTION 1.8.(c)** This section is effective for taxable years beginning on or after January 1,

SECTION 1.9.(a) G.S. 105-130.5(b)(25) reads as rewritten:

"(25) The amount added to federal taxable income as deferred income under section 108(i)(1) of the Code. ~~This deduction applies to taxable years beginning on or after January 1, 2014.~~"

2009. **SECTION 1.9.(b)** This section is effective for taxable years beginning on or after January 1,

PART II. PERSONAL TAX CHANGES

SECTION 2.1.(a) G.S. 105-153.5(a)(2) is amended by adding a new sub-subdivision to read:

"(2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

...

- d. Repayment in the current taxable year of an amount included in adjusted gross income in an earlier taxable year because it appeared that the taxpayer had an unrestricted right to such item, to the extent the repayment is not deducted in arriving at adjusted gross income in the current taxable year. If the repayment is three thousand dollars (\$3,000) or less, the deduction is the amount of repayment less (i) the limitation provided under section 67(a) of the Code minus (ii) all other items deductible under section 67(b) of the Code, not to exceed the limitation provided under section 67(a) of the Code. If the repayment is more than three thousand dollars (\$3,000), the deduction is the amount of repayment. No deduction is allowed if the taxpayer calculates the federal income tax for the year of repayment under section 1341(a)(5) of the Code."

SECTION 2.1.(b) G.S. 105-153.5(b) is amended by adding a new subdivision to read:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

- (10) The amount added to federal taxable income under section 108(i)(1) of the Code."

SECTION 2.1.(c) G.S. 105-153.5(b) is amended by adding a new subdivision to read:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

- (11) The amount by which the deduction for an ordinary and necessary business expense was required to be reduced or was not allowed under the Code because the taxpayer

claimed a federal tax credit against its federal income tax liability for the income year in lieu of a deduction. This deduction is allowed only to the extent that a similar credit is not allowed by this Chapter for the amount."

SECTION 2.1.(d) Subsection 2.1(c) of this section is effective for taxable years beginning on or after January 1, 2016. The remainder of this section is effective for taxable years beginning on or after January 1, 2014.

SECTION 2.2.(a) G.S. 105-153.5(c) is amended by adding new subdivisions to read:

"(c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:

- ...
- (6) The amount of net operating loss carried to and deducted on the federal return but not absorbed in that year and carried forward to a subsequent year.
 - (7) The amount deducted in a prior taxable year to the extent this amount was withdrawn from the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25 and not used to pay for the qualified higher education expenses of the designated beneficiary, unless the withdrawal was made without penalty under section 529 of the Code due to the death or permanent disability of the designated beneficiary."

SECTION 2.2.(b) This section is effective for taxable years beginning on or after January 1, 2016.

SECTION 2.3. G.S. 105-163.1 reads as rewritten:

"§ 105-163.1. Definitions.

The following definitions apply in this Article:

- ...
- (6) Individual. – Defined in ~~G.S. 105-134.1~~G.S. 105-153.3.
 - ...
 - (13) Wages. – The term has the same meaning as in section 3401 of the Code except it does not include the either of the following:
 - a. ~~The amount of severance wages paid to an employee during the taxable year that is exempt from State income tax for that taxable year under G.S. 105-134.6(b)(11).~~
 - b. ~~The amount an employer pays an employee as reimbursement for ordinary and necessary expenses incurred by the employee on behalf of the employer and in the furtherance of the business of the employer.~~

...."
SECTION 2.4.(a) G.S. 105-134.6(b)(20) reads as rewritten:

"(20) The amount added to federal taxable income as deferred income under section 108(i)(1) of the Code. ~~This deduction applies to taxable years beginning on or after January 1, 2014.~~"

SECTION 2.4.(b) This section is effective for taxable years beginning on or after January 1, 2009.

PART III. SALES TAX CHANGES

SECTION 3.1. Section 2.4 of S.L. 2014-66 reads as rewritten:

"**SECTION 2.4.** ~~Sections 2.1~~Section 2.1 of this act becomes effective July 1, 2013. Sections 2.2 through 2.4 of this act become effective July 1, 2014. The remainder of this act is effective when it becomes law."

SECTION 3.2.(a) G.S. 105-164.3 reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

- ...
- (3) ~~Clothing. — All human wearing apparel suitable for general use including coats, jackets, hats, hosiery, scarves, and shoes.~~
- (4) ~~Clothing accessories or equipment. — Incidental items worn on the person or in conjunction with clothing including jewelry, cosmetics, eyewear, wallets, and watches.~~
- ...
- (8g) ~~Energy Star qualified product. — A product that meets the energy efficient guidelines set by the United States Environmental Protection Agency and the United States Department of Energy and is authorized to carry the Energy Star label.~~
- ...
- (28) Prepared food. — Food that meets at least one of the conditions of this subdivision. Prepared food does not include food the retailer sliced, repackaged, or pasteurized but did not heat, mix, or sell with eating utensils.
- ...
- c. It is sold with eating utensils provided by the retailer, such as plates, knives, forks, spoons, glasses, cups, napkins, and straws. A plate does not include a container or packaging used to transport the food.
- ...
- (37b) ~~School instructional material. — Written material commonly used by a student in a course of study as a reference and to learn the subject being taught. The following is an all inclusive list:~~
- a. ~~Reference books.~~
- b. ~~Reference maps and globes.~~
- c. ~~Textbooks.~~
- d. ~~Workbooks.~~
- (37d) ~~School supply. — An item that is commonly used by a student in the course of study and is considered a "school supply" or "school art supply" under the Streamlined Agreement.~~
- ...
- (42) ~~Sport or recreational equipment. — Items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use including ballet shoes, cleated athletic shoes, shin guards, and ski boots.~~
- ...
- (45a) Streamlined Agreement. — The Streamlined Sales and Use Tax Agreement as amended as of ~~October 30, 2013.~~September 17, 2015.

.... "
SECTION 3.2.(b) G.S. 105-164.3 reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

- ...
- (44) Storage. — The keeping or retention in this State for any purpose, except sale in the regular course of business, of tangible personal property or digital property for any period of time purchased from a retailer person in business. ~~The term does not include a purchaser's storage of tangible personal property or digital property in any of the following circumstances:~~
- a. ~~When the purchaser is able to document that at the time the purchaser acquires the property the property is designated for the purchaser's use outside the State~~

~~and the purchaser subsequently takes it outside the State and uses it solely outside the State.~~

- b. ~~When the purchaser acquires the property to process, fabricate, manufacture, or otherwise incorporate it into or attach it to other property for the purchaser's use outside the State and, after incorporating or attaching the purchased property, the purchaser subsequently takes the other property outside the State and uses it solely outside the State.~~

...."

SECTION 3.2.(c) Subsection (b) of this section becomes effective January 1, 2017. The remainder of this section is effective when this act becomes law.

SECTION 3.3. G.S. 105-164.4B(e) reads as rewritten:

"(e) Accommodations. – The rental of an accommodation, as defined in ~~G.S. 105-164.4(a)(3), G.S. 105-164.4F,~~ is sourced to the location of the accommodation."

SECTION 3.4. G.S. 105-164.4G(b) reads as rewritten:

"(b) Tax. – The gross receipts derived from an admission charge to an entertainment activity are taxed at the general rate set in G.S. 105-164.4. The tax is due and payable by the retailer in accordance with G.S. 105-164.16. For purposes of the tax imposed by this section, the retailer is the applicable person listed below:

- (1) The operator of the venue where the entertainment activity occurs, unless the retailer and the facilitator have a contract between them allowing for dual remittance, as provided in subsection (d) of this section.
- (2) The person that provides the entertainment and that receives admission charges directly from a purchaser.
- (3) A person other than a person listed in subdivision (1) or (2) of this subsection that receives gross receipts derived from an admission charge sold at retail."

SECTION 3.5. G.S. 105-164.4H(b) reads as rewritten:

"(b) Retailer-Contractor. – This section applies to a retailer-contractor when the retailer-contractor acts as a real property contractor. A retailer-contractor that purchases tangible personal property to be installed or ~~affixed-applied~~ to real property may purchase items exempt from tax under a certificate of exemption pursuant to G.S. 105-164.28 provided the retailer-contractor also purchases inventory items from the seller for resale. When the tangible personal property is withdrawn from inventory and installed or ~~affixed-applied~~ to real property, use tax must be accrued and paid on the retailer-contractor's purchase price of the tangible personal property. Tangible personal property that the retailer-contractor withdraws from inventory for use that does not become part of real property is also subject to the tax imposed by this Article.

If a retailer-contractor subcontracts any part of the real property contract, tax is payable by the subcontractor on the subcontractor's purchase of the tangible personal property that is installed or ~~affixed~~ applied to real property in fulfilling the contract. The retailer-contractor, the subcontractor, and the owner of the real property are jointly and severally liable for the tax. The liability of a retailer-contractor, a subcontractor, or an owner who did not purchase the property is satisfied by receipt of an affidavit from the purchaser certifying that the tax has been paid."

SECTION 3.7.(a) G.S. 105-164.4D(b) reads as rewritten:

"(b) Determining Threshold. – A retailer of a bundled transaction subject to this section may use either the retailer's ~~cost-purchase~~ price or the retailer's sales price to determine if the transaction meets the fifty percent (50%) test or the ten percent (10%) test set out in subdivisions (a)(1) and (a)(3) of this section. A retailer may not use a combination of ~~cost-purchase~~ price and sales price to make this determination. If a bundled transaction subject to subdivision (a)(3) of this section includes a service contract, the retailer must use the full term of the contract in determining whether the transaction meets the threshold set in the subdivision."

SECTION 3.7.(b) G.S. 105-468 reads as rewritten:

"§ 105-468. Scope of use tax.

The use tax authorized by this Article is a tax at the rate of one percent (1%) of the ~~cost-purchase~~ price of each item or article of tangible personal property that is not sold in the taxing county but is used, consumed, or stored for use or consumption in the taxing county. The tax applies to the same items that are subject to tax under G.S. 105-467. The collection and administration of this tax shall be in accordance with Article 5 of Chapter 105 of the General Statutes.

Where a local sales or use tax was due and has been paid with respect to tangible personal property by the purchaser in another taxing county within the State, or where a local sales or use tax was due and has been paid in a taxing jurisdiction outside the State where the purpose of the tax is similar in purpose and intent to the tax which may be imposed pursuant to this Article, the tax paid may be credited against the tax imposed under this section by a taxing county upon the same property. If the amount of sales or use tax so paid is less than the amount of the use tax due the taxing county under this section, the purchaser shall pay to the Secretary an amount equal to the difference between the amount so paid in the other taxing county or jurisdiction and the amount due in the taxing county. The Secretary may require such proof of payment in another taxing county or jurisdiction as is deemed to be necessary. The use tax levied under this Article is not subject to credit for payment of any State sales or use tax not imposed for the benefit and use of counties and municipalities. No credit shall be given under this section for sales or use taxes paid in a taxing jurisdiction outside this State if that taxing jurisdiction does not grant similar credit for sales taxes paid under this Article."

SECTION 3.7.(c) G.S. 105-471 reads as rewritten:

"§ 105-471. Retailer to collect sales tax.

Every retailer whose place of business is in a taxing county shall on and after the levy of the tax herein authorized collect the one percent (1%) local sales tax provided by this Article.

The tax to be collected under this Article shall be collected as a part of the sales price of the item of tangible personal property sold, the ~~cost-purchase~~ price of the item of tangible personal property used, or as a part of the charge for the rendering of any services, renting or leasing of tangible personal property, or the furnishing of any accommodation taxable hereunder. The tax shall be stated and charged separately from the sales price or ~~cost-purchase~~ price and shall be shown separately on the retailer's sales record and shall be paid by the purchaser to the retailer as trustee for and on account of the State or county wherein the tax is imposed. It is the intent and purpose of this Article that the local sales and use tax herein authorized to be imposed and levied by a taxing county shall be added to the sales price and that the tax shall be passed on to the purchaser instead of being borne by the retailer. The Secretary of Revenue shall design, print and furnish to all retailers in a taxing county in which he shall collect and administer the tax the necessary forms for filing returns and instructions to insure the full collection from retailers, and the Secretary may adapt the present form used for the reporting and collecting of the State sales and use tax to this purpose."

SECTION 3.8.(a) G.S. 105-164.12B reads as rewritten:

"§ 105-164.12B. Tangible personal property sold below cost with conditional ~~service~~-contract.

(a) ~~Conditional Service-Contract Defined.~~ – A conditional ~~service~~-contract is a contract in which all of the following conditions are met:

- (1) A seller transfers an item of tangible personal property to a consumer on the condition that the consumer enter into an agreement to purchase services on an ongoing basis for a minimum period of at least six months.
- (2) The agreement requires the consumer to pay a cancellation fee to the seller if the consumer cancels the contract for services within the minimum period.
- (3) For the item transferred, the seller charges the consumer a price that, after any price reduction the seller gives the consumer, is below the purchase price the seller paid for the item. The seller's purchase price is presumed to be no greater than the price the

seller paid, as shown on the seller's purchase invoice, for the same item within 12 months before the seller entered into the conditional ~~service~~ contract.

(b) Tax. – If a seller transfers an item of tangible personal property as part of a conditional ~~service~~ contract, a sale has occurred. The sales price of the item is presumed to be the retail price at which the item would sell in the absence of the conditional ~~service~~ contract. Sales tax at the general rate under G.S. 105-164.4(a) is due at the time of the transfer on the following:

- (1) Any part of the presumed sales price the consumer pays at that time, if the service in the contract is taxable at the combined general rate.
- (2) The presumed sales price, if the service in the contract is not taxable at the combined general rate.
- (3) The percentage of the presumed sales price that is equal to the percentage of the service in the contract that is not taxable at the combined general rate, if any part of the service in the contract is not taxable at the combined general rate.

(c)-(f) Repealed by Session Laws 2007-244, s. 3, effective October 1, 2007."

SECTION 3.8.(b) G.S. 105-467(a) is amended by adding a new subdivision to read:

"(a) Sales Tax. – The sales tax that may be imposed under this Article is limited to a tax at the rate of one percent (1%) of the following:

- ...
- (8) The presumed sales price of an item of tangible personal property under G.S. 105-164.12B."

SECTION 3.9.(a) G.S. 105-164.13(34) is repealed.

SECTION 3.9.(b) G.S. 105-164.13 is amended by adding a new subdivision to read:

"§ 105-164.13. Retail sales and use tax.

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property, digital property, and services are specifically exempted from the tax imposed by this Article:

- ...
- (26b) Food, prepared food, soft drinks, candy, and other items of tangible personal property sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given or contributed to the school or to a nonprofit charitable organization, one of whose purposes is to serve as a conduit through which the net proceeds will flow to the school. For purposes of this exemption, the term "school" is an entity regulated under Chapter 115C of the General Statutes.

...."

SECTION 3.9.(c) This section becomes effective January 1, 2017, and applies to sales made on or after that date.

SECTION 3.11.(a) G.S. 105-164.13 reads as rewritten:

"§ 105-164.13. Retail sales and use tax.

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property, digital property, and services are specifically exempted from the tax imposed by this Article:

- ...
- (52) Items subject to sales and use tax under G.S. 105-164.4, other than electricity, telecommunications service, and ancillary service as defined in ~~G.S. 105-164.4, G.S. 105-164.3~~, if all of the following conditions are met:

- ...
- (57) ~~Fuel and electricity~~ Fuel, electricity, and piped natural gas sold to a manufacturer for use in connection with the operation of a manufacturing facility. The exemption does not apply to the following:

a. electricity ~~Electricity~~ used at a facility at which the primary activity is not manufacturing.

- b. Fuel or piped natural gas that is used solely for comfort heating at a manufacturing facility where there is no use of fuel or piped natural gas in a manufacturing process.

...."

SECTION 3.11.(b) This section becomes effective January 1, 2017.

SECTION 3.12.(a) G.S. 105-164.13E(c), as enacted by S.L. 2015-6, reads as rewritten:

"(c) Contract with a Farmer. – A qualifying item listed in subdivisions (5), (8), and (9) of subsection (a) of this section purchased to fulfill a contract with a person who holds a qualifying farmer exemption certificate or a conditional farmer exemption certificate issued under G.S. 105-164.28A is exempt from sales and use tax to the same extent as if purchased directly by the person who holds the exemption certificate. A contractor that purchases one of the items allowed an exemption under this section must provide an exemption certificate to the retailer that includes the name of the agricultural qualifying farmer or conditional farmer exemption certificate holder and the agricultural-qualifying farmer or conditional farmer exemption certificate number issued to that holder."

SECTION 3.12.(b) Section 2.13(b) of S.L. 2015-6 reads as rewritten:

"**SECTION 2.13.(b)** This section becomes effective July 1, 2014. A contractor who paid sales and use tax on an item exempt from sales and use tax pursuant to ~~G.S. 105-164.13(e)~~, G.S. 105-164.13E(c), as enacted by this section, may request a refund from the retailer, and the retailer may, upon issuance of the refund or credit, request a refund for the overpayment of tax under G.S. 105-164.11(a)(1)."

SECTION 3.14. G.S. 105-164.14A(a)(3) is repealed.

SECTION 3.15. G.S. 105-164.22 reads as rewritten:

"§ 105-164.22. **Record-keeping requirements, inspection authority, and effect of failure to keep records.**

Retailers, wholesale merchants, and consumers must keep ~~for a period of three years~~ records that establish their tax liability under this Article. The Secretary or a person designated by the Secretary may inspect these records at any reasonable time during the day.

A retailer's records must include records of the retailer's gross income, gross sales, net taxable sales, and all items purchased for resale. Failure of a retailer to keep records that establish that a sale is exempt under this Article subjects the retailer to liability for tax on the sale.

A wholesale merchant's records must include a bill of sale for each customer that contains the name and address of the purchaser, the date of the purchase, the item purchased, and the price at which the wholesale merchant sold the item. Failure of a wholesale merchant to keep these records for the sale of an item subjects the wholesale merchant to liability for tax at the rate that applies to the retail sale of the item.

A consumer's records must include an invoice or other statement of the purchase price of an item the consumer purchased from outside the State. Failure of the consumer to keep these records subjects the consumer to liability for tax on the purchase price of the item, as determined by the Secretary."

SECTION 3.16. G.S. 105-164.30 reads as rewritten:

"§ 105-164.30. **Secretary or agent may examine books, etc.**

For the purpose of enforcing the collection of the tax levied by this Article, the Secretary or his duly authorized agent is authorized to examine at all reasonable hours during the day the books, papers, records, documents or other data of all retailers or wholesale merchants bearing upon the correctness of any return or for the purpose of filing a return where none has been made as required by this Article, and may require the attendance of any person and take his testimony with respect to any such matter, with power to administer oaths to such person or persons. If any person summoned as a witness fails to obey any summons to appear before the Secretary or his authorized agent, or refuses to testify or answer any material question or to produce any book, record, paper, or other data when required to do so, the Secretary or his authorized agent shall report the failure or refusal to the Attorney General or the district solicitor, who shall thereupon institute proceedings in the superior court of the county where the witness resides to compel obedience to any summons of the Secretary or his authorized agent. Officers who serve

summonses or subpoenas, and witnesses attending, shall receive like compensation as officers and witnesses in the superior courts, to be paid from the proper appropriation for the administration of this Article.

In the event any retailer or wholesale merchant fails or refuses to permit the Secretary or his authorized agent to examine his books, papers, accounts, records, documents or other data, the Secretary may require the retailer or wholesale merchant to show cause before the superior court of the county in which said taxpayer resides or has its principal place of business as to why the books, records, papers, ~~or documents~~ documents, or data should not be examined and the superior court shall have jurisdiction to enter an order requiring the production of all necessary books, records, papers, ~~or documents~~ documents, or data and to punish for contempt any person who violates the order."

SECTION 3.17.(a) G.S. 105-164.42L reads as rewritten:

"§ 105-164.42L. Liability relief for erroneous information or insufficient notice by Department.

(a) The Secretary may develop databases that provide information on the boundaries of taxing jurisdictions and the tax rates applicable to those taxing jurisdictions. A person who relies on the information provided in these databases is not liable for underpayments of tax attributable to erroneous information provided by the Secretary in those ~~databases~~ databases until 10 business days after the date of notification by the Secretary.

(b) The Secretary may develop a taxability matrix that provides information on the taxability of certain ~~items~~ items or certain tax administration practices. A person who relies on the information provided in the taxability matrix is not liable for underpayments of tax attributable to erroneous information provided by the Secretary in the taxability ~~matrix~~ matrix until 10 business days after the date of notification by the Secretary.

...."

SECTION 3.17.(b) G.S. 105-466(c) reads as rewritten:

"(c) Collection of the tax, and liability therefor, must begin and continue only on and after the first day of a calendar quarter, as set by the board of county commissioners in the resolution levying the tax. ~~In no event may the tax be imposed, or the tax rate changed, earlier than the first day of the second succeeding calendar month after the date of the adoption of the resolution.~~ The county must give the Secretary at least 90 days advance notice of a new tax levy or tax rate change. The applicability of a new tax or a tax rate change to purchases from printed catalogs becomes effective on the first day of a calendar quarter after a minimum of 120 days from the date the Secretary notifies the seller that receives orders by means of a catalog or similar publication of the new tax or tax rate change. A local rate increase may only be effective on the first day of a calendar quarter after a minimum of 60 days' notice to sellers by the Secretary."

SECTION 3.18. G.S. 105-164.42I(b) reads as rewritten:

"(b) Contract. – The Secretary may contract or authorize in writing the Streamlined Sales Tax Governing Board to contract on behalf of the Secretary with a certified service provider for the collection and remittance of sales and use taxes. A certified service provider must file with the Secretary or the Streamlined Sales Tax Governing Board ~~a bond or an irrevocable letter of credit~~ one of the following in the amount set by the Secretary: (i) a bond; (ii) an irrevocable letter of credit; or (iii) evidence of a certificate of deposit. A bond or bond, irrevocable letter of credit, or certificate of deposit must be conditioned upon compliance with the contract, be payable to the State or the Streamlined Sales Tax Governing Board, and be in the form required by the Secretary. ~~Secretary or the Streamlined Sales Tax Governing Board.~~ The amount a certified service provider charges under the contract is a cost of collecting the tax and is payable from the amount collected."

SECTION 3.19.(a) G.S. 105-187.1 reads as rewritten:

"§ 105-187.1. Definitions.

The following definitions and the definitions in G.S. 105-164.3 apply to this Article:

- (1) Commissioner. – The Commissioner of Motor Vehicles.
- (2) Division. – The Division of Motor Vehicles, Department of Transportation.

- (3) Long-term lease or rental. – A lease or rental made under a written agreement to lease or rent property to the same person for a period of at least 365 continuous days.
- (4) Park model RV. – A vehicle that meets all of the following conditions:
 - a. Is designed and marketed as temporary living quarters for recreational, camping, travel, or seasonal use.
 - b. Is certified by the manufacturer as complying with ANSI A119.5.
 - c. Is built on a single chassis mounted on wheels with a gross trailer area not exceeding 400 square feet in the setup mode.
- ~~(4)~~(5) Recreational vehicle. – Defined in G.S. 20-4.01. The term also includes a park model RV.
- ~~(5)~~(6) Rescue squad. – An organization that provides rescue services, emergency medical services, or both.
- ~~(6)~~(7) Retailer. – A retailer as defined in G.S. 105-164.3 who is engaged in the business of selling, leasing, or renting motor vehicles.
- ~~(7)~~(8) Short-term lease or rental. – A lease or rental that is not a long-term lease or rental."

SECTION 3.19.(b) G.S. 105-164.13(32) reads as rewritten:

"§ 105-164.13. Retail sales and use tax.

The sale at retail and the use, storage, or consumption in this State of the following tangible personal property, digital property, and services are specifically exempted from the tax imposed by this Article:

- ...
- (32) Sales of motor vehicles, the sale of a motor vehicle body to be mounted on a motor vehicle chassis when a certificate of title has not been issued for the chassis, and the sale of a motor vehicle body mounted on a motor vehicle chassis that temporarily enters the State so the manufacturer of the body can mount the body on the chassis. For purposes of this subdivision, a park model RV, as defined in G.S. 105-187.1, is a motor vehicle."

SECTION 3.19.(d) This section becomes effective July 1, 2016.

SECTION 3.20.(a) G.S. 105-187.21 reads as rewritten:

"§ 105-187.21. Tax imposed.

A privilege tax is imposed on a white goods retailer at a flat rate for each new white good that is sold by the retailer. An excise tax is imposed on a new white good purchased ~~outside the State~~ for storage, use, or consumption in this State. The rate of the privilege tax and the excise tax is three dollars (\$3.00). These taxes are in addition to all other taxes."

SECTION 3.20.(b) This section becomes effective July 1, 2016.

SECTION 3.21. G.S. 105-538 reads as rewritten:

"§ 105-538. Administration of taxes.

The Secretary shall, on a monthly basis, allocate to each taxing county the net proceeds of the tax levied under this Article. If the Secretary collects taxes under this Article in a month and the taxes cannot be identified as being attributable to a particular taxing county, the Secretary must allocate the net proceeds of these taxes among the taxing counties in proportion to the amount of taxes collected in each county under this Article in that month. For purposes of this Article, the term "net proceeds" has the same meaning as defined in G.S. 105-472.

Except as provided in this Article, the adoption, levy, collection, administration, and repeal of these additional taxes must be in accordance with Article 39 of this Chapter. G.S. 105-468.1 is an administrative provision that applies to this Article. A tax levied under this Article does not apply to the sales price of food that is exempt from tax pursuant to G.S. 105-164.13B or to the sales price of a bundled transaction taxable pursuant to G.S. 105-467(a)(5a). The Secretary shall not divide the amount allocated to a county between the county and the municipalities within the county."

SECTION 3.22.(a) G.S. 105-164.29A(a) reads as rewritten:

"(a) Application. – To be eligible for the exemption provided in G.S. 105-164.13(52), a State agency must obtain from the Department a sales tax exemption number. The application for exemption must be in the form required by the Secretary, be signed by the State agency's head, and contain any information required by the Secretary. The Secretary must assign a sales tax exemption number to a State agency that submits a proper application. This section does not apply to any of the following State agencies:

(1) An occupational licensing board, as defined in G.S. 93B-1.

(2) An entity listed in G.S. 105-164.14(c)."

SECTION 3.22.(b) G.S. 105-164.14(e) reads as rewritten:

"(e) State Agencies. – The State is allowed quarterly refunds of local sales and use taxes paid indirectly by the State agency on building materials, supplies, fixtures, and equipment that become a part of or annexed to a building or structure that is owned or leased by the State agency and is being erected, altered, or repaired for use by the State agency. This subsection does not apply to a State agency that is ineligible for a sales and use tax exemption number under G.S. 105-164.29A(a).

A person who pays local sales and use taxes on building materials or other tangible personal property for a State building project shall give the State agency for whose project the property was purchased a signed statement containing all of the following information:

...."
SECTION 3.22.(c) This section becomes effective July 1, 2017.

SECTION 3.23.(a) G.S. 105-164.13(11b) reads as rewritten:

"(11b) Sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft. For purposes of this subdivision, the term "commercial aircraft" has the same meaning as defined in subdivision (45a) of this subsection. This exemption applies to aviation gasoline and jet fuel purchased for use in a commercial aircraft in interstate or foreign commerce by a person whose primary business is scheduled passenger air transportation. This subdivision expires January 1, 2020."

SECTION 3.23.(b) This section becomes effective January 1, 2016.

SECTION 3.24.(a) G.S. 105-164.4I(b)(3) reads as rewritten:

"(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

...
(3) A transmission, an engine, rear-end gears, and any other item ~~purchased~~leased, or rented by a professional motorsports racing team or a related member of a team for which the team or related member may receive a sales tax exemption under G.S. 105-164.13(65) or G.S. 105-164.13(65a) or a sales tax refund under G.S. 105-164.14A(a)(5). This subdivision expires January 1, 2020."

SECTION 3.24.(b) This section is effective when it becomes law and applies retroactively to January 1, 2014.

PART IV. EXCISE TAX CHANGES

SECTION 4.1.(a) G.S. 105-113.13 reads as rewritten:

"§ 105-113.13. Secretary may require a bond or irrevocable letter of credit.

(a) Repealed by Session Laws 2013-414, s. 22(c), effective September 1, 2013.

(b) The Secretary may require a distributor to furnish a bond in an amount that adequately protects the State from loss if the distributor fails to pay taxes due under this Part. A bond must be conditioned on compliance with this Part, payable to the State, and in the form required by the Secretary. The Secretary must set the bond amount based on the anticipated tax liability of the distributor. The amount of the bond is two times the distributor's average expected monthly tax liability under this Article, as determined by the Secretary, provided the amount of the bond may not be less than two thousand

dollars (\$2,000) and may not be more than two million dollars (\$2,000,000). The Secretary should periodically review the sufficiency of bonds required of the distributor and increase the required bond amount if the amount no longer covers the anticipated tax liability of the distributor and decrease the amount if the Secretary finds that a lower bond amount will protect the State adequately from loss.

For purposes of this section, a distributor may substitute an irrevocable letter of credit for the secured bond required by this section. The letter of credit must be issued by a commercial bank acceptable to the Secretary and available to the State as a beneficiary. The letter of credit must be in a form acceptable to the Secretary, conditioned upon compliance with this Article, and in the amounts stipulated in this section."

SECTION 4.1.(b) G.S. 105-113.38 reads as rewritten:

"§ 105-113.38. Bond or irrevocable letter of credit.

The Secretary may require a wholesale dealer or a retail dealer to furnish a bond in an amount that adequately protects the State from loss if the dealer fails to pay taxes due under this Part. A bond must be conditioned on compliance with this Part, payable to the State, and in the form required by the Secretary. ~~The bond amount must be proportionate to the anticipated tax liability of the wholesale dealer or retail dealer. The amount of the bond is two times the wholesale or retail dealer's average expected monthly tax liability under this Article, as determined by the Secretary, provided the amount of the bond may not be less than two thousand dollars (\$2,000) and may not be more than two million dollars (\$2,000,000).~~ The Secretary should periodically review the sufficiency of bonds required of dealers, and increase the amount of a required bond when the amount of the bond furnished no longer covers the anticipated tax liability of the wholesale dealer or retail dealer and decrease the amount when the Secretary determines that a smaller bond amount will adequately protect the State from loss.

For purposes of this section, a wholesale dealer or a retail dealer may substitute an irrevocable letter of credit for the secured bond required by this section. The letter of credit must be issued by a commercial bank acceptable to the Secretary and available to the State as a beneficiary. The letter of credit must be in a form acceptable to the Secretary, conditioned upon compliance with this Article, and in the amounts stipulated in this section."

SECTION 4.2. G.S. 105-113.35(a) reads as rewritten:

"(a) Tax on Tobacco Products. – An excise tax is levied on tobacco products ~~other than cigarettes and vapor products~~ at the rate of twelve and eight-tenths percent (12.8%) of the cost price of the products. The tax rate does not apply to the following:

- (1) Cigarettes subject to the tax in G.S. 105-113.5.
- (2) Vapor products subject to the tax in subsection (a1) of this section."

SECTION 4.3. G.S. 105-113.83(b) reads as rewritten:

"(b) Beer and Wine. – The excise taxes on malt beverages and wine levied under G.S. 105-113.80(a) and (b), respectively, are payable to the Secretary by the resident wholesaler or importer who first handles the beverages in this State. The excise taxes levied under G.S. 105-113.80(b) on wine shipped directly to consumers in this State pursuant to G.S. 18B-1001.1 must be paid by the wine shipper permittee. The taxes on malt beverages and wine are payable only once on the same beverages. ~~The~~ Unless otherwise provided, the tax is due on or before the 15th day of the month following the month in which the beverage is first sold or otherwise disposed of in this State by the wholesaler, importer, or wine shipper permittee. When excise taxes are paid on wine or malt beverages, the wholesaler, importer, or wine shipper permittee wholesaler or importer must submit to the Secretary verified reports on forms provided by the Secretary detailing sales records for the month for which the taxes are paid. The report must indicate the amount of excise tax due, contain the information required by the Secretary, and indicate separately any transactions to which the excise tax does not apply. A wine shipper permittee shall submit verified reports once a year on forms provided by the Secretary detailing sales records for the year the taxes are paid. The verified report is due on or before the fifteenth day of the first month of the following calendar year."

SECTION 4.4.(a) G.S. 105-187.82 is repealed.

SECTION 4.4.(b) G.S. 105-187.77(a) reads as rewritten:

"(a) Purpose. – An excise tax is levied on the privilege of engaging in the severance of energy minerals from the soil or water of this State. The tax is imposed on the producer of the energy mineral. The purpose of the tax is to provide revenue to administer and enforce the provisions of this Article, to administer the State's natural gas and oil reclamation regulatory program, to meet the environmental and resource management needs of this State, and to reclaim land affected by exploration for, drilling for, and production of natural gas and oil. The severance tax is imposed upon all energy minerals severed when sold."

SECTION 4.4.(c) G.S. 105-187.81 reads as rewritten:

"§ 105-187.81. Bond or letter of credit required.

A producer must file with the Secretary a bond or an irrevocable letter of credit ~~if the producer fails to file a return required under this Article after obtaining a permit under G.S. 113-395.~~ A bond or an irrevocable letter of credit must be conditioned upon compliance with the requirements of this Article, be payable to the State, and be in the form required by the Secretary. The amount of the bond or irrevocable letter of credit is two times the applicant's average expected monthly tax liability under this Article, as determined by the ~~Secretary.~~ Secretary, provided the amount of the bond may not be less than two thousand dollars (\$2,000) and may not be more than two million dollars (\$2,000,000). The Secretary should periodically review the sufficiency of bonds required of producers and increase the amount of a required bond when the amount of the bond furnished no longer covers the anticipated tax liability of the producer and decrease the amount when the Secretary determines that a smaller bond amount will adequately protect the State from loss. When notified to do so by the Secretary, a person who is required to file a bond or an irrevocable letter of credit must file the bond or irrevocable letter of credit in the amount required by the Secretary within 30 days after receiving the notice from the Secretary."

SECTION 4.5.(a) G.S. 105-259(b) reads as rewritten:

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

- ...
- (40) To furnish a nonparticipating manufacturer, as defined in G.S. 66-292, the amount of the manufacturer's tobacco products that a taxpayer ~~sells~~ sold in this State by distributor, and that the Secretary reports to the Attorney General under G.S. 105-113.4C.
- ...
- (50) To provide public access to a list containing the name and account number of entities licensed under Article 2A of this Chapter to aid in the administration of the tobacco products tax.
- (51) To exchange information regarding the tax imposed on motor carriers under Article 36B of this Chapter with other jurisdictions that administer the International Fuel Tax Agreement to aid in the administration of the Agreement."

SECTION 4.5.(b) G.S. 105-449.57(c) reads as rewritten:

"(c) Disclosure. – In accordance with G.S. 105-259, the Secretary may, as required by the terms of an agreement, forward to officials of another jurisdiction any information in the Department's possession relative to the administration and collection of a tax imposed on the use of motor fuel or alternative fuel by any motor carrier. The Secretary may disclose to officials of another jurisdiction the location of offices, motor vehicles, and other real and personal property of motor carriers."

SECTION 4.6. G.S. 105-449.49 reads as rewritten:

"§ 105-449.49. Temporary permits.

(a) Issuance. – Upon application to the Secretary and payment of a fee of fifty dollars (\$50.00), a ~~motor carrier~~ permitting service may obtain a temporary permit authorizing ~~the a motor carrier~~ to operate a vehicle in the State for three days without registering the vehicle in accordance with G.S. 105-449.47. The permitting service may sell the temporary permit to a motor carrier. A motor carrier to whom a temporary permit has been issued may elect not to report its operation of the vehicle during the three-day period. Fees collected under this subsection are credited to the Highway Fund.

(b) Refusal. – ~~The Secretary may refuse to issue a temporary permit to any of the following:~~

(1) ~~A motor carrier whose registration has been withheld or revoked.~~

(2) ~~A motor carrier who the Secretary determines is evading payment of tax through the successive purchase of temporary permits."~~

SECTION 4.7.(a) G.S. 105-449.57(a) reads as rewritten:

"(a) Authority. – The Secretary may enter into cooperative agreements with other jurisdictions for exchange of information in administering the tax imposed by this Article. No agreement, arrangement, declaration, or amendment to an agreement is effective until stated in writing and approved by the ~~Secretary.~~ Secretary or the Secretary's designee."

SECTION 4.7.(b) G.S. 105-449.57(e) reads as rewritten:

"(e) Restriction. – The Secretary or the Secretary's designee may not enter into any agreement that would increase or decrease taxes and fees imposed under Subchapter V of Chapter 105 of the General Statutes. Any provision to the contrary is void."

SECTION 4.8. G.S. 105-449.45 is amended by adding a new subsection to read:

"(e) Interest. – Interest on overpayments and underpayments of tax imposed on motor carriers under this Article is subject to the interest rate adopted in the International Fuel Tax Agreement."

SECTION 4.9.(a) G.S. 105-449.107(c) reads as rewritten:

"(c) Sales Tax Amount. – Article 5 of Subchapter I of this Chapter determines the amount of State sales and use tax to be deducted under this section from a motor fuel excise tax refund. Articles 39, 40, and 42 of Subchapter VIII of this Chapter and the Mecklenburg First 1% Sales Tax Act determine the amount of local sales and use tax to be deducted under this section from a motor fuel excise tax refund. The cents-per-gallon cost of motor fuel used to calculate the amount of State and local sales and use tax deducted from a claim for refund for each taxable period equals the average of the United States city average price of finished motor gasoline and No. 2 diesel fuel for resale in the "Consumer Price Index Detailed Reports" published by the Bureau of Labor Statistics of the United States Department of Labor or data determined by the Secretary to be equivalent. The average is computed by weighting the cost of finished motor gasoline and No. 2 diesel fuel by the proportion of tax collected on each under this Article for the taxable period, rounding to the nearest one-tenth of a cent (1/10¢). If the cents-per-gallon cost is exactly between two-tenths of a cent (2/10¢), the average is rounded up to the higher of the two."

SECTION 4.9.(b) This section becomes effective January 1, 2016.

SECTION 4.10.(a) G.S. 105-449.39 reads as rewritten:

"§ 105-449.39. Credit for payment of motor fuel tax.

Every motor carrier subject to the tax levied by this Article is entitled to a credit on its quarterly return for tax paid by the carrier on fuel purchased in the State. The amount of the credit is determined using the ~~flat cents per gallon rate plus the variable cents per gallon rate of tax in effect during the quarter~~ tax rate in effect under G.S. 105-449.80 for the time period covered by the return. To obtain a credit, the motor carrier must furnish evidence satisfactory to the Secretary that the tax for which the credit is claimed has been paid.

If the amount of a credit to which a motor carrier is entitled for a quarter exceeds the motor carrier's liability for that quarter, the excess is refundable in accordance with G.S. 105-241.7."

SECTION 4.10.(b) G.S. 105-449.106 reads as rewritten:

"§ 105-449.106. Quarterly refunds for nonprofit organizations, taxicabs, and special mobile equipment.

(a) Nonprofits. – A nonprofit organization listed below that purchases and uses motor fuel may receive a quarterly refund, for the excise tax paid during the preceding quarter, at a rate equal to the ~~amount of the flat cents per gallon rate plus the variable cents per gallon rate in effect during the quarter~~ tax rate in effect under G.S. 105-449.80 for the time period for which the refund is claimed, less one cent (1¢) per gallon.

An application for a refund allowed under this subsection must be made in accordance with this Part and must be signed by the chief executive officer of the organization. The chief executive officer of a nonprofit organization is the president of the organization or another officer of the organization designated in the charter or bylaws of the organization.

Any of the following entities may receive a refund under this subsection:

- (1) Repealed by Session Laws 2002-108, s. 13, effective January 1, 2003.
- (2) A private, nonprofit organization that transports passengers under contract with or at the express designation of a unit of local government.
- (3) A volunteer fire department.
- (4) A volunteer rescue squad.
- (5) A sheltered workshop recognized by the Department of Health and Human Services.

...

(c) Special Mobile Equipment. – A person who purchases and uses motor fuel for the off-highway operation of special mobile equipment registered under Chapter 20 of the General Statutes may receive a quarterly refund, for the excise tax paid during the preceding quarter, at a rate equal to the ~~flat cents per gallon rate plus the variable cents per gallon rate in effect during the quarter~~ tax rate in effect under G.S. 105-449.80 for the time period for which the refund is claimed, less the amount of sales and use tax due on the fuel under this Chapter, as determined in accordance with G.S. 105-449.107(c). An application for a refund must be made in accordance with this Part."

SECTION 4.10.(c) G.S. 105-449.107 reads as rewritten:

"§ 105-449.107. Annual refunds for off-highway use and use by certain vehicles with power attachments.

(a) Off-Highway. – A person who purchases and uses motor fuel for a purpose other than to operate a licensed highway vehicle may receive an annual refund for the excise tax the person paid on fuel used during the preceding calendar year. The amount of refund allowed is the ~~amount of the flat cents per gallon rate in effect during the year for which the refund is claimed plus the average of the two variable cents per gallon rates in effect during that year,~~ tax rate in effect under G.S. 105-449.80 for the time period less the amount of sales and use tax due on the fuel under this Chapter. An application for a refund allowed under this section must be made in accordance with this Part.

(b) Certain Vehicles. – A person who purchases and uses motor fuel in one of the vehicles listed below may receive an annual refund for the amount of fuel consumed by the vehicle:

- (1) A concrete mixing vehicle.
- (2) A solid waste compacting vehicle.
- (3) A bulk feed vehicle that delivers feed to poultry or livestock and uses a power takeoff to unload the feed.
- (4) A vehicle that delivers lime or fertilizer in bulk to farms and uses a power takeoff to unload the lime or fertilizer.
- (5) A tank wagon that delivers alternative fuel, as defined in G.S. 105-449.130, or motor fuel or another type of liquid fuel into storage tanks and uses a power takeoff to make the delivery.

- (6) A commercial vehicle that delivers and spreads mulch, soils, composts, sand, sawdust, and similar materials and that uses a power takeoff to unload, blow, and spread the materials.
- (7) A commercial vehicle that uses a power takeoff to remove and dispose of septage and for which an annual fee is required to be paid to the Department of Environmental Quality under G.S. 130A-291.1.
- (8) A sweeper.

The amount of refund allowed is thirty-three and one-third percent (33 1/3%) of the ~~following: the sum of the flat cents per gallon rate in effect during the year for which the refund is claimed and the average of the two variable cents per gallon rates in effect during that year, tax rate in effect under G.S. 105-449.80 for the time period for which the refund is claimed~~ less the amount of sales and use tax due on the fuel under this Chapter. An application for a refund allowed under this section must be made in accordance with this Part. This refund is allowed for the amount of fuel consumed by the vehicle in its mixing, compacting, or unloading operations, as distinguished from propelling the vehicle, which amount is considered to be one-third of the amount of fuel consumed by the vehicle.

...."

SECTION 4.10.(d) This section becomes effective January 1, 2016.

SECTION 4.11.(a) G.S. 105-449.125 reads as rewritten:

"§ 105-449.125. Distribution of tax revenue among various funds and accounts.

(a) Distribution to Funds. – The Secretary shall allocate the amount of revenue collected under this Article from an excise tax of one-half cent (1/2¢) a gallon to the following funds and accounts in the fraction indicated:

<u>Fund or Account</u>	<u>Amount</u>
Commercial Leaking Petroleum	
Underground Storage Tank Cleanup Fund	Nineteen thirty-seconds
Water and Air Quality Account	Five-sixteenths.

(b) Distribution of Remaining Revenue. – The Secretary shall allocate ~~seventy one percent (71%)~~ of the remaining excise tax revenue collected under this ~~Article~~ Article, including any revenue that is allocated but not distributed under subsection (a) of this section, as follows:

- (1) Seventy-one percent (71%) to the Highway Fund and shall allocate twenty-nine Fund.
- (2) Twenty-nine percent (29%) to the Highway Trust Fund.

(c) Accounting. – The Secretary shall charge a proportionate share of a refund allowed under this Article to each fund or account to which revenue collected under this Article is credited. The Secretary shall credit revenue or charge refunds to the appropriate funds or accounts on a monthly basis."

SECTION 4.11.(b) Section 29.27B(c) of S.L. 2015-241 reads as rewritten:

"SECTION 29.27B.(c) Subsection (a) of this section becomes effective July 1, 2015, and applies to excise tax revenue collected on or after that date. Subsection (b) of this section becomes effective ~~June 30, 2016~~ July 1, 2016."

SECTION 4.11.(c) Subsection (a) of this section becomes effective July 1, 2016. The remainder of this section is effective when it becomes law.

SECTION 4.12. G.S. 105-113.84 reads as rewritten:

"§ 105-113.84. Report of resident brewery, resident winery, nonresident vendor, or wine shipper permittee.

(a) A resident brewery, resident winery, and nonresident vendor ~~and wine shipper permittee~~ must file a monthly report with the Secretary.

(b) A wine shipper permittee must file an annual report with the Secretary.

(c) The report required by this section must list the amount of beverages delivered to North Carolina wholesalers, importers, and purchasers under G.S. 18B-1001.1 during the period covered by the report ~~month~~. The report is due by the 15th day of the month following the period ~~month~~ covered by the

report. The report must be filed on a form approved by the Secretary and must contain the information required by the Secretary."

PART V. OTHER TAX CHANGES

SECTION 5.1.(a) G.S. 105-242.2(e) reads as rewritten:

"(e) Statute of Limitations. – The period of limitations for assessing a responsible person for unpaid taxes under this section expires the later of (i) one year after the expiration of the period of limitations for assessing the business entity or (ii) one year after a tax becomes collectible from the business entity under G.S. 105-241.22(3), (4), (5), or (6)."

SECTION 5.1.(b) This section is effective when this act becomes law and applies to a tax that becomes collectible from the business entity under G.S. 105-241.22(3), (4), (5), or (6) on or after that date.

SECTION 5.2. G.S. 105-521 is repealed.

SECTION 5.3.(a) G.S. 131E-28 is repealed.

SECTION 5.3.(b) G.S. 105-130.5(b)(1a) reads as rewritten:

"(b) The following deductions from federal taxable income shall be made in determining State net income:

...

(1a) Interest upon the obligations of any of the following, net of related expenses, to the extent included in federal taxable income:

- a. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State.
- b. A nonprofit educational institution organized or chartered under the laws of this State.
- c. A hospital authority created under G.S. 131E-17."

SECTION 5.3.(c) G.S. 105-153.5(b)(1) reads as rewritten:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

(1) Interest upon the obligations of any of the following:

- a. The United States or its possessions.
- b. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State.
- c. A nonprofit educational institution organized or chartered under the laws of this State.
- d. A hospital authority created under G.S. 131E-17."

SECTION 5.3.(d) G.S. 105-449.88 is amended by adding a new subdivision to read:

"§ 105-449.88. Exemptions from the excise tax.

The excise tax on motor fuel does not apply to the following:

...

(10) Motor fuel sold to a hospital authority created under G.S. 131E-17."

SECTION 5.5.(a) G.S. 105-164.3(33c) reads as rewritten:

"(33c) Qualifying datacenter. – A datacenter that satisfies each of the following conditions:

- a. The datacenter ~~meets the wage standard and health insurance requirements of~~ G.S. 143B-437.08A certifies that it satisfies the wage standard for the development tier area or zone in which the datacenter is located. There is no wage standard for a development tier one area. If an urban progress zone or an agrarian growth zone is not in a development tier one area, then the wage standard for that zone is an average weekly wage that is at least equal to ninety percent (90%) of the lesser of the average wage for all insured private

employers in the State and the average wage for all insured private employers in the county in which the datacenter is located. The wage standard for a development tier two area or a development tier three area is an average weekly wage that is at least equal to one hundred ten percent (110%) of the lesser of the average wage for all insured private employers in the State and ninety percent (90%) of the average wage for all insured private employers in the county in which the datacenter is located.

- b. The Secretary of Commerce has made a written determination that at least seventy-five million dollars (\$75,000,000) in private funds has been or will be invested by one or more owners, users, or tenants of the datacenter within five years of the date the owner, user, or tenant of the datacenter makes its first real or tangible property investment in the datacenter on or after January 1, 2012. Investments in real or tangible property in the datacenter made prior to January 1, 2012, may not be included in the investment required by this subdivision.
- c. The datacenter certifies that it provides health insurance for all of its full-time employees. The datacenter provides health insurance if it pays at least fifty percent (50%) of the premiums for health care coverage that equals or exceeds the minimum provisions of the basic health care plan of coverage recommend by the Small Employer Carrier Committee pursuant to G.S. 58-50-125."

SECTION 5.5.(b) G.S. 105-130.4(s1) reads as rewritten:

"(s1) All apportionable income of a qualified capital intensive corporation shall be apportioned by multiplying the income by the sales factor as determined under subsection (1) of this section. A 'qualified capital intensive corporation' is a corporation that satisfies all of the conditions of this subsection. A corporation that is subject to this subsection must list on its return the property, payroll, and sales factors it used in determining whether it is a qualified capital intensive corporation. If the corporation fails to invest one billion dollars (\$1,000,000,000) in private funds within nine years as required by subdivision (2) of this subsection, the benefit of this subsection expires and the corporation must apportion income as it would otherwise be required to do under this section absent this subsection. The conditions are:

- ...
- (5) The corporation satisfies a wage standard at the facility that satisfies the condition of subdivision (2) of this subsection. For the purposes of this subdivision, the wage standard that must be satisfied is the one established under ~~G.S. 105-129.83(e)~~G.S. 105-164.3(33c)a.
- (6) The corporation provides health insurance for all of its full-time employees at the facility that satisfies the condition of subdivision (2) of this subsection. For the purposes of this subdivision, a company provides health insurance if it satisfies the provisions of ~~G.S. 105-129.83(d)~~G.S. 105-164.3(33c)c."

SECTION 5.5.(c) G.S. 143B-437.01(a)(6) reads as rewritten:

"(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special account to be known as the Industrial Development Fund Utility Account ("Utility Account") to provide funds to assist the local government units of the most economically distressed counties in the State in creating jobs. The Department of Commerce shall adopt rules providing for the administration of the program. Those rules shall include the following provisions, which shall apply to each grant from the account:

- ...
- (6) The funds shall not be used for any nonmanufacturing project that does not meet the wage standard set out in G.S. 105-129.4(b) or for any retail, entertainment, or sports projects. The funds shall not be used for any nonmanufacturing project that does not meet the wage standard for the development tier area or zone in which the project is located. There is no wage standard for a development tier one area. If an urban

progress zone or an agrarian growth zone is not in a development tier one area, then the wage standard for that zone is an average weekly wage that is at least equal to ninety percent (90%) of the lesser of the average wage for all insured private employers in the State and the average wage for all insured private employers in the county in which the datacenter is located. The wage standard for a development tier two area or a development tier three area is an average weekly wage that is at least equal to one hundred ten percent (110%) of the lesser of the average wage for all insured private employers in the State and ninety percent (90%) of the average wage for all insured private employers in the county in which the datacenter is located."

SECTION 5.5.(d) G.S. 143B-437.012(h) reads as rewritten:

"(h) Environmental Impact. – A business is eligible for consideration for a grant under this section only if the business certifies that, at the time of the application, ~~the business satisfies the environmental impact standard under G.S. 105-129.83~~there has not been a final determination unfavorable to the business with respect to an environmental disqualifying event. For the purposes of this section, a "final determination unfavorable to the business" occurs when there is no further opportunity for the business to seek administrative or judicial appeal, review, certiorari, or rehearing of the environmental disqualifying event and the disqualifying event has not been reversed or withdrawn."

SECTION 5.5.(e) G.S. 143B-437.02(g) reads as rewritten:

"(g) Environmental Impact. – A business is eligible for consideration for site development under this part only if the business certifies that, at the time of the application, ~~the business satisfies the environmental impact standard under G.S. 105-129.83~~there has not been a final determination unfavorable to the business with respect to an environmental disqualifying event. For the purposes of this section, a "final determination unfavorable to the business" occurs when there is no further opportunity for the business to seek administrative or judicial appeal, review, certiorari, or rehearing of the environmental disqualifying event and the disqualifying event has not been reversed or withdrawn."

SECTION 5.5.(f) This section is effective when it becomes law.

PART VI. EFFECTIVE DATE AND TIME TO FILE CERTAIN CLAIMS FOR REFUND

SECTION 6.1. Except as otherwise provided, this act is effective when it becomes law. Notwithstanding the general statute of limitations for obtaining a refund of an overpayment of tax under G.S. 105-241.6(a), a taxpayer that had an amount added to taxable income as deferred income under section 108(i)(1) of the Internal Revenue Code and the amount would be excluded under Sections 1.9, 2.1, or 2.4 of this act may apply to the Department of Revenue for a refund of the State income tax paid on the deferred income. A request for a refund under this section must be made to the Secretary of Revenue on or before July 1, 2016. A request for a refund received after that date is barred unless authorized by G.S. 105-241.6(a).

In the General Assembly read three times and ratified this the 9th day of May, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 10:01 a.m. this 11th day of May, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-119
SENATE BILL 747**

AN ACT TO REQUIRE THE DEPARTMENT OF ADMINISTRATION TO ACTIVELY MANAGE THE STATE'S PORTFOLIO OF REAL PROPERTY; TO REQUIRE MEASUREMENT OF THE CURRENT UTILIZATION OF STATE-OWNED FACILITIES; TO ENSURE THE ACCURACY OF THE REAL PROPERTY INVENTORIES MAINTAINED BY THE DEPARTMENT OF ADMINISTRATION; AND TO ENSURE THAT THE USE OF STATE-OWNED SPACE IS MAXIMIZED BEFORE LEASES ARE ENTERED INTO OR RENEWED, AS RECOMMENDED BY THE PROGRAM EVALUATION DIVISION OF THE GENERAL ASSEMBLY.

Whereas, State law designates the Department of Administration as the State agency responsible for managing North Carolina's portfolio of real property; and

Whereas, the Department of Administration's management duties include oversight of the acquisition, disposition, allocation, and reallocation of land, buildings, and space in buildings by and between State agencies and institutions; and

Whereas, in a report entitled "North Carolina Should Dispose of Unneeded Real Property and Improve Portfolio Management to Reduce Costs (June 2015)," the Program Evaluation Division of the General Assembly concluded that the State should dispose of unneeded real property and that it could reduce costs through more active portfolio management; and

Whereas, this legislation establishes a multiyear process to improve the State's real property data collection, quality assurance, and reporting standards; and

Whereas, this legislation requires the Department of Administration to develop a consolidated database of real property assets to facilitate active oversight and control of the State's portfolio of real property based on strategic State priorities; and

Whereas, this legislation requires greater transparency in the control and management of State-owned real property by requiring more robust reporting; and

Whereas, the General Assembly will monitor the implementation of this legislation; and

Whereas, if the General Assembly deems implementation of this legislation to be insufficient, it may explore alternative options for organizing and implementing the management of State-owned real property; and

Whereas, the alternatives explored may include outsourcing and consolidation of State agencies that currently have a role in State-owned real property management into a single agency; Now, therefore,

The General Assembly of North Carolina enacts:

PART I. REQUIRE THE DEPARTMENT OF ADMINISTRATION TO ACTIVELY MANAGE THE STATE'S PORTFOLIO OF REAL PROPERTY

SECTION 1.(a) Article 36 of Chapter 143 of the General Statutes is amended by adding the following new sections to read:

"§ 143-341.2. Proactive management of State-owned and State-leased real property portfolio.

(a) Duties of the Department of Administration. – The Department of Administration shall have the following powers and duties:

- (1) Development of comprehensive State facilities plan. – No later than December 1, 2018, and every five years thereafter, the Department of Administration shall develop and implement a plan to comprehensively manage, acquire, and dispose of the facilities and spaces required to fully support State government operations. The plan shall do all of the following:

 - a. Identify the type, quantity, and location of facilities and spaces required to fully support State government operations.
 - b. Include an in-depth analysis of existing State-owned facilities' locations, capability, utilization, and condition.
 - c. Establish strategic priorities and objectives that allow the Department of Administration to manage the performance of the State's portfolio of real property in a way that maximizes the utilization of State-owned facilities and minimizes operating and maintenance costs.
 - d. Take into consideration the information provided to the Department in five-year real property management plans submitted by State agencies pursuant to subdivision (b)(4) of this section.
 - e. Provide a mechanism for allocating available facilities or space to State agencies that need it in a manner that reduces the need to acquire new space through purchase, lease, or other means.
- (2) Development of performance management system. – The Department of Administration shall establish a performance management system to measure the State's achievement of the priorities and objectives set forth in plans developed pursuant to subdivision (1) of this section. The system shall set measurable goals and deadlines and shall be designed to focus on optimization and efficiency of the State's portfolio of real property. The system shall be used to report the information required by sub-sub-subdivision (7)c.1. of this section.
- (3) Development of utilization measures. – No later than December 1, 2016, the Department of Administration shall develop and distribute to State agencies procedures to be used to measure the utilization of State-owned and State-leased real property. The procedures developed pursuant to this subdivision shall be all of the following:

 - a. Based on the percentage of usable square feet in a facility that is used for State agency functions or for storage, or on other trade industry standards of utilization measurement.
 - b. Adjusted as appropriate for each facility type.
 - c. Designed to yield an easily understandable index or ratio of facility utilization.
 - d. Developed in consultation with State agencies.
- (4) Development and enforcement of space planning standards. – No later than December 1, 2016, the Department of Administration shall develop and distribute to State agencies space planning standards to be used to determine workspace size and to govern the use of shared space. The standards developed pursuant to this subdivision shall be based on the Federal GSA's Office of Real Property Management Performance Measurement Division Workspace Utilization and Allocation Benchmark report unless the Department identifies another efficient industry standard upon which to base the space planning standards developed pursuant to this subdivision. The Department shall annually perform audits of a portion of State agencies to determine each agency's adherence to the space planning standards developed pursuant to this subdivision and shall send formal letters of admonishment to any agency that fails to justify, in the sole discretion of the Department, any deviation from those standards.

- (5) Updating of real property inventories. – The Department of Administration shall do all of the following to ensure that the information contained in the inventories maintained pursuant to G.S. 143-341(4) is kept current:
- a. Immediately incorporate information received from State agencies pursuant to subdivision (b)(1) of this section into the inventories.
 - b. Immediately notify State agencies when the incorporation of information into the inventories required by sub-subdivision a. of this subdivision is complete.
- (6) Development of surplus property identification and disposal system. – The Department of Administration shall establish a surplus real property disposal system that limits the duration that unneeded property is retained by the State. As part of the system, the Department shall adopt rules defining surplus State-owned real property and establishing a system for continuously identifying and disposing of that property, subject to the approvals required by Chapter 146 of the General Statutes, which shall take into consideration all of the following:
- a. The value each facility or parcel of land brings to the performance of the mission of the State or State agency and the fulfillment of its goals and objectives.
 - b. A general measure of the facility's condition calculated as a ratio of repair needs to replacement value.
 - c. The degree to which the property is utilized, measured in accordance with the procedures developed pursuant to subdivision (3) of this subsection.
 - d. The extent to which the property meets the purpose for which it was intended.
 - e. The extent to which the State or State agency is likely to need to continue to provide the service or function currently provided at the property.
 - f. Consideration of the best and most cost-effective manner in which these future needs can be met.
- (7) Reporting. – The Department of Administration shall make the following reports:
- a. No later than December 1, 2018, and every five years thereafter, the Department shall report the following to the Joint Legislative Commission on Governmental Operations, to the Fiscal Research Division of the General Assembly, and to the Program Evaluation Division of the General Assembly:
 1. The plan developed pursuant to subdivision (1) of this subsection.
 2. A summary of the performance measurement procedures developed pursuant to subdivision (2) of this subsection.
 - b. If any State agency fails to submit the information required by subdivision (b)(1) of this section, the Department shall report the failure to the chairs of the Joint Legislative Commission on Governmental Operations and to the chairs of the Joint Legislative Program Evaluation Oversight Committee within 30 days.
 - c. No later than December 1, 2019, and each year thereafter, the Department shall report to the Joint Legislative Commission on Governmental Operations, to the Fiscal Research Division of the General Assembly, and to the Program Evaluation Division of the General Assembly on the State's portfolio of real property. This report shall include at least the following information:
 1. The status of achieving the goals and objectives set forth in the most recent plan developed pursuant to subdivision (1) of this section.
 2. Trends in the inventory of leased and owned buildings and real property, including changes in value, square footage, and operation and maintenance costs.
 3. Trends in the inventory of State-owned land, including changes in acreage and value.

4. Allocation of leased and owned space by facility type, by agency, and by county.
5. Benchmarks for comparable private sector leases across the regions of the State for both rural and urban locations, as appropriate.
6. An analysis of utilization targets and a list of owned and leased real property identified as unused or underutilized.
7. A list of the following information for the period beginning after submission of the most recent report pursuant to this sub-subdivision:
 - I. State-owned properties identified as unused or underutilized.
 - II. State-owned properties sold.
 - III. State-owned properties in the process of being disposed of.
 - IV. Properties reallocated between State agencies.

(b)
duties:

Duties of Other State Agencies. – Each State agency shall have the following powers and

- (1) Collection and reporting of information on property use. – No later than July 1, 2018, and each year thereafter, each State agency shall submit to the Department of Administration all of the information described in G.S. 143-341(4)b.1. through 15. for each building, facility, or space in any building or facility that the agency occupies. This shall be in addition to any reports required pursuant to G.S. 143-341(4)h.
- (2) Verification of information in real property inventories. – Within 60 days of receiving notice from the Department of Administration pursuant to sub-subdivision (a)(5)b. of this section, each State agency shall report to the Department one of the following, as applicable:
 - a. That the information submitted to the Department of Administration pursuant to subdivision (1) of this subsection is accurately reflected in the real property inventories.
 - b. A list of discrepancies between the information submitted to the Department of Administration pursuant to subdivision (1) of this subsection and the corresponding information in the real property inventories.
- (3) Auditor may audit submissions. – The State Auditor may audit submissions made to the Department of Administration pursuant to subdivision (1) of this subsection and may recover any costs incurred in performing such an audit from the State Land Fund, in accordance with G.S. 146-72.
- (4) Development of five-year property management plan. – No later than July 1, 2018, and every five years thereafter, each State agency shall develop a five-year real property management plan and shall submit the plan to the Department of Administration for review. Each plan shall do all of the following:
 - a. Identify the type, quantity, and location of facilities and spaces required to fully support agency operations.
 - b. Include an in-depth analysis of existing facilities' locations, capabilities, utilization, and condition.
 - c. Establish agency-specific strategic priorities and objectives for each asset under its control.

(c) Exception for Property Not Subject to Department of Administration Oversight. – None of the requirements of this section shall apply to facilities that are not subject to the real property oversight of the Department of Administration under G.S. 143-341. A State agency that is entirely exempt from the real property oversight of the Department of Administration shall not be required to submit any information pursuant to subsection (b) of this section. A State agency that is partially exempt from the real property oversight of the Department of Administration shall submit information pursuant to

subsection (b) of this section for those properties that are subject to the real property oversight of the Department of Administration."

SECTION 1.(b) No later than June 1, 2017, the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations, to the Fiscal Research Division of the General Assembly, and to the Program Evaluation Division of the General Assembly a plan to analyze the utilization of all State-owned or State-leased facilities, other than those that are not subject to the real property oversight of the Department of Administration. The plan shall be consistent with G.S. 143-341.2, as enacted by subsection (a) of this section. Prior to the submission of this report, the Department shall report quarterly to the Joint Legislative Commission on Governmental Operations, to the Fiscal Research Division of the General Assembly, and to the Program Evaluation Division on the status of the plan's development.

SECTION 1.(c) No later than June 1, 2017, the Department of Administration shall perform an unannounced visit to a random facility owned by or allocated to each State agency that is subject in whole or in part to the real property oversight authority of the Department of Administration. Facilities selected pursuant to this subsection shall not include any facility to which federal or State law would prohibit entry by Department personnel. Each State agency shall fully cooperate with the Department of Administration with respect to these visits. The Department of Administration shall use the visits required by this subdivision to do all of the following:

- (1) Obtain utilization information about the properties visited.
- (2) Provide guidance and training to State agencies on the proper methods for employing the utilization measures developed pursuant to G.S. 143-341.2(a)(3), as enacted by subsection (a) of this section. This guidance and training shall include instructions on tailoring the utilization measures for use with specific facility types.
- (3) Refine the utilization measures developed pursuant to G.S. 143-341.2(a)(3), as enacted by Section 1(a) of this act.

SECTION 1.(d) G.S. 146-72 reads as rewritten:

"§ 146-72. Purpose.

The State Land Fund may, in accordance with rules and regulations adopted by the Governor and approved by the Council of State, be used for the following purposes:

- (1) To pay any expenses incurred in carrying out the duties and responsibilities created by the provisions of this Chapter.
- (2) For the acquisition of land, when appropriation is made for that purpose by the General Assembly.
- (3) To pay any expenses incurred by the State Auditor in carrying out the duties and responsibilities created by G.S. 143-341.2(b)(3)."

PART II. ENSURE THE ACCURACY OF THE REAL PROPERTY INVENTORIES MAINTAINED BY THE DEPARTMENT OF ADMINISTRATION PURSUANT TO G.S. 143-341(4)

SECTION 2.(a) G.S. 143-341(4) reads as rewritten:

"§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties:

- ...
- (4) Real Property Control:
 - a. To prepare and keep current a complete and accurate inventory of all land owned or leased by the State or by any State agency. This inventory shall show the ~~location~~, location, including the latitude and longitude of the center of the property, acreage, description, source of title and current use of all land (including swamplands or marshlands) owned by the State or by any State agency, and the agency to which each tract is currently allocated. Surveys may

be made where necessary to obtain information for the purposes of this inventory. Accurate plats or maps of all such land may be prepared, or copies obtained where such maps or plats are available.

- b. To prepare and keep current a complete and accurate ~~inventory database~~ of all buildings owned or leased (in whole or in part) by the State or by any State agency. This ~~inventory database shall show the location, amount of floor space and floor plans of every building owned or leased by the State or by any State agency, and the agency to which each building, or space therein, is currently allocated.~~ Floor serve as the State inventory and shall include all of the following information and floor plans of every such building shall be prepared or copies obtained where such floor plans are available, where needed for use in the allocation of space therein:

1. The building's location, including the latitude and longitude of the center of the building.
2. A description of the operations supported by the building.
3. The agency or agencies that occupy the building.
4. Ownership information for the building.
5. The size of the building in terms of both gross and usable square feet.
6. A description of the building.
7. The building's condition assessment, including the estimated cost to make needed repairs and renovations as well as the date that the last condition assessment was completed.
8. The building's annual operating costs.
9. The building's annual maintenance costs.
10. The number of usable workspaces contained in the building.
11. The number of full-time equivalent positions assigned to the building by each agency occupant.
12. The amount of the building that is utilized, measured in accordance with the procedures developed pursuant to G.S. 143-341.2(a)(3).
13. Maintenance record, including replacement and maintenance schedules for all major mechanical systems.
14. Parking and employee facilities.
15. Any other information deemed relevant by the Department of Administration.

- b1. The Department of Administration shall develop procedures that ensure that the data included in the inventories required by sub-subdivisions a. and b. of this subdivision is collected and displayed in a consistent manner across State agencies and land and building types.
- b2. The Department of Administration shall use the North Carolina Identity Management service, or a similar successor program when updating the inventories required by sub-subdivisions a. and b. of this subdivision.
- b3. Nothing in this sub-subdivision shall be construed to require the release or display of floor plans except upon request by a unit of the executive, legislative, or judicial branch of State government, such as a department, an institution, a division, a commission, a board, a council, or The University of North Carolina."

SECTION 2.(b) G.S. 143C-8-2 is repealed.

SECTION 2.(c) G.S. 143C-8-1(b)(1) reads as rewritten:

- "(1) ~~An inventory~~ A database of facilities owned by State agencies, agencies, maintained pursuant to G.S. 143-341(4)."

SECTION 2.(d) No later than December 1, 2016, the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations, to the Fiscal Research Division of the General Assembly, and to the Program Evaluation Division of the General Assembly on the changes to the real property databases operated pursuant to G.S. 143-341(4) in response to the amendments to that section made by subsection (a) of this section.

PART III. ENSURE THAT THE USE OF STATE-OWNED SPACE IS MAXIMIZED BEFORE LEASES ARE ENTERED INTO OR RENEWED

SECTION 3.(a) G.S. 146-23 reads as rewritten:

"§ 146-23. Agency must file statement of needs; Department must investigate.

Any State agency desiring to acquire land, whether by purchase, condemnation, lease, or rental, shall file with the Department of Administration an application setting forth its needs, and shall furnish such additional information as the Department may request relating thereto. Upon receipt of such application, the Department of Administration shall promptly investigate all aspects of the requested acquisition, including the existence of actual need for the requested property on the part of the requesting agency; the availability of land already owned by the State or by any State agency which might meet the requirements of the requesting agency; the availability, value, and status of title of other land, whether for purchase, condemnation, lease, or rental, which might meet the requirements of the requesting agency; and the availability of funds to pay for land if purchased, condemned, leased, or rented. In investigating the availability of land already owned by the State or by any State agency which might meet the requirements of the requesting agency, the Department of Administration shall review the utilization information maintained in the real property inventories pursuant to G.S. 143-341(4). The Department of Administration may make acquisitions at the request of the Governor and Council of State upon compliance with the investigation herein required."

SECTION 3.(b) G.S. 143-341(4)d1. reads as rewritten:

"§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties:

...
(4) Real Property Control:

...
d1. To require all State departments, institutions, and agencies to use State-owned office space instead of negotiating or renegotiating leases for rental of office space. In investigating the availability of office space already owned by the State or by a State agency which might meet the requirements of the requesting agency, the Department of Administration shall review the utilization information maintained in the real property database pursuant to this subdivision. Any lease entered into contrary to the provisions of this paragraph is voidable in the discretion of the Governor and the Council of State.

The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division no later than May 1 of each year on leased office space."

SECTION 3.(c) Upon the expiration of the relevant leases, the Department of Administration shall reallocate the State functions, personnel, and other resources that currently reside at the following locations to suitable State-owned space:

- (1) Department of Commerce – Division of Employment Security.
- (2) Department of Commerce – Rural Electrification Authority.
- (3) Department of Environment and Natural Resources – Waste Management.
- (4) Department of Labor – OSHA.
- (5) Department of Public Safety – Office for Substance Abuse.
- (6) Department of Public Safety – Inmate Grievance Resolution Board.

(7) Department of Transportation – Right-of-Way Appraisal Office.

SECTION 3.(d) If suitable State-owned space is not available to reallocate any of the functions required to be reallocated to State-owned space by subsection (c) of this section, the Department of Administration may renew the applicable lease, or enter into a new lease, but only after consulting with the Joint Legislative Commission on Governmental Operations at least 60 days prior to the renewal.

SECTION 3.(e) Prior to July 1, 2018, no State agency shall request to enter into or renew any lease unless at the time it makes the request it certifies to the Department of Administration that it has searched existing State-owned real property, contacted other State agencies to identify existing unused State-owned property, and found none that would be suitable for the agency's needs.

SECTION 3.(f) Subsections (a) and (b) of this section become effective July 1, 2018. The remainder of this section is effective when this act becomes law.

PART IV. EFFECTIVE DATE

SECTION 4. Except as otherwise provided, this act becomes effective when it becomes law. In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 8:05 a.m. this 28th day of July, 2016

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

SESSION LAW 2016-113
SENATE BILL 770

AN ACT TO PROVIDE FURTHER REGULATORY RELIEF TO THE AGRICULTURAL
COMMUNITY.

The General Assembly of North Carolina enacts:

**PROVIDE THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES WITH
ENFORCEMENT AUTHORITY FOR THE PROGRAM GOVERNING BEDDING
IMPROPERLY MADE, SANITIZED, OR TAGGED**

SECTION 1.(a) Article 4H of Chapter 106 of the General Statutes is amended by adding five new sections to read:

"§ 106-65.105A. Detention or embargo of product or item suspected of being adulterated or misbranded.

(a) If an authorized agent of the Department of Agriculture and Consumer Services finds or has probable cause to believe that any bedding, secondhand bedding, material, or other item regulated under this Article is unsanitary, mislabeled, unsafe for its intended use, a danger to the public, or is otherwise in violation of the requirements of this Article, the agent may affix to the item a tag or other appropriate marking giving notice that the item has been detained or embargoed with information identifying the violation(s). It shall be a violation of this Article for any person to remove or alter a tag authorized by this subsection, or to remove or dispose of a detained or embargoed item by sale or otherwise, without such permission, and the tag or marking shall include a warning to that effect.

(b) When an item is detained or embargoed under subsection (a) of this section, an authorized agent of the Department of Agriculture and Consumer Services may petition a judge of the district or superior court in whose jurisdiction the item is detained or embargoed for an order for condemnation of the item. When an authorized agent has found that an item detained or embargoed is not unsanitary, mislabeled, unsafe for its intended use, a danger to the public, or otherwise in violation of the requirements of this Article, the agent shall remove the tag or other marking.

(c) If the court finds that a detained or embargoed item is unsanitary, mislabeled, or contains toxic materials, the item shall, after entry of the decree, be destroyed at the expense of the item's claimant, under the supervision of an authorized agent of the Department of Agriculture and Consumer Services; and all court costs and fees, storage, and other proper expenses shall be levied against the claimant of the item or the claimant's agent; provided, that when the unsanitary condition, mislabeling, safety concerns, or other violation can be corrected by proper labeling or processing of the item, the court, after entry of the decree and after costs, fees, and expenses have been paid and a good and sufficient bond, conditioned that the item shall be properly labeled or processed, has been executed, may by order direct that the item be delivered to the item's claimant for proper labeling or processing under the supervision of an agent of the Department of Agriculture and Consumer Services. The expense of the Department's supervision shall be paid by the claimant. The amount of any bond paid shall be returned to the claimant of the item on representation to the court by the Department of Agriculture and Consumer Services that the item is no longer in violation of this Article and that the expenses of the Department's supervision have been paid.

"§ 106-65.105B. Injunctions restraining violations.

In addition to any other remedies provided by this Article, the Commissioner is authorized to apply to the superior court for, and the court shall have jurisdiction upon hearing and for cause shown to grant, a temporary or permanent injunction restraining any person from violating any provision of this Article or any rule promulgated thereunder, irrespective of whether or not there exists an adequate remedy at law.

"§ 106-65.105C. Civil penalties.

(a) The Commissioner may assess a civil penalty of not more than two thousand five hundred dollars (\$2,500) per violation against any person, firm, or corporation that violates or directly causes a violation of any provision of this Article, rules, regulations, or standards promulgated thereunder, or lawful order of the Commissioner. In addition, if any person continues to violate or further violates any provision of this Article after written notice from the Commissioner, the Commissioner may determine that each day during which the violation continued or is repeated constitutes a separate violation subject to additional civil penalties. In determining the amount of the penalty, the Commissioner shall consider the degree and extent of harm caused or potentially caused by the violation.

(b) Prior to assessing a civil penalty, the Commissioner shall give the person written notice of the violation and a reasonable period of time in which to correct the violation. However, the Commissioner shall not be required to give a person time to correct a violation before assessing a penalty if the Commissioner determines the violation has the potential to cause physical injury or illness.

(c) The Commissioner may consider the training and management practices implemented by the person, firm, or corporation for the purpose of complying with this Article as a mitigating factor when determining the amount of the civil penalty.

(d) The Commissioner shall remit the clear proceeds of civil penalties assessed pursuant to this section to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

"§ 106-65.105D. Violation a misdemeanor.

(a) Except as otherwise provided, any person, firm, or corporation that violates any of the provisions of this Article, or any of the rules, regulations, or standards promulgated hereunder, shall be deemed guilty of a Class 2 misdemeanor.

(b) Any person, firm, or corporation that provides the Commissioner or a duly authorized agent of the Commissioner with false or misleading information in relation to a license application or renewal, inspection, or investigation authorized by this Article shall be deemed guilty of a Class 2 misdemeanor.

(c) Any person, firm, or corporation that alters or removes a tag indicating that an item has been detained or embargoed pursuant to G.S. 106-65.105A(a) without first receiving permission from the court or a duly authorized agent under this Article shall be deemed guilty of a Class 2 misdemeanor.

(d) Any person, firm, or corporation that removes or disposes of any item detained or embargoed under G.S. 106-65.105A(a) without first receiving permission from the court or a duly authorized agent under this Article shall be deemed guilty of a Class 2 misdemeanor.

(e) Any person who willfully resists, opposes, impedes, intimidates, or interferes with any duly authorized agent while engaged in or on account of the performance of the duly authorized agent's official duties under this Article shall be guilty of a Class 2 misdemeanor. Whoever, in the commission of any such acts, uses a deadly weapon shall be guilty of a Class 1 misdemeanor.

(f) If any person continues to violate or further violates any provision of this Article after receiving written notice from the Commissioner, the court may determine that each day during which the violation continued or is repeated constitutes a separate violation.

"§ 106-65.105E. Report of minor violations in discretion of Commissioner.

Nothing in this Article shall be construed to require the Commissioner to initiate, or attempt to initiate, any criminal or administrative proceedings under this Article for minor violations of this Article whenever the Commissioner believes that the public interest will be adequately served in the circumstances by a suitable written notice or warning."

SECTION 1.(b) This section becomes effective December 1, 2016, and applies to offenses committed on or after that date.

AUTHORIZE THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO APPOINT AND DEPLOY AGRICULTURAL EMERGENCY RESPONSE TEAMS IN AGRICULTURAL EMERGENCIES

SECTION 2.(a) Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 85.

"Agricultural Emergency Response Act.

"§ 106-1033. Short title.

This Article shall be known as the "Agricultural Emergency Response Act."

"§ 106-1034. Statement of purpose and authorization.

The North Carolina Department of Agriculture and Consumer Services is authorized to aid and assist agricultural operations and landowners in the preparedness for, response to, and recovery from agricultural emergencies. This authorization is given separate and apart from the authorities authorized by Chapter 166A of the General Statutes and shall not require declaration of a state of emergency pursuant to G.S. 166A-19.20 for its implementation. In the event of a state of emergency declaration and where this Article is inconsistent with the provisions of Chapter 166A of the General Statutes, the provisions of Chapter 166A of the General Statutes shall control as to the areas covered under the declaration. The Board of Agriculture may adopt rules necessary for the implementation and administration of this Article.

"§ 106-1035. Definitions.

For purposes of this Article, the following definitions apply:

- (1) "Agricultural emergency" means an emergency, as defined in G.S. 166A-19.3, that results in exposure of or damage to pre- or post-harvest of plants, livestock, feed, water resources, or infrastructure which adversely affects one or more members of the agricultural community and the economic viability of the agriculture industry within the State.
- (2) "Agricultural Emergency Response Team" means employees of the North Carolina Department of Agriculture and Consumer Services who have been designated by the Commissioner to respond to agricultural emergencies, as authorized by G.S. 106-1036, and any personnel operating under agreement with the Department as a contracted service, including, but not limited to, private companies and units of local government.
- (3) "Commissioner" means the Commissioner of Agriculture.
- (4) "Department" means the North Carolina Department of Agriculture and Consumer Services.

"§ 106-1036. Agricultural Emergency Response Teams authorized.

When the Commissioner determines, in consultation with the Governor, that there is an imminent threat of an agricultural emergency or that an agricultural emergency exists within the State that threatens to cause damage to or has caused damage to agricultural lands, facilities, and operations, the Commissioner is authorized to deploy Agricultural Emergency Response Teams to aid in prevention measures and recovery efforts on the premises of agricultural landowners throughout the State, wherever located.

"§ 106-1037. Immunity and liability.

All functions authorized by this Article and all other activities relating to agricultural emergencies are hereby declared to be governmental functions. Neither the State nor any political subdivision thereof, nor, except in cases of willful misconduct, gross negligence, or bad faith, any Agricultural Emergency Response Team worker, firm, partnership, association, or corporation complying with or reasonably attempting to comply with this Article or any order, rule, or regulation promulgated pursuant to the provisions of this Article, shall be liable for the death of or injury to persons or for damage to property as a result of any such activity.

"§ 106-1038. No private liability.

Any person, firm, or corporation, together with any successors in interest, if any, owning or controlling real or personal property who, voluntarily or involuntarily, knowingly or unknowingly, with or without compensation, grants a license or privilege or otherwise permits or allows the designation or use of the whole or any part or parts of such real or personal property for the purpose of activities or functions relating to agricultural emergency response as provided for in this Article or elsewhere in the General Statutes shall not be civilly liable for the death of or injury to any person or the loss of or damage to the property of any persons where such death, injury, loss, or damage resulted from, through, or because of the use of the said real or personal property for any of the above purposes, provided that the use of said property is subject to the order or control of or pursuant to a request under the authority of this Article.

"§ 106-1039. Funding for agricultural emergency response.

In order to fully execute the authorities prescribed in this Article, the North Carolina Department of Agriculture may, at the discretion of the Commissioner, use any funds available to the Department which have been allocated by the General Assembly from the General Fund of the State, use of which is not otherwise restricted by law.

"§ 106-1040. Nondiscrimination in agricultural emergency response.

State and local governmental bodies and other organizations and personnel who carry out functions under the provisions of this Article shall do so in an equitable and impartial manner. Such State and local governmental bodies, organizations, and personnel shall not discriminate on the grounds of race, color, religion, nationality, sex, age, or economic status in the relief and assistance activities."

SECTION 2.(b) Article 1 of Chapter 166A of the General Statutes is amended by adding a new section to read:

"§ 166A-19.77A. Agricultural Emergency Response Teams authorized.

The Department of Agriculture and Consumer Services is designated as an emergency response agency for purposes of the following:

- (1) Deploying Agricultural Emergency Response Teams, as that term is defined in G.S. 106-1035, to respond to agriculture-related incidents.
- (2) Receipt of any applicable State or federal funding.
- (3) Training of other State and local agencies in agricultural emergency response.
- (4) Any other emergency response roles for which Agricultural Emergency Response Teams have special training or qualifications."

SECTION 2.(c) This section is effective when it becomes law.

ALLOW WILDLIFE MANAGEMENT AGENCIES TO CULL FERAL SWINE FROM AIRCRAFT

SECTION 3. Article 22 of Chapter 113 of the General Statutes is amended by adding a new section to read:

"§ 113-299. Aerial management of feral swine.

Notwithstanding G.S. 113-291.1(b)(1), employees of the Wildlife Resources Commission and employees of federal agencies whose responsibilities include fisheries and wildlife management, in the performance of such employees' official duties, may cull feral swine from aircraft, with the written permission of the landowner. However, no such activity shall occur in coastal counties, as defined in G.S. 113A-103(2) during waterfowl season."

DIRECT DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO INSPECT RENDERING PLANTS

SECTION 4.(a) G.S. 106-168.5 is repealed.

SECTION 4.(b) G.S. 106-168.6 reads as rewritten:

"§ 106-168.6. ~~Inspection by committee;~~Inspection; certificate of specific findings.

~~The committee upon notification by~~ Upon receipt of an application for license, the Commissioner or the Commissioner's designee shall promptly inspect the plans, specifications, and selected site in the case of proposed rendering plants and shall inspect the buildings, grounds, and equipment of established rendering plants. If the ~~committee~~ Commissioner or the Commissioner's designee finds that the plans, specifications, and selected site in the case of proposed plants, or the buildings, grounds, and equipment in the case of established plants, comply with the requirements of this Article and the rules and regulations promulgated by the Commissioner not inconsistent therewith, ~~it~~ under the authority of this Article, the Commissioner shall certify ~~its~~ the findings in writing and forward same to the ~~Commissioner writing~~. If there is a failure in any respect to meet such requirements, the ~~committee~~ Commissioner or the Commissioner's designee shall notify the applicant in writing of such deficiencies and ~~the committee shall shall~~, within a reasonable time to be determined by the Commissioner, make a second inspection. If the specified defects are remedied, the ~~committee~~ Commissioner or the Commissioner's designee shall ~~thereupon~~ certify ~~its~~ the findings in writing to the ~~Commissioner writing~~. Not more than two inspections shall be required of the ~~committee~~ under any one application."

SECTION 4.(c) G.S. 106-168.7 reads as rewritten:

"§ 106-168.7. Issuance of license.

Upon receipt of the certificate of compliance from the ~~committee~~, certification in accordance with G.S. 105-168.6, the Commissioner shall issue a license to the applicant to conduct rendering operations as specified in the application. A license shall be valid until revoked for cause as hereinafter provided."

SECTION 4.(d) G.S. 106-168.12 reads as rewritten:

"§ 106-168.12. Commissioner authorized to adopt rules and regulations.

The Commissioner of Agriculture is hereby authorized to make and establish reasonable rules and regulations, ~~not inconsistent~~ consistent with the provisions of this Article, ~~after consulting the committee~~, for the proper administration and enforcement thereof."

SECTION 4.(e) G.S. 106-168.13 reads as rewritten:

"§ 106-168.13. Effect of failure to comply.

Failure to comply with the provisions of this Article or rules and regulations ~~not inconsistent therewith~~ adopted pursuant to this Article shall be cause of revocation of license, if such failure shall not be remedied within a reasonable time after notice to the licensee. Any person whose license is revoked may reapply for a license in the manner provided in this Article for an initial application, except that the Commissioner shall not be required to cause the rendering plant and equipment of the applicant to be inspected by the ~~committee~~ until the expiration of 30 days from the date of revocation."

REQUIRE TRAINING FOR APPOINTED AND ELECTED SOIL AND WATER DISTRICT SUPERVISORS

SECTION 5.(a) G.S. 139-4(d) reads as rewritten:

"(d) In addition to the duties and powers hereinafter conferred upon the Soil and Water Conservation Commission, it shall have the following duties and powers:

...

(13) To establish a training program required for all district supervisors."

SECTION 5.(b) Article 1 of Chapter 139 of the General Statutes is amended by adding a new section to read:

"§ 139-7.2. Training of elective and appointive district supervisors.

(a) All district supervisors, whether elected or appointed, shall complete a minimum of six clock hours of training annually.

(b) The training shall include soil, water, and natural resources conservation and the duties and responsibilities of district supervisors.

(c) The training may be provided by the School of Government at the University of North Carolina at Chapel Hill, or other qualified sources as approved by the Soil and Water Conservation Commission."

BOARD OF AGRICULTURE RULE-MAKING AUTHORITY FOR ANIMAL SHELTER SUPPORT FUND

SECTION 6.(a) G.S. 19A-67 reads as rewritten:

"§ 19A-67. Animal Shelter Support Fund.

(a) Creation. – The Animal Shelter Support Fund is established as a special fund in the Department of Agriculture and Consumer Services. The Fund consists of appropriations by the General Assembly or contributions and grants from public or private sources.

(b) Use. – The Fund shall be used by the Animal Welfare Section of the Department of Agriculture and Consumer Services to reimburse local governments for expenses related to their operation of a registered animal shelter due to any of the following:

(1) The denial, suspension, or revocation of the shelter's registration.

(2) An unforeseen catastrophic disaster at an animal shelter.

(c) Rules. – The ~~Animal Welfare Section~~ Board of Agriculture shall issue rules detailing eligible expenses and application guidelines that comply with the requirements of this Article.

(d) Reversion. – Any appropriated and unencumbered funds remaining at the end of each fiscal year in excess of two hundred fifty thousand dollars (\$250,000) shall revert to the General Fund."

SECTION 6.(b) The Board of Agriculture may adopt temporary rules to administer the Animal Shelter Support Fund in accordance with subsection (a) of this section.

RULE-MAKING EXEMPTION FOR FOREST MANAGEMENT PLANS

SECTION 7.(a) G.S. 150B-1(d) reads as rewritten:

"§ 150B-1. Policy and scope.

...

(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(26) The Board of Agriculture in the Department of Agriculture and Consumer Services with respect to the following:

a. Annual admission fees for the State Fair.

b. Operating hours, admission fees, or related activity fees at State forests.

The Board shall annually post the admission fee and operating hours schedule on its Web site and provide notice of the schedule, along with a citation to this section, to all persons named on the mailing list maintained pursuant to G.S. 150B-21.2(d).

c. Fee schedules for the preparation of forest management plans developed pursuant to G.S. 106-1004.

...."

SECTION 7.(b) G.S. 106-1004 reads as rewritten:

"§ 106-1004. Fees for forest management plans.

The Board of Agriculture shall establish ~~by rule~~ a schedule of fees for the preparation of forest management plans developed pursuant to this Chapter. The fees established by the Board shall not exceed the amount necessary to offset the costs of the Department of Agriculture and Consumer Services to prepare forest management plans."

ALLOW LOCAL PREFERENCE FOR SCHOOL FOOD PROCUREMENT

SECTION 8. Part 2 of Article 17 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-264.4. Local preference for produce in schools.

A local school board may develop and implement policies and procedures to facilitate and maximize to the extent practicable, purchases of food grown or raised in North Carolina, including, but not limited to, policies that permit a percentage price preference for the purpose of procuring food grown or raised within the State. As used in this section, "price percentage preference" means the percent by which a responsive bid from a responsible bidder whose product is grown or raised in North Carolina may exceed the lowest responsive bid submitted by a responsible bidder whose product is not grown or raised in North Carolina."

ALLOW CHORIONIC GONADOTROPIN INJECTIONS FOR VETERINARY USE

SECTION 9. G.S. 90-91 reads as rewritten:

"§ 90-91. Schedule III controlled substances.

This schedule includes the controlled substances listed or to be listed by whatever official name, common or usual name, chemical name, or trade name designated. In determining that a substance comes within this schedule, the Commission shall find: a potential for abuse less than the substances listed in Schedules I and II; currently accepted medical use in the United States; and abuse may lead to moderate or low physical dependence or high psychological dependence. The following controlled substances are included in this schedule:

...

(k) Anabolic steroids. The term "anabolic steroid" means any drug or hormonal substance, chemically and pharmacologically related to testosterone (other than estrogens, progestins, and corticosteroids) that promotes muscle growth, including, but not limited to, the following:

1. Methandrostenolone,
2. Stanozolol,
3. Ethylestrenol,
4. Nandrolone phenpropionate,
5. Nandrolone decanoate,
6. Testosterone propionate,
7. Chorionic gonadotropin,
8. Boldenone,
9. Chlorotestosterone (4-chlorotestosterone),
10. Clostebol,
11. Dehydrochlormethyltestosterone,
12. Dibydrotestosterone (4-dihydrotestosterone),
13. Drostanolone,
14. Fluoxymesterone,
15. Formebolone (formebolone),
16. Mesterolene,
17. Methandienone,
18. Methandranone,
19. Methandriol,
20. Methenolene,
21. Methyltestosterone,
22. Mibolerone,
23. Nandrolene,
24. Norethandrolene,
25. Oxandrolone,
26. Oxymesterone,
27. Oxymetholone,
28. Stanolone,

29. Testolactone,
30. Testosterone,
31. Trenbolone, and
32. Any salt, ester, or isomer of a drug or substance described or listed in this subsection, if that salt, ester, or isomer promotes muscle growth. Except such term does not include (i) an anabolic steroid which is expressly intended for administration through implants to cattle or other nonhuman species and which has been approved by the Secretary of Health and Human Services for such ~~administration.~~ administration or (ii) chorionic gonadotropin when administered by injection for veterinary use by a licensed veterinarian or the veterinarian's designated agent. If any person prescribes, dispenses, or distributes such steroid for human use, such person shall be considered to have prescribed, dispensed, or distributed an anabolic steroid within the meaning of this subsection.

.... "

EXTEND SUNSET FOR CONSTRUCTING CERTAIN RENEWABLE FUEL FACILITIES

SECTION 10. G.S. 105-129.16D(b) reads as rewritten:

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

...

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

Notwithstanding subsection (d) of this section, this section is repealed effective for facilities placed in service on or after January 1, ~~2017~~, 2020, in the case of a taxpayer that meets both of the following conditions:

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

ESTABLISH VOLUNTARY ASSESSMENT ON DEER FEED

SECTION 11. Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 86.

"Farmed Cervid Industry Promotion Act.

"§ 106-1041. Title.

This Article shall be known as the Farmed Cervid Industry Promotion Act.

"§ 106-1042. Definitions.

As used in this Article:

- (1) "Association" means the North Carolina Deer and Elk Farmers Association.
- (2) "Cervid farmer" means a person who (i) is a North Carolina resident and (ii) holds at least one cervid in captivity subject to a captivity license issued by the Department.
- (3) "Department" means the Department of Agriculture and Consumer Services.

- (4) "Farmed cervid" means any member of the Cervidae family that is held in captivity and produced, bought, or sold for commercial purposes.
- (5) "Farmed cervid feed" means any commercial feed, as defined in G.S. 106-284.33, labeled or marketed for farmed cervid use.

"§ 106-1043. Referendum.

- (a) The Association may conduct a referendum among cervid farmers upon the question of whether an assessment shall be levied consistent with this Article.
- (b) The Association shall determine all of the following:
 - (1) The amount of the proposed assessment, not to exceed four dollars (\$4.00) per ton of farmed cervid feed.
 - (2) The period for which the assessment shall be levied, not to exceed 10 years.
 - (3) The time and place of the referendum.
 - (4) Procedures for conducting the referendum and counting votes.
 - (5) Any other matters pertaining to the referendum.
- (c) The amount of the proposed assessment and the method of collection shall be set forth on the ballot.
- (d) All cervid farmers are eligible to vote in the referendum. The Association shall send press releases about the referendum to at least 10 daily and 10 weekly or biweekly newspapers having general circulation in a county in the State and to any trade journals deemed appropriate by the Association. Notice of the referendum also shall be posted in every place the Association identifies as selling farmed cervid feed. Any questions concerning eligibility to vote shall be resolved by the board of directors of the Association.

"§ 106-1044. Majority vote required; collection of assessment.

- (a) The assessment shall not be collected unless a majority of the votes cast in the referendum are in favor of the assessment. If a majority of the votes cast in the referendum are in favor of the assessment, the Department shall notify all farmed cervid feed manufacturers and distributors of the assessment. The assessment shall apply to all farmed cervid feed subject to the provisions of G.S. 106-284.40(b), and the assessment shall be remitted to the Department with the inspection fee imposed by G.S. 106-284.40. The Department shall provide forms for reporting the assessment. Persons who purchase farmed cervid feed on which the assessment has not been paid shall report these purchases and pay the assessment to the Department.
- (b) The Association may bring an action to collect unpaid assessments against any feed manufacturer or distributor who fails to pay the assessment.

"§ 106-1045. Use of funds; refunds.

- (a) The Department shall remit all funds collected under this Article to the Association at least quarterly. The Association shall use these funds to promote the interests of the farmed cervid industry and may use these funds for those administrative expenses that are reasonably necessary to carry out this function.
- (b) Any person who purchases farmed cervid feed upon which the assessment has been paid shall have the right to receive a refund of the assessment by making a demand in writing to the Association within one year of purchase of the feed. This demand shall be accompanied by proof of purchase satisfactory to the Association."

EXCLUDE CERTAIN MINOR REPAIRS FROM BUILDING PERMIT REQUIREMENTS

SECTION 13.(a) G.S. 143-138 reads as rewritten:

"§ 143-138. North Carolina State Building Code.

...

- (b5) Exclusion for Certain Minor Activities in Residential and Farm Structures. – No building permit shall be required under the Code or any local variance thereof approved under subsection (e) for any construction, installation, repair, replacement, or alteration performed in accordance with the current

edition of the North Carolina State Building Code and costing fifteen thousand dollars (\$15,000) or less in any single family residence or farm building unless the work involves: the involves any of the following:

- (1) The addition, repair, or replacement of load bearing structures; the structures. However, no permit is required for replacements of windows, doors, exterior siding, or the pickets, railings, stair treads, and decking of porches and exterior decks that otherwise meet the requirements of this subsection.
- (2) The addition (excluding replacement of same capacity) or change in the design of plumbing; the plumbing. However, no permit is required for replacements otherwise meeting the requirements of this subsection that do not change size or capacity.
- (3) The addition, replacement or change in the design of heating, air conditioning, or electrical wiring, devices, fixtures (excluding repair or replacement of electrical lighting devices and fixtures of the same type), appliances (excluding replacement of water heaters, provided that the energy use rate or thermal input is not greater than that of the water heater which is being replaced, and there is no change in fuel, energy source, location, capacity, or routing or sizing of venting and piping), appliances, or equipment, the equipment.
- (4) The use of materials not permitted by the North Carolina Uniform Residential Building Code; or the Residential Code for One- and Two-Family Dwellings.
- (5) The addition (excluding replacement of like grade of fire resistance) of roofing.

~~The exclusions from building permit requirements set forth in this paragraph for electrical lighting devices and fixtures and water heaters shall apply only to work performed on a one- or two-family dwelling. In addition, exclusions for electrical lighting devices and fixtures and electric water heaters shall apply only to work performed by a person licensed under G.S. 87-43 and exclusions for water heaters, generally, to work performed by a person licensed under G.S. 87-21.~~

(b6) No State Agency Permit. – No ~~building~~ permit shall be required under ~~such the~~ Code from any State agency for the construction of any building or structure, the total cost of which is less than twenty thousand dollars (\$20,000), except public or institutional buildings.

...

(b10) Replacement Water Heaters. –

- (1) Exclusion. – No permit shall be required under the Code or any local variant approved under subsection (e) of this section for replacement of water heaters in one- or two-family dwellings, provided (i) the energy use rate or thermal input is not greater than that of the water heater which is being replaced, and there is no change in fuel, energy source, location, or routing or sizing of venting and piping, (ii) the work is performed by a person or employee of a company licensed under G.S. 87-21 or pursuant to G.S. 87-21(i), and (iii) the replacement is installed in accordance with the current edition of the North Carolina State Building Code.
- (2) Energy efficiency. – The Code may contain rules concerning minimum efficiency requirements for replacement water heaters, which shall consider reasonable availability from manufacturers to meet installation space requirements and may contain rules concerning energy efficiency that require all hot water plumbing pipes that are larger than one-fourth of an inch to be insulated.

...

(b14) ~~[Exclusion for Routine Maintenance. –]~~ Exclusion for Routine Maintenance of Pumps and Dispensers. – No building permit shall be required under the Code or any local variant approved under subsection (e) of this section for routine maintenance on fuel dispensing pumps and other dispensing devices. For purposes of this subsection, "routine maintenance" includes repair or replacement of hoses, O-rings, nozzles, or emergency breakaways.

...

(b16) Exclusion for Electrical Devices and Lighting Fixtures. – No permit shall be required under the Code or any local variant approved under subsection (e) of this section for the repair or replacement of dishwashers, disposals, water heaters, electrical devices, or lighting fixtures in residential or commercial structures, provided that all of the following apply:

- (1) The repair or replacement does not require the addition or relocation of electrical wiring.
- (2) The work is performed by a person or employee of a company licensed under G.S. 87-43.
- (3) The repair or replacement is performed in accordance with the current edition of the North Carolina State Building Code.

...."

SECTION 13.(b) G.S. 153A-357 reads as rewritten:

"§ 153A-357. Permits.

...

(a2) No permit issued under Articles 9 or 9C of G.S. Chapter 143 shall be required for any construction, installation, repair, replacement, or alteration performed in accordance with the current edition of the North Carolina State Building Code and costing fifteen thousand dollars (\$15,000) or less in any single-family residence or farm building unless the work involves: the involves any of the following:

- (1) The addition, repair or replacement of load bearing structures; the structures. However, no permit is required for replacements of windows, doors, exterior siding, or the pickets, railings, stair treads, and decking of porches and exterior decks.
- (2) The addition (excluding replacement of same size and capacity) or change in the design of plumbing; the plumbing. However, no permit is required for replacements otherwise meeting the requirements of this subsection that do not change size or capacity.
- (3) The addition, replacement or change in the design of heating, air conditioning, or electrical wiring, devices, appliances, or equipment; the equipment, other than like-kind replacement of electrical devices and lighting fixtures.
- (4) The use of materials not permitted by the North Carolina Uniform Residential Building Code; or the Residential Code for One- and Two-Family Dwellings.
- (5) The addition (excluding replacement of like grade of fire resistance) of roofing.

~~Violation of this section constitutes a Class 1 misdemeanor.~~

...

(g) Violation of this section constitutes a Class 1 misdemeanor."

SECTION 13.(c) G.S. 160A-417 reads as rewritten:

"§ 160A-417. Permits.

...

(a2) No permit issued under Articles 9 or 9C of Chapter 143 shall be required for any construction, installation, repair, replacement, or alteration performed in accordance with the current edition of the North Carolina State Building Code and costing fifteen thousand dollars (\$15,000) or less in any single family residence or farm building unless the work involves: the involves any of the following:

- (1) The addition, repair or replacement of load bearing structures; the structures. However, no permit is required for replacements of windows, doors, exterior siding, or the pickets, railings, stair treads, and decking of porches and exterior decks.
- (2) The addition (excluding replacement of same size and capacity) or change in the design of plumbing; the plumbing. However, no permit is required for replacements otherwise meeting the requirements of this subsection that do not change size or capacity.
- (3) The addition, replacement or change in the design of heating, air conditioning, or electrical wiring, devices, appliances, or equipment; the equipment, other than like-kind replacement of electrical devices and lighting fixtures.

(4) The use of materials not permitted by the North Carolina Uniform Residential Building Code; or the Residential Code for One- and Two-Family Dwellings.

(5) The addition (excluding replacement of like grade of fire resistance) of roofing.

~~Violation of this section constitutes a Class 1 misdemeanor.~~

...

(f) Violation of this section constitutes a Class 1 misdemeanor."

SECTION 13.(d) This section becomes effective October 1, 2016.

EXEMPT HORTICULTURAL USES FROM THE SEDIMENTATION POLLUTION CONTROL ACT

SECTION 14. G.S. 113A-52.01 reads as rewritten:

"§ 113A-52.01. Applicability of this Article.

This Article shall not apply to the following land-disturbing activities:

- (1) Activities, including the breeding and grazing of livestock, production and activities relating or incidental to the production of crops, grains, fruits, vegetables, ornamental and flowering plants, dairy, livestock, poultry, and all other forms of agriculture undertaken on agricultural land for the production of plants and animals useful to man, including, but not limited to:
 - a. Forages and sod crops, grains and feed crops, tobacco, cotton, and peanuts.
 - b. Dairy animals and dairy products.
 - c. Poultry and poultry products.
 - d. Livestock, including beef cattle, llamas, sheep, swine, horses, ponies, mules, and goats.
 - e. Bees and apiary products.
 - f. Fur producing animals.
 - g. Mulch, ornamental plants, and other horticultural products. For purposes of this section, "mulch" means substances composed primarily of plant remains or mixtures of such substances.
- (2) Activities undertaken on forestland for the production and harvesting of timber and timber products and conducted in accordance with best management practices set out in Forest Practice Guidelines Related to Water Quality, as adopted by the Department.
- (3) Activities for which a permit is required under the Mining Act of 1971, Article 7 of Chapter 74 of the General Statutes.
- (4) For the duration of an emergency, activities essential to protect human life, including activities specified in an executive order issued under G.S. 166A-19.30(a)(5).
- (5) Activities undertaken to restore the wetland functions of converted wetlands to provide compensatory mitigation to offset impacts permitted under Section 404 of the Clean Water Act.
- (6) Activities undertaken pursuant to Natural Resources Conservation Service standards to restore the wetlands functions of converted wetlands as defined in Title 7 Code of Federal Regulations § 12.2 (January 1, 2014 Edition)."

CLARIFY ELIGIBILITY FOR EXPANDED GAS PRODUCTS SERVICE TO AGRICULTURE FUND

SECTION 15. G.S. 143B-437.020(a) reads as rewritten:

"§ 143B-437.020. Natural gas and propane gas for agricultural projects.

- (a) Definitions. –
 - (1) Agriculture. – Activities defined in G.S. 106-581.1, whether performed on or off the farm.
 - (2) Repealed by Session Laws 2014-100, s. 15.13(a), effective July 1, 2014.

- (3) Eligible project. – A discrete and specific economic development project ~~that would expand for an agricultural production operation or agricultural processing capabilities facility that requires new or expanded requests~~ natural gas or propane gas service. A project intended for the purpose of commercial resale of natural gas or propane gas shall not be an eligible project.
- (4) Excess infrastructure costs. – Any project carrying costs incurred by a natural gas local distribution company to provide new or expanded natural gas service to an eligible project that exceed the income the infrastructure generates for the local natural gas distribution company, including any standard rates, special contract rates, minimum margin agreements, and contributions in aid of construction collected by the natural gas local distribution company.
- (5) Project carrying costs. – All costs, including depreciation, taxes, operation and maintenance expenses, and, for a natural gas local distribution company, a return on investment equal to the rate of return approved by the Utilities Commission in the natural gas local distribution company's most recent general rate case under G.S. 62-133.
- (6) Secretary. – The Secretary of Commerce."

REQUIRE WRITTEN NOTICE OF AUTOMATIC CONTRACT RENEWAL FIFTEEN TO FORTY-FIVE DAYS PRIOR TO THE AUTOMATIC RENEWAL

SECTION 16.(a) G.S. 75-41 reads as rewritten:

"§ 75-41. Contracts with automatic renewal clauses.

(a) Any ~~person, firm, or corporation~~ person engaged in commerce that sells, leases, or offers to sell or lease, any products or services to a consumer pursuant to a contract, where the contract automatically renews unless the consumer cancels the contract, shall ~~disclose~~ do all of the following:

(1) Disclose the automatic renewal clause clearly and conspicuously in the contract or contract offer.

(b) ~~Any person, firm, or corporation engaged in commerce that sells, leases, or offers to sell or lease, any products or services to a consumer pursuant to a contract, where the contract automatically renews unless the consumer cancels the contract, shall disclose~~

(2) Disclose clearly and conspicuously how to cancel the contract in the initial contract, contract offer, or with delivery of products or services.

(3) For any automatic renewal exceeding 60 days, provide written notice to the consumer by personal delivery, electronic mail, or first-class mail, at least 15 days but no earlier than 45 days before the date the contract is to be automatically renewed, stating the date on which the contract is scheduled to automatically renew and notifying the consumer that the contract will automatically renew unless it is cancelled by the consumer prior to that date.

(4) If the terms of the contract will change upon the automatic renewal of the contract, disclose the changing terms of the contract clearly and conspicuously on the notification in at least 12 point type and in bold print.

(c) A ~~person, firm, or corporation~~ person that fails to comply with the requirements of this section is in violation of this section unless the ~~person, firm, or corporation~~ person demonstrates that all of the following are its routine business practice:

(1) ~~It~~ The person has established and implemented written procedures to comply with this section and enforces compliance with the procedures.

(2) Any failure to comply with this section is the result of error.

(3) Where an error has caused the failure to comply with this section, ~~it~~ the person provides a full refund or credit for all amounts billed to or paid by the consumer from the date of

the renewal until the date of the termination of the contract, or the date of the subsequent notice of renewal, whichever occurs first.

(d) This section does not apply to insurers licensed under Chapter 58 of the General Statutes, or to banks, trust companies, savings and loan associations, savings banks, or credit unions licensed or organized under the laws of any state or the United States, or any foreign bank maintaining a branch or agency licensed under the laws of the United States, or any subsidiary or affiliate ~~thereof.~~thereof, nor does this section apply to any entity subject to regulation by the Federal Communications Commission under Title 47 of the United States Code or by the North Carolina Utilities Commission under Chapter 62 of the General Statutes, or to any entity doing business directly or through an affiliate pursuant to a franchise, license, certificate, or other authorization issued by a political subdivision of the State or an agency thereof.

(e) A violation of this section renders the automatic renewal clause void and unenforceable."

SECTION 16.(b) This section is effective when it becomes law and applies to contracts entered into on or after that date.

AUTHORIZE CERTIFIED WELL DRILLERS TO INSTALL CERTAIN WATER PIPES AND ELECTRICAL WIRING IN A SINGLE DITCH

SECTION 17.(a) G.S. 87-97 reads as rewritten:

"§ 87-97. Permitting, inspection, and testing of private drinking water wells.

...

(b1) Permit to Include Authorization for Piping and Electrical. – When a permit is issued under this section, ~~that the local health department shall be responsible for notifying the appropriate building inspector of the issuance of the well permit.~~ A permit issued under this section shall also be deemed to include authorization for the for all of the following:

- (1) The installation, construction, maintenance, or repair of electrical wiring, devices, appliances, or equipment by a person certified as a well contractor under Article 7A of this Chapter when running electrical wires from the well pump to the pressure switch. ~~The local health department shall be responsible for notifying the appropriate building inspector of the issuance of the well permit.~~
- (2) The installation, construction, maintenance, or repair of water pipes by a person certified as a well contractor under Article 7A of this Chapter when running water pipes from the well to the water tank.
- (3) The installation of both water pipes and electrical wiring in a single ditch by a person certified as a well contractor under Article 7A of this Chapter when running electrical wires from the well pump to the pressure switch and water pipes from the well to the water tank. The ditch shall be as deep as the minimum cover requirements for either electrical wiring or water pipes, whichever is greater.

This subsection shall not be interpreted to prohibit any person licensed by an independent occupational licensing board from performing any authorized services within the scope of practice of the person's license.

...."

SECTION 17.(b) The Building Code Council shall amend the State Electrical Code and the State Plumbing Code consistent with this section.

SECTION 17.(c) This section becomes effective October 1, 2016.

PRIORITIZE SWINE AND POULTRY RENEWABLE ENERGY FACILITIES IN THE INTERCONNECTION QUEUE

SECTION 18.(a) An electric public utility that has received a request to interconnect to the public utility's distribution system from a renewable energy facility that meets all of the following

requirements shall move that request to the front of the respective study queue relative to all other pending valid interconnection requests:

- (1) The facility is fueled by only swine or only poultry waste, or is fueled solely by a combination of swine and poultry waste.
- (2) Prior to May 21, 2016, the facility has (i) entered into the interconnection queue and (ii) either obtained a certificate of public convenience and necessity under G.S. 62-110.1(a) or reported to the Utilities Commission that it proposes to construct the facility under G.S. 62-110.1(g).

SECTION 18.(b) Notwithstanding subsection (a) of this section, a renewable energy facility that meets the requirements of this section shall not be moved in front of an interconnection request that has either (i) initiated the system impact study process or (ii) received a system impact study report and is continuing through the interconnection process.

SECTION 18.(c) Any prioritization of a renewable energy facility granted pursuant to this section shall be based on original queue numbers, and the facility shall otherwise comply with the North Carolina Interconnection Standard approved by the Commission.

SECTION 18.(d) This section is effective when it becomes law and expires on January 1, 2017.

EFFECTIVE DATE AND SEVERABILITY CLAUSE

SECTION 19.(a) If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end, the provisions of this act are severable.

SECTION 19.(b) Except as otherwise provided, this act is effective when it becomes law.
In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 2:00 p.m. this 26th day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-85
SENATE BILL 792***

**AN ACT SETTING THE LIMITS OF CONTRACTOR LIABILITY UNDER STATE INFORMATION
TECHNOLOGY PROCUREMENT CONTRACTS.**

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143B-1350 is amended by adding a new subsection to read:

"(h1) All contracts subject to the provisions of this Part shall include a limitation on the contractor's liability to the State for damages. Except as otherwise provided in this subsection, the limitation of liability shall be for damages arising from any cause whatsoever, regardless of the form of action. The amount of liability shall be determined based on the nature of the goods or services covered by the contract; however, there shall be a presumptive limitation of no more than two times the value of the contract. Limitation of liability pursuant to this subsection shall specifically include, but not be limited to, the contractor's liability for damages and any other losses relating to the loss of, unauthorized access to, or unauthorized disclosure of data.

The amount of liability for damages and any other losses relating to the loss of, unauthorized access to, or unauthorized disclosure of data may be raised to no more than three times the value of the contract if all of the following apply:

- (1) The State CIO completes a risk assessment prior to the bid solicitation or request for proposal.
- (2) The risk assessment determines that an increase in the liability amount is necessary to protect the State's best interests.
- (3) The bid solicitation or request for proposal indicates that increased liability will be required for the resulting contract.

The State CIO shall report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology no later than March 1 regarding the contracts containing liability amounts of more than two times the value of the contract.

Prior to entering into any contract subject to the provisions of this Part, the Department or the separate agency, as applicable, shall reasonably determine that the contractor possesses sufficient financial resources, either independently or through third-party sources, such as insurance, to satisfy the agreed upon limitation of liability. The limitation of liability required by this subsection shall not apply to liability of the contractor for intentional or willful misconduct, damage to tangible personal property, physical injuries to persons, or any notification costs resulting from compliance with G.S. 132-1.10(c1). Nothing in this subsection (i) limits the contractor's liability directly to third parties or (ii) affects the rights and obligations related to contribution among joint tortfeasors established by Chapter 1B of the General Statutes and other applicable law."

SECTION 2. This act is effective when it becomes law and applies to contracts entered into, extended via the exercise of options or otherwise, renewed, or amended on or after that date.

In the General Assembly read three times and ratified this the 27th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 9:12 a.m. this 30th day of June, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-121
SENATE BILL 838**

AN ACT TO REQUIRE FURTHER REPORTING FROM THE DEPARTMENT OF HEALTH AND HUMAN SERVICES RELATED TO TRANSFORMATION OF THE MEDICAID AND NC HEALTH CHOICE PROGRAMS AND TO MODIFY CERTAIN PROVISIONS OF THE MEDICAID TRANSFORMATION LEGISLATION.

The General Assembly of North Carolina enacts:

SECTION 1. No later than October 1, 2016, the Department of Health and Human Services shall submit a report to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Fiscal Research Division containing the following items:

- (1) The status of the 1115 waiver submission to the Centers for Medicare and Medicaid Services (CMS), as well as any other submissions to CMS related to the transition of Medicaid and NC Health Choice from fee for service to capitation. The report shall specifically address the timeliness of the submission or submissions to CMS, responses received from CMS, and strategies necessary to ensure approval of a waiver for Medicaid transformation.
- (2) A detailed Work Plan for the implementation of the transformation of Medicaid and NC Health Choice programs. The Work Plan shall provide sufficient detail to allow the Joint Legislative Oversight Committee on Medicaid and NC Health Choice to monitor progress and identify challenges and impediments to the implementation of the transformation of Medicaid and NC Health Choice programs. The detailed Work Plan shall identify key milestones, tasks, and events necessary to the transition of the programs. For each milestone, task, and event, the Work Plan shall specify the expected completion dates and identify the individual who is assigned responsibility for accomplishing or ensuring the accomplishment of the milestone, task, or event.
- (3) A sufficiently detailed description of any developments or changes during the planning process to enable the General Assembly to address any barriers to successful implementation of the Medicaid and NC Health Choice transformation.

SECTION 2.(a) Section 3 of S.L. 2015-245 reads as rewritten:

"SECTION 3. Time Line for Medicaid Transformation. – The following milestones for Medicaid transformation shall occur no later than the following dates:

- (1) When this act becomes law. –
 - a. The Division of Health Benefits of the Department of Health and Human Services (DHHS) is created pursuant to Section 10 of this act.
 - b. The Joint Legislative Oversight Committee on Medicaid and NC Health Choice is created pursuant to Section 15 of this act to oversee the Medicaid and NC Health Choice programs.
 - c. ~~The Division of Health Benefits~~ DHHS shall begin development of the 1115 waiver and any other State Plan amendments and waiver amendments necessary to effectuate the Medicaid transformation required by this act.

- (2) March 1, 2016. – ~~The DHHS, through the Division of Health Benefits, DHHS~~ shall report its plans and progress on Medicaid transformation, including recommended statutory changes, to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, as required by subdivision (12) of Section 5 of this act.
- (3) On or before June 1, 2016. – ~~The DHHS, through the Division of Health Benefits~~ DHHS shall submit the waivers and State Plan amendments required by this act to the Centers for Medicare & Medicaid Services (CMS).
- (4) Eighteen months after approval of all necessary waivers and State Plan amendments by CMS. – Capitated contracts shall begin and initial recipient enrollment shall be complete."

SECTION 2.(b) Section 4 of S.L. 2015-245 reads as rewritten:

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

- (1) DHHS authority. – The Department of Health and Human Services (DHHS) shall have full authority to manage the State's Medicaid and NC Health Choice programs provided that the total expenditures, net of agency receipts, do not exceed the authorized budget for each program, except the General Assembly shall determine eligibility categories and income thresholds. ~~DHHS through the Division of Health Benefits, created in Section 10 of this act,~~ shall be responsible for planning and implementing the Medicaid transformation required by this act.
- (2) Prepaid Health Plan. – For purposes of this act, a Prepaid Health Plan (PHP) shall be defined as an entity, which may be a commercial plan or provider-led entity, that operates or will operate a capitated contract for the delivery of services pursuant to subdivision (3) of this section. For purposes of this act, the terms "commercial plan" and "provider-led entity" are defined as follows:
 - a. Commercial plan or CP. – Any person, entity, or organization, profit or nonprofit, that undertakes to provide or arrange for the delivery of health care services to enrollees on a prepaid basis except for enrollee responsibility for copayments and deductibles and holds a PHP license issued by the Department of Insurance.
 - b. Provider-led entity or PLE. – An entity that meets all of the following criteria:
 1. A majority of the entity's ownership is held by an individual or entity that has as its primary business purpose the ownership or operation of one or more capitated contracts described in subdivision (3) of this section or Medicaid and NC Health Choice providers.
 2. A majority of the entity's governing body is composed of individuals who (i) are licensed in the State as physicians, physician assistants, nurse practitioners, or psychologists, psychologists and (ii) have experience treating beneficiaries of the North Carolina Medicaid program.
 3. Holds a PHP license issued by the Department of Insurance.
- ...
- (4) Services covered by PHPs. – Capitated PHP contracts shall cover all Medicaid and NC Health Choice services, including physical health services, prescription drugs, long-term services and supports, and behavioral health services for NC Health Choice recipients, except as otherwise provided in this subdivision. The capitated contracts required by this subdivision shall not cover:
 - a. Behavioral health services for Medicaid recipients currently covered by the local management entities/managed care organizations (LME/MCOs) ~~shall be~~

- ~~excluded from the capitated contracts until~~ for four years after the date capitated contracts begin.
- ~~b. The capitated contracts required by this subdivision shall not cover dental~~ Dental services.
 - ~~c. Services provided through the Program of All-Inclusive Care for the Elderly (PACE).~~
 - ~~d. Audiology, speech therapy, occupational therapy, physical therapy, nursing, and psychological services prescribed in an Individualized Education Program (IEP) and performed by schools or individuals contracted with Local Education Agencies.~~
 - ~~e. Services provided directly by a Children's Developmental Services Agency (CDSA) or by a provider under contract with a CDSA if the service is authorized through the CDSA and is included on the child's Individualized Family Service Plan.~~
 - ~~f. Services for Medicaid program applicants during the period of time prior to eligibility determination.~~
- (5) Populations covered by PHPs. – Capitated PHP contracts shall cover all Medicaid and NC Health Choice program aid categories except ~~recipients~~ for the following categories:
- ~~a. Recipients who are dually eligible for Medicaid and Medicare. Recipients in the aged program aid category that are eligible for Medicare shall be considered recipients who are dually eligible for Medicaid and Medicare. The Division of Health Benefits shall develop a long-term strategy to cover dual eligibles through capitated PHP contracts, as required by subdivision (11) of Section 5 of this act.~~
 - ~~b. Qualified aliens subject to the five-year bar for means-tested public assistance under 8 U.S.C. § 1613 who qualify for emergency services under 8 U.S.C. § 1611.~~
 - ~~c. Undocumented aliens who qualify for emergency services under 8 U.S.C. § 1611.~~
 - ~~d. Medically needy Medicaid recipients.~~
 - ~~e. Members of federally recognized tribes. Members of federally recognized tribes shall have the option to enroll voluntarily in PHPs.~~
 - ~~f. Presumptively eligible recipients, during the period of presumptive eligibility.~~
 - ~~g. Recipients who participate in the North Carolina Health Insurance Premium Payment (NC HIPP) program.~~
- (6) Number and nature of capitated PHP contracts. – The number and nature of the contracts required under subdivision (3) of this section shall be as follows:
- ~~a. Three contracts between the Division of Health Benefits and PHPs to provide coverage to Medicaid and NC Health Choice recipients statewide (statewide contracts).~~
 - ~~b. Up to 4012 contracts between the Division of Health Benefits and PLEs for coverage of regions specified by the Division of Health Benefits pursuant to subdivision (2) of Section 5 of this act (regional contracts). Regional contracts shall be in addition to the three statewide contracts required under sub-subdivision a. of this subdivision. Each regional contract shall provide coverage throughout the entire region for the Medicaid and NC Health Choice services required by subdivision (4) of this section. A PLE may bid for more than one regional contract, provided that the regions are contiguous.~~

- c. Initial capitated PHP contracts may be awarded on staggered terms of three to five years in duration to ensure against gaps in coverage that may result from termination of a contract by the PHP or the State.

...."

SECTION 2.(c) Section 5 of S.L. 2015-245 reads as rewritten:

"SECTION 5. Role of DHHS. – The role and responsibility of ~~DHHS, through the Division of Health Benefits, DHHS~~ during Medicaid transformation shall include the following activities and functions:

...

- (6) Enter into capitated PHP contracts for the delivery of the Medicaid and NC Health Choice services described in subdivision (4) of Section 4 of this act. All contracts shall be the result of requests for proposals (RFPs) issued by DHHS and the submission of competitive bids by PHPs. ~~DHHS, through the Division of Health Benefits, DHHS~~ shall develop standardized contract terms, to include at a minimum, the following:
 - a. Risk-adjusted cost growth for its enrollees must be at least two percentage (2%) points below national Medicaid spending growth as documented and projected in the annual report prepared for CMS by the Office of the Actuary for nonexpansion states.
 - b. A requirement that PHP spending for prescribed drugs, net of rebates, ensures the State realizes a net savings for the spending on prescription drugs. All PHPs shall be required to use the same drug formulary, which shall be established by ~~DHHS, through the Division of Health Benefits, DHHS.~~
 - c. Until final federal regulations are promulgated governing medical loss ratio, a minimum medical loss ratio of eighty-eight percent (88%) for health care services, with the components of the numerator and denominator to be defined by ~~DHHS, through the Division of Health Benefits, DHHS.~~
 - d. A requirement that PHPs develop and maintain provider networks that meet access to care requirements for their enrollees. PHPs may not exclude providers from their networks except for failure to meet objective quality standards or refusal to accept network rates. Notwithstanding the previous sentence, PHPs must include all providers in their geographical coverage area that are designated essential providers by DHHS pursuant to subdivision (13) of this section, unless DHHS approves an alternative arrangement for securing the types of services offered by the essential providers.
 - e. A requirement that all PHPs assure that enrollees who do not elect a primary care provider will be assigned to one.

...

- (11) Develop a Dual Eligibles Advisory Committee, which must include at least a reasonably representative sample of the populations receiving long-term services and supports covered by Medicaid. ~~The Division of Health Benefits, DHHS,~~ upon the advice of the Dual Eligibles Advisory Committee, shall develop a long-term strategy to cover dual eligibles through capitated PHP contracts and report the strategy to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice by January 31, 2017.

...

- (13) Designate Medicaid and NC Health Choice providers as essential providers if the provider either offers services that are not available from any other provider within a reasonable access standard or provides a substantial share of the total units of a particular service utilized by Medicaid and NC Health Choice recipients within the region during the last three years, and the combined capacity of other service providers

in the region is insufficient to meet the total needs of the Medicaid and NC Health Choice enrollees. DHHS shall not classify physicians and other practitioners as essential providers. At a minimum, providers in the following categories shall be designated essential providers:

- a. Federally qualified health centers.
- b. Rural health centers.
- c. Free clinics.
- d. Local health departments.
- e. State Veterans Homes."

SECTION 2.(d) Section 8 of S.L. 2015-245 reads as rewritten:

"SECTION 8. Innovations Center. – DHHS shall submit a program design and budget proposal no later than May 1, 2016, to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice that will create a Medicaid and NC Health Choice Transformation Innovations Center ~~within the Division of Health Benefits~~ with the purpose of assisting Medicaid and NC Health Choice providers in achieving the ultimate goals of better health, better care, and lower costs for North Carolinians. The center should be designed to support providers through technical assistance and learning collaboratives that foster peer-to-peer sharing of best practices. DHHS shall use the Oregon Health Authority's Transformation Center as a design model and shall consider at least the following features:

- (1) Learning collaboratives, peer-to-peer networks.
- (2) Clinical standards and supports.
- (3) Innovator agents.
- (4) Council of Clinical Innovators.
- (5) Community and stakeholder engagement.
- (6) Conferences and workshops.
- (7) Technical assistance.
- (8) Infrastructure support."

SECTION 2.(e) Section 9 of S.L. 2015-245 reads as rewritten:

"SECTION 9. Maintain Funding Mechanisms. – In developing the waivers and State Plan amendments necessary to implement this act, ~~the Department of Health and Human Services, through the Division of Health Benefits created in Section 10 of this act,~~ DHHS shall work with the Centers for Medicare & Medicaid Services (CMS) to attempt to preserve existing levels of funding generated from Medicaid-specific funding streams, such as assessments, to the extent that the levels of funding may be preserved. If such Medicaid-specific funding cannot be maintained as currently implemented, then ~~the Division of Health Benefits~~ DHHS shall advise the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, created in Section 15 of this act, of any modifications necessary to maintain as much revenue as possible within the context of Medicaid transformation. If such Medicaid-specific funding streams cannot be preserved through the transformation process or if revenue would decrease, it is the intent of the General Assembly to modify such funding streams so that any supplemental payments to providers are more closely aligned to improving health outcomes and achieving overall Medicaid goals."

SECTION 2.(e1) S.L. 2015-245 is amended by adding a new section to read:

"SECTION 9A. Eligibility for Parents of Children in Foster Care. – DHHS is authorized to seek approval from CMS through the 1115 waiver required by subdivision (1) of Section 5 of this act to allow parents to retain Medicaid eligibility while their child is being served temporarily by the foster care program. It is the intent of the General Assembly to expand Medicaid eligibility to cover this population upon implementation of the 1115 waiver, if CMS approves this coverage in the waiver."

SECTION 2.(f) Section 10 of S.L. 2015-245 reads as rewritten:

"SECTION 10. Creation of the Division of Health Benefits. – The Division of Health Benefits is established as a new division of the Department of Health and Human Services. ~~The Department of Health and Human Services, through the Division of Health Benefits, shall be responsible for~~

~~implementing Medicaid transformation required by this act and shall administer and operate all functions, powers, duties, obligations, and services related to the transformed Medicaid and NC Health Choice programs.~~ The Division of Medical Assistance shall continue to operate the current Medicaid and NC Health Choice programs until the Division of Medical Assistance is eliminated. Upon the elimination of the Division of Medical Assistance, all functions, powers, duties, obligations, and services vested in the Division of Medical Assistance of the Department of Health and Human Services are vested in the Division of Health Benefits. The Department of Health and Human Services shall remain the Medicaid single State ~~agency~~ agency and shall be responsible for implementing Medicaid transformation required by this act and shall administer and operate all functions, powers, duties, obligations, and services related to the transformed Medicaid and NC Health Choice programs. Prior to the effective date of G.S. 143B-216.85, the Secretary of DHHS may appoint a Director of the Division of Health Benefits."

SECTION 2.(g) G.S. 143B-216.80 reads as rewritten:

"§ 143B-216.80. Division of Health Benefits – creation and organization.

(a) There is hereby established the Division of Health Benefits of the Department of Health and Human Services. The Director shall be the head of the Division of Health Benefits. Upon the elimination of the Division of Medical Assistance, the Division of Health Benefits shall be vested with all functions, powers, duties, obligations, and services previously vested in the Division of Medical Assistance. The Department of Health and Human Services, through the Division of Health Benefits, Services shall have the powers and duties described in G.S. 108A-54(e). The Director shall be the head of the Division of Health Benefits. ~~G.S. 108A-54(e) in addition to the powers and duties already vested in the Department.~~

(b) Although generally subject to the laws of this State, the following exemptions, limitations, and modifications apply to the Division of Health Benefits of the Department of Health and Human Services, notwithstanding any other provision of law:

- (1) Employees of the Division of Health Benefits shall not be subject to the North Carolina Human Resources Act, except as provided in G.S. 126-5(c1)(31).
- (2) The Secretary may retain private legal counsel and is not subject to G.S. 114-2.3 or G.S. 147-17(a) through (c).
- (3) The Division of Health Benefits' employment contracts offered pursuant to G.S. 108A-54(e)(2) are not subject to review and approval by the Office of State Human Resources.
- (4) If the Secretary establishes alternative procedures for the review and approval of contracts, then the Division of Health Benefits is exempt from State contract review and approval requirements but still may choose to utilize the State contract review and approval procedures for particular contracts."

SECTION 2.(h) G.S. 108A-54 reads as rewritten:

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

...

(e) The Department of Health and Human Services shall continue to administer and operate the Medicaid and NC Health Choice programs through the Division of Medical Assistance until the Division of Medical Assistance is eliminated at which time all functions, powers, duties, obligations, and services vested in the Division of Medical Assistance are vested in the Division of Health Benefits. Prior to and following the exchange of powers and duties from the Division of Medical Assistance to the Division of Health Benefits, and in addition to the powers and duties already vested in the Secretary of the Department of Health and Human Services, the Secretary of the Department of Health and Human Services, through the Division of Health Benefits, Services shall have the following powers and duties:

- (1) Administer and operate the Medicaid and NC Health Choice programs, provided that the total expenditures, net of agency receipts, do not exceed the authorized budget for each program. ~~the Medicaid program and NC Health Choice program.~~ None of the powers and duties enumerated in the other subdivisions of this subsection shall be

construed to limit the broad grant of authority to administer and operate the Medicaid and NC Health Choice programs.

- (2) Employ clerical and professional staff of the Division of Health Benefits, including consultants and legal counsel, necessary to carry out the powers and duties of the division. In hiring staff for the Division of Health Benefits, the Secretary may offer employment contracts for a term and set compensation for the employees, which may include performance-based bonuses based on meeting budget or other targets.
- (3) Notwithstanding G.S. 143-64.20, enter into contracts for the administration of the Medicaid and NC Health Choice programs, as well as manage such contracts, including contracts of a consulting or advisory nature.
- (4) Establish and adjust all program components, except for eligibility categories and income thresholds, of the Medicaid and NC Health Choice programs within the appropriated and allocated budget.
- (5) Adopt rules related to the Medicaid and NC Health Choice programs.
- (6) Develop midyear budget correction plans and strategies and then take midyear budget corrective actions necessary to keep the Medicaid and NC Health Choice programs within budget.
- (7) Approve or disapprove and oversee all expenditures to be charged to or allocated to the Medicaid and NC Health Choice programs by other State departments or agencies.
- (8) Develop and present to the Joint Legislative Oversight Committee on Medicaid and NC Health Choice and the Office of State Budget and Management by January 1 of each year, beginning in 2017, the following information for the Medicaid and NC Health Choice programs:
 - a. A detailed four-year forecast of expected changes to enrollment growth and enrollment mix.
 - b. What program changes will be made by the Department in order to stay within the existing budget for the programs based on the next fiscal year's forecasted enrollment growth and enrollment mix.
 - c. The cost to maintain the current level of services based on the next fiscal year's forecasted enrollment growth and enrollment mix.
- (9) Publish on its Web site and update on at least a monthly basis, at a minimum, the following information about the Medicaid and NC Health Choice programs:
 - a. Enrollment by program aid category by county.
 - b. Per member per month spending by category of service.
 - c. Spending and receipts by fund along with a detailed variance analysis.
 - d. A comparison of the above figures to the amounts forecasted and budgeted for the corresponding time period.

(f) The General Assembly shall determine the eligibility categories and income thresholds for the Medicaid and NC Health Choice programs. The Department of Health and Human Services, ~~through the Division of Health Benefits, Services~~ is expressly authorized to adopt temporary and permanent rules regarding eligibility requirements and determinations, to the extent that they do not conflict with the parameters set by the General Assembly.

~~(g) Although generally subject to the laws of this State, the following exemptions, limitations, and modifications apply to the Division of Health Benefits of the Department of Health and Human Services, notwithstanding any other provision of law:~~

- ~~(1) Employees of the Division of Health Benefits shall not be subject to the North Carolina Human Resources Act, except as provided in G.S. 126-5(e1)(31).~~
- ~~(2) The Secretary may retain private legal counsel and is not subject to G.S. 114-2.3 or G.S. 147-17(a) through (c).~~

- (3) ~~The Division of Health Benefits' employment contracts offered pursuant to G.S. 108A-54(e)(2) are not subject to review and approval by the Office of State Human Resources.~~
- (4) ~~If the Secretary establishes alternative procedures for the review and approval of contracts, then the Division of Health Benefits is exempt from State contract review and approval requirements but may still choose to utilize the State contract review and approval procedures for particular contracts."~~

SECTION 2.(i) G.S. 143B-139.6C reads as rewritten:

"§ 143B-139.6C. Cooling-off period for certain Department employees.

(a) Ineligible Vendors. – The Secretary of the Department of Health and Human Services shall not contract for goods or services with a vendor that employs or contracts with a person who is a former employee of the Department and uses that person in the administration of a contract with the Department.

(b) Vendor Certification. – The Secretary shall require each vendor submitting a bid or contract to certify that the vendor will not use a former employee of the Department in the administration of a contract with the Department in violation of the provisions of subsection (a) of this section.

(c) A violation of the provisions of this section shall void the contract.

(d) Definitions. – As used in this section, the following terms mean:

- (1) Administration of a contract. – ~~Oversight~~ The former employee's duties and responsibilities for the vendor include oversight of the performance of a contract, or authority to make decisions regarding a contract, including interpretation of a contract, or participation in the development of specifications or terms of a contract or in the preparation contract, or award of a contract.
- (2) Former employee of the Department. – A person who, for any period within the preceding six months, was employed as an employee or contract employee of the Department of Health and Human Services, ~~and in the six months immediately preceding termination of State employment, participated personally in either the award or management of a Department contract with the vendor, or made regulatory or licensing decisions that directly applied to the vendor.~~ Services and personally participated in any of the following:
 - a. The award of a contract to the vendor.
 - b. An audit, decision, investigation, or other action affecting the vendor.
 - c. Regulatory or licensing decisions that applied to the vendor."

SECTION 2.(j) S.L. 2015-245 is amended by adding a new section to read:

"SECTION 22A.(a) Notwithstanding any provision of S.L. 2015-241, as amended by S.L. 2015-263, S.L. 2015-264, S.L. 2015-267, S.L. 2015-268, S.L. 2015-276, S.L. 2015-286, and S.L. 2016-5, that requires a reduction within the Division of Medical Assistance, the Department of Health and Human Services (DHHS), is authorized to establish, maintain, or adjust all Medicaid program components, except for eligibility categories and income thresholds, within the appropriated and allocated budget for the Medicaid program, provided that the total Medicaid expenditures, net of agency receipts, do not exceed the authorized budget for the Medicaid program, in accordance with G.S. 108A-54(e).

"SECTION 22A.(b) If DHHS intends to maintain any program components as authorized by subsection (a) of this section, then no later than 60 calendar days after Senate Bill 838, 2015 Regular Session, becomes law, DHHS shall request that the Office of State Budget and Management (OSBM) certify that there are sufficient recurring Medicaid funds to maintain the program component. Within 30 calendar days after receiving DHHS's request, OSBM must respond to the request. If OSBM does not certify by the end of the 30-day period that there are sufficient recurring Medicaid funds to maintain the program component, then DHHS shall implement the reduction required by S.L. 2015-241, as amended by S.L. 2015-263, S.L. 2015-264, S.L. 2015-267, S.L. 2015-268, S.L. 2015-276, S.L. 2015-286, and S.L. 2016-5."

SECTION 3. Section 2(j) of this act is effective when it becomes law. The remainder of this act is retroactively effective June 1, 2016.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Louis M. Pate, Jr.
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 8:07 a.m. this 28th day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-104
SENATE BILL 865**

AN ACT TO MAKE ADMINISTRATIVE CHANGES TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES STATUTES; TO INCREASE THE NUMBER OF LOCAL GOVERNMENTS ABLE TO PARTICIPATE IN THE STATE HEALTH PLAN; AND TO MAKE CHANGES TO STATE HEALTH PLAN PREMIUMS PAID BY LOCAL GOVERNMENT EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 135-48.1 reads as rewritten:

"§ 135-48.1. General definitions.

As used in this Article unless the context clearly requires otherwise, the following definitions apply:

...

(2a) Claims Data Feed. – An electronic file provided by a Claims Processor that contains all claims processing data elements for every claim processed by the Claims Processor for the Plan, including Claim Payment Data for each claim.

(2b) Claim Payment Data. – Data fields within a Claims Data Feed that reflect the provider and the amount the provider billed for services provided to a Plan member, the allowed amount applied to the claim by the Claims Processor, and the amount paid by the Plan on the claim. The term "Claim Payment Data" includes any document, material, or other work, whether tangible or electronic, that is derived from, is based on, or reflects any of the foregoing data fields or information contained therein. If the Claims Processor designates Claim Payment Data as a trade secret, the Claim Payment Data shall be treated as a trade secret as defined in G.S. 66-152(3)

...."

SECTION 2. G.S. 135-48.10(a) reads as rewritten:

"§ 135-48.10. Confidentiality of information and medical records; provider contracts.

(a) Any information described in this section that is in the possession of the State Health Plan for Teachers and State Employees or its Claims Processor under the Plan or the Predecessor Plan shall be confidential and shall be exempt from the provisions of Chapter 132 of the General Statutes or any other provision requiring information and records held by State agencies to be made public or accessible to the public. This section shall apply to all information concerning individuals, including the fact of coverage or noncoverage, whether or not a claim has been filed, medical information, whether or not a claim has been paid, and any other information or materials concerning a plan ~~participant~~ participant, including Claim Payment Data and any documents or other materials derived from the Claim Payment Data. This information may, however, be released to the State Auditor or to the Attorney General in furtherance of their statutory duties and responsibilities, or to such persons or organizations as may be designated and approved by the State Treasurer. Any information so released shall remain confidential as stated above and any party obtaining such information shall assume the same level of responsibility for maintaining such confidentiality as that of the State Health Plan for Teachers and State Employees."

SECTION 3. G.S. 135-48.32 reads as rewritten:

"§ 135-48.32. Contracts to provide benefits.

(a) ~~The Plan benefits shall be provided under contracts between the Plan and the claims processors selected by the Plan. The State Treasurer may contract with a pharmacy benefits manager to administer pharmacy benefits under the Plan. Such contracts shall include the applicable provisions of this Article and the description of the Plan in the request for proposal, and shall be administered by the respective claims processor or Pharmacy Benefits Manager, which will determine benefits and other questions arising thereunder. The contracts necessarily will conform to applicable State law. If any of the provisions of this Article and the request for proposals must be modified for inclusion in the contract because of State law, such modification shall be made. The State Treasurer shall ensure that the terms of the contract between the Plan and the Plan's Claims Processing Contractor, the Pharmacy Benefit Manager, and the Disease Management Contractor require the contractor to provide the following:~~

- ~~(1) Detailed billing by each entity showing itemized cost information, including individual administrative services provided;~~
- ~~(2) Transactional data; and~~
- ~~(3) The cost to the Plan for each administrative function performed by the contractor.~~

(b) Unless otherwise directed by the Plan, each Claims Processor shall provide the Plan with a Claims Data Feed, which includes all Claim Payment Data, at a frequency agreed to by the Plan and the Claims Processor. The frequency shall be no less than monthly. The Claims Processor is not required to disclose Claim Payment Data that reflects rates negotiated with or agreed to by a noncontracted third party but, upon request, shall provide to the Plan sufficient documentation to support the payment of claims for which Claim Payment Data is withheld on such basis.

(c) Any provision of any contract between a Claims Processor and a health care provider, subcontractor, or third party that would prevent or prohibit the Claims Processor from disclosing Claim Payment Data to the Plan, in accordance with this section, shall be void and unenforceable, but only to the extent the provision prevents and prohibits disclosure to the Plan.

(d) The Plan may use and disclose Claim Payment Data solely for the purpose of administering and operating the State Health Plan for Teachers and State Employees in accordance with G.S. 135-48.2 and the provisions of this Article. The Plan shall not make any use or disclosure of Claim Payment Data that would compromise the proprietary nature of the data or, as applicable, its status as a trade secret, or otherwise misappropriate the data.

(e) The Plan may not use a provider's Claim Payment Data to negotiate rates, fee schedules, or other master charges with that provider or any other provider.

(f) The Plan may disclose Claim Payment Data to a third party to use on the Plan's behalf as agreed upon between the Plan and the Claims Processor. The Plan must obtain the agreement of the Claims Processor for each third party to whom the Plan seeks to disclose Claim Payment Data and for each use the third party will make of the data. The Plan may not disclose Claim Payment Data to any third party without first entering into a contract with the third party that contains restrictions on the use and disclosure of the Claim Payment Data by the third party that are at least as restrictive as the provisions of this section.

(g) A Claims Processor who discloses Claim Payment Data in accordance with this section shall not incur any civil liability and shall not be subject to equitable relief in connection for the disclosure."

SECTION 4. G.S. 135-48.47(b) reads as rewritten:

"(b) Participation Requirements. – A local government unit may elect to participate in the State Health Plan. Participation shall be governed by the following:

- (1) In order to participate, a local government unit must do the following:
 - a. Pass a valid resolution expressing the local government's desire to participate in the Plan.
 - b. Enter into a memorandum of understanding with the Plan that acknowledges the conditions of this section and this Article.
 - c. Provide at least 90 days' notice to the Plan prior to entry and complete the requirements of this subdivision at least 60 days prior to entry.

- (2) In order to participate, a local government unit and its employees must meet the federal requirements to participate in a governmental plan. The Plan may refuse participation to persons who would jeopardize the Plan's qualification as a governmental plan under federal law.
- (2a) The Plan shall admit any local government unit that meets the administrative and legal requirements of this section, regardless of the claims experience of the local government unit group or the financial impact on the Plan.
- (3) A local government unit shall determine the eligibility of its employees and employees' dependents and what portion of the premiums employees with pay to the local governments unit dependents.
- (3a) The premiums employees pay to the local government unit for their own coverage shall conform to the premiums in the structure set by the Plan. The premiums employees pay to the local government unit for coverage of their dependents may be determined by the local government unit but may not exceed the premiums set by the Plan.
- (4) Premiums for coverage and Plan options shall be the same as those offered to State employees and dependents on a fully contributory basis.
- (5) The local government unit shall pay all premiums for all covered individuals directly to the Plan or the Plan's designee."

SECTION 5.(a) G.S. 135-48.47(c) reads as rewritten:

"(c) Enrollment Limitation. – Local governments may elect to participate until the number of employees and dependents of employees of local governments enrolled in the Plan reaches ~~10,000~~16,000, after which time no additional local governments may join the Plan. Any local government electing to participate must have less than 1,000 employees and dependents enrolled in health coverage at the time the local government provides notice to the Plan of its desire to participate."

SECTION 5.(b) In admitting additional local governments as permitted by subsection (a) of this section, the Plan shall use the following transition schedule:

- (1) Through June 30, 2017, the Plan may admit local governments until the number of employees and dependents of employees of local governments enrolled in the Plan reaches 13,500.
- (2) Through January 31, 2018, the Plan may admit local governments until the number of employees and dependents of employees of local governments enrolled in the Plan, plus the estimated number of employees and dependents of employees of local governments that completed the Plan's Notice of Participation and Information Sheet prior to April 1, 2016, but that are not yet enrolled in the Plan reaches 16,000.
- (3) After January 31, 2018, only the limitations of G.S. 135-48.47 will apply.

Notwithstanding the schedule above, the Plan may admit a local government that completed the Plan's Notice of Participation and Information Sheet prior to April 1, 2016, unless the limitation of 16,000 is reached.

SECTION 6. G.S. 135-48.47 is amended by adding a new subsection to read:

"(d) Local governments participating in the Plan as of April 1, 2016, may elect to withdraw from participating in the Plan effective January 1, 2017. Notice of withdrawal must be given by the local government to the Plan no later than September 15, 2016."

SECTION 7. Part 4 of Article 3B of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-48.49. IRC sections 6055 and 6056 regulatory reporting.

The Plan shall be responsible for reporting coverage for retirees and coverage for direct bill members, except for individuals participating in Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage, as required by section 6055 of the Internal Revenue Code. The Plan shall provide employing units with access to Plan data necessary for employing units to meet filing requirements under sections 6055 and 6056 of the Internal Revenue Code. The Plan may facilitate the availability of a reporting

solution; however, the employing unit is responsible for paying all costs associated with the use of any reporting solution made available by the Plan."

SECTION 8. G.S. 58-3-167 reads as rewritten:

"§ 58-3-167. Applicability of acts of the General Assembly to health benefit plans.

(a) As used in this section:

(1) "Health benefit plan" means an accident and health insurance policy or certificate; a nonprofit hospital or medical service corporation contract; a health maintenance organization subscriber contract; a plan provided by a multiple employer welfare arrangement; or a plan provided by another benefit arrangement, to the extent permitted by the Employee Retirement Income Security Act of 1974, as amended, or by any waiver of or other exception to that act provided under federal law or regulation. "Health benefit plan" does not mean any plan implemented or administered by the North Carolina or United States Department of Health and Human Services, or any successor agency, or its representatives. "Health benefit plan" does not mean any plan implemented or administered by the State Health Plan for Teachers and State Employees. "Health benefit plan" does not mean any plan consisting of one or more of any combination of benefits described in G.S. 58-68-25(b).

...."

SECTION 9. Section 4 of this act becomes effective January 1, 2017, and applies to premiums paid on or after that date. The remainder of this act is effective when it becomes law and applies to contracts entered into on or after that date.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:00 p.m. this 22nd day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-108
SENATE BILL 886**

AN ACT TO HONOR CAPTAIN BRADLEY LONG AND ALL FUTURE FIREFIGHTERS AND RESCUE SQUAD WORKERS KILLED IN THE LINE OF DUTY BY AMENDING THE NC FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND TO PROVIDE A SURVIVORSHIP BENEFIT FOR MEMBERS KILLED IN THE LINE OF DUTY; TO CONSOLIDATE PUBLIC RECORDS LAWS RELATING TO RETIREMENT; AND TO MAKE OTHER RETIREMENT AND ADMINISTRATIVE CHANGES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 58-86-2 is amended by adding a new subdivision to read:

"(9a) "Killed in the line of duty" has the same meaning as in G.S. 143-166.2(c)."

SECTION 1.(b) G.S. 58-86-55 is amended by adding a new subsection to read:

"(d1) Benefits shall be paid in the following manner when a member is killed in the line of duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

- (1) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty, there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible, an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the member's month of death, payable until the beneficiary's death.
- (2) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (1) of this subsection, a lump sum payment equal to the difference between the amount paid into the member's separate account by or on behalf of the member and the amount received by the member as a pensioner will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, shall be paid to the member's estate.
- (3) If the member had not yet begun receiving a monthly benefit prior to being killed in the line of duty, there shall be paid to the member's principal beneficiary, if only one principal beneficiary is eligible, an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's month of death, payable until the beneficiary's death.
- (4) If the member had not begun receiving a monthly benefit prior to being killed in the line of duty and the beneficiary is not payable as described in subdivision (3) of this subsection, a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

A beneficiary under this subsection shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed in the line of duty."

SECTION 1.(c) G.S. 58-86-60 reads as rewritten:

"§ 58-86-60. Payments in lump sums.

The board shall direct payment in lump sums from the fund in the following cases:

- (1) To any firefighter or rescue squad worker upon the attaining of the age of 55 years, who, for any reason, is not qualified to receive the monthly retirement pension and who was enrolled as a member of the fund, an amount equal to the amount paid into the fund by him. This provision shall not be construed to preclude any active firefighter or rescue squad worker from completing the requisite number of years of active service after attaining the age of 55 years necessary to entitle the firefighter or rescue squad worker to the pension.
- (2) If any firefighter or rescue squad worker ~~dies~~dies, except if the individual is killed in the line of duty, before attaining the age at which a pension is payable to the firefighter or rescue squad worker under the provisions of this Article, there shall be paid ~~to his or her surviving spouse, or if there be no surviving spouse, to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs,~~to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased member, or if not survived by a designated beneficiary or spouse, to the deceased member's legal representative, an amount equal to the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker.
- (3) If any firefighter or rescue squad worker ~~dies~~dies, except if the individual is killed in the line of duty, after beginning to receive the pension payable to the firefighter or rescue squad worker by this Article, and before receiving an amount equal to the amount paid into the fund by him or her, there shall be paid ~~to his or her surviving spouse, or if there be no surviving spouse, then to the person responsible for his or her child or children, or if there be no surviving spouse or children, then to his or her heirs at law as may be determined by the board or to his or her estate, if it is administered and there are no heirs,~~to the person or persons designated by the member, or if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member, or if not survived by a designated beneficiary or spouse, to the deceased retired member's legal representative, an amount equal to the difference between the amount paid into the member's separate account by or on behalf of the said firefighter or rescue squad worker and the amount received by him or her as a pensioner.
- (4) Any member who withdraws from the fund shall, upon proper application, be paid all moneys without accumulated earnings on the payments after the time they were made. A member may not purchase time under G.S. 58-86-45 for which he or she has received a refund."

SECTION 1.(d) G.S. 58-86-55 is amended by adding a new subsection to read:

"(d2) Benefits shall be paid in the following manner when a member is killed in the line of duty and the requirements of Article 12A of Chapter 143 of the General Statutes are met:

- (1) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty, there shall be paid to the member's spouse an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the member's month of death, payable until the spouse's death.
- (2) If the member had been receiving a monthly pension fund benefit prior to being killed in the line of duty and the spouse is not payable as described in subdivision (1) of this subsection, a lump sum payment equal to the difference between the amount paid into

the member's separate account by or on behalf of the member and the amount received by the member as a pensioner will be paid to the member's estate.

(3) If the member had not yet begun receiving a monthly benefit prior to being killed in the line of duty, there shall be paid to the member's spouse an amount of one hundred seventy dollars (\$170.00) per month beginning the month following the month the member would have attained age 55, or if the member had already attained age 55, beginning the month following the member's month of death, payable until the spouse's death.

(4) If the member had not begun receiving a monthly benefit prior to being killed in the line of duty and the spouse is not payable as described in subdivision (3) of this subsection, a lump sum payment equal to the member's contributions will be paid to the eligible beneficiaries, or if there are no eligible beneficiaries, a return of the contributions shall be paid to the member's estate.

A beneficiary under this subsection shall not be required to make the monthly payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40 after the member has been killed in the line of duty."

SECTION 1.(e) Section 1(a) and 1(d) become effective June 1, 2016, and apply to benefits paid when a member is killed in the line of duty on or after June 1, 2016, but before July 1, 2018. Section 1(e) becomes effective June 1, 2016. Section 1(b) and 1(c) become effective July 1, 2018, and apply to benefits paid when a member is killed in the line of duty on or after that date.

SECTION 1.(f) G.S. 58-86-55(d2) is repealed July 1, 2018.

SECTION 2.(a) The February 5, 2008, Attorney General's advisory opinion entitled "Advisory Opinion: Confidentiality of Retirement Benefit Information; Session Law 2007-508" concluded that information about retirement benefits was intended to be included among those records required to be maintained for public inspection by each department, agency, institution, commission, and bureau of the State and that as a result the Retirement Systems Division of the Department of the State Treasurer makes that information available for public inspection and examination. The General Assembly finds that the interests of clarity require statutory language providing guidance to the Retirement Systems Division in determining and maintaining consistency as to what information should be made available about the retirement accounts of State and local employees.

SECTION 2.(b) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-6.1. Member retirement record files held by the Retirement System.

(a) The following definitions apply in this section:

(1) Employment-related information. – As defined in G.S. 126-22(b)(3).

(2) Personal information. – As defined in G.S. 126-22(b)(3).

(3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.

(4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public and subject to subsection (d) of this section:

(1) Name.

(2) Age.

- (3) Date of membership in the applicable Retirement System, first service earned date, date of first enrollment, date of first employment, and date of retirement.
- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

- (1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.
- (2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.
- (3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(c) Article 3 of Chapter 128 of the General Statutes is amended by adding a new section to read:

"§ 128-33.1. Public records held by the Retirement System.

(a) The following definitions apply in this section:

- (1) Employment-related information. – As defined in G.S. 126-22(b)(3).

- (2) Personal information. – As defined in G.S. 126-22(b)(3).
- (3) Retirement file. – Any employment-related, retirement-related, or personal information of members in a State-administered retirement plan gathered by the Retirement Systems Division of the Department of State Treasurer.
- (4) Retirement-related information. – Information including membership and service details, benefit payment information, and other information the Retirement Systems Division of the Department of State Treasurer deems necessary to administer a retirement plan.

(b) Member retirement files are not subject to inspection and examination as authorized by G.S. 132-6 except as provided in G.S. 135-6(p), G.S. 128-28(q), and subsections (c), (d), and (e) of this section.

(c) The following information regarding members and individuals in receipt of a recurring monthly benefit, if held by the Retirement System, is public subject to subsection (d) of this section:

- (1) Name.
- (2) Age.
- (3) Date of membership in the applicable Retirement System, first service earned date, date of first enrollment, date of first employment, and date of retirement.
- (4) The terms of any contract by which the member is employed whether written or oral, past and current, to the extent that the Retirement System has the written contract or a record of the oral contract in its possession.
- (5) Current or most recently held position or title.
- (6) Compensation and other relevant remuneration history and benefits paid.
- (7) Date, general description, and type of each change and the corresponding employing agency.
- (8) The office or station to which the member is currently assigned, if any.
- (9) The record of benefit payments made by one of the Retirement Systems or Disability Benefits Programs administered by the Department of State Treasurer to a member or to the survivor, beneficiary, or alternate payee of a member.
- (10) Purchases of educational leave.

(d) Subject only to rules and policies for the safekeeping of member retirement files adopted by the Board of Trustees, every person having custody of the retirement file information outlined in subsection (b) of this section shall permit the information to be inspected and examined and copies thereof made by any person during regular business hours. Any person who is denied access to any retirement file for the purpose of inspecting, examining, or copying the file has a right to compel compliance with the provisions of this section by application to a court of competent jurisdiction for a writ of mandamus or other appropriate relief.

(e) The Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees, former public school employees, or former community college employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees.

(f) All information other than the information listed in subsection (c) of this section contained in a retirement file is confidential and not open for inspection and examination except to the following persons:

- (1) The member, or the member's authorized agent, who may examine his or her own retirement file, except for any information concerning a medical disability, mental or physical, that a prudent physician would not divulge to a patient. A member's medical record may be disclosed to a licensed physician in writing by the member.
- (2) A member of the General Assembly who may inspect and examine records under the authority of G.S. 120-19.

(3) A party by authority of a proper court order may inspect and examine a particular confidential portion of a member's retirement file.

(g) Any public official or employee who knowingly and willfully permits any person to have access to or custody or possession of any portion of a retirement file designated as confidential by this section, unless the person is one specifically authorized by this section to have access thereto for inspection and examination, is guilty of a Class 3 misdemeanor and upon conviction shall only be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00).

(h) Any person not specifically authorized by this section to have access to a retirement file designated as confidential by this section, who knowingly and willfully examines, removes, or copies any portion of a confidential retirement file, is guilty of a Class 3 misdemeanor and upon conviction shall be fined in the discretion of the court but not in excess of five hundred dollars (\$500.00)."

SECTION 2.(d) G.S. 126-22 reads as rewritten:

"§ 126-22. Personnel files not subject to inspection under § 132-6.

(a) Except as provided in G.S. 126-23 and G.S. 126-24, personnel files of State employees shall not be subject to inspection and examination as authorized by G.S. 132-6.

(b) For purposes of this Article the following definitions apply:

(1) "Employee" means any current State employee, former State employee, or applicant for State employment.

(2) "Employer" means any State department, university, division, bureau, commission, council, or other agency subject to Article 7 of this Chapter.

(3) "Personnel file" means any employment-related or personal information gathered by an employer, ~~the Retirement Systems Division of the Department of State Treasurer,~~ employer or by the Office of State Human Resources. Employment-related information contained in a personnel file includes information related to an individual's application, selection, promotion, demotion, transfer, leave, salary, contract for employment, benefits, suspension, performance evaluation, disciplinary actions, and termination. Personal information contained in a personnel file includes an individual's home address, social security number, medical history, personal financial data, marital status, dependents, and beneficiaries.

(4) "Record" means the personnel information that each employer is required to maintain in accordance with G.S. 126-23.

(c) Personnel files of former State employees who have been separated from State employment for 10 or more years may be open to inspection and examination except for papers and documents relating to demotions and to disciplinary actions resulting in the dismissal of the ~~employee and personnel files maintained by the Retirement Systems Division of the Department of State Treasurer.~~ employee. Retirement files maintained by the Retirement Systems Division of the Department of State Treasurer shall be made public pursuant to G.S. 128-33.1 and G.S. 135-6.1.

(d) ~~Notwithstanding any provision of this section to the contrary, the Retirement Systems Division of the Department of State Treasurer may disclose the name and mailing address of former State employees to domiciled, nonprofit organizations representing 10,000 or more retired State government, local government, or public school employees."~~

SECTION 2.(e) G.S. 115C-321(b1) is repealed.

SECTION 2.(f) G.S. 115D-29(c) is repealed.

SECTION 2.(g) G.S. 153A-98(c3) is repealed.

SECTION 2.(h) G.S. 160A-168(c3) is repealed.

SECTION 3.(a) G.S. 135-10.1 reads as rewritten:

"§ 135-10.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed, transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement

system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

SECTION 3.(b) G.S. 128-32.1 reads as rewritten:

"§ 128-32.1. Failure to respond.

If a member fails to respond within 120 days after preliminary option figures and the Form 6-E or Form 7-E are ~~mailed,transmitted to the member,~~ or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, the Form 6 or Form 7 shall be null and void; the retirement system shall not be liable for any benefits due on account of the voided application, and a new application must be filed establishing a subsequent effective date of retirement. If an applicant for disability retirement fails to furnish requested additional medical information within 90 days following such request, the application shall be declared null and void under the same conditions outlined above, unless the applicant is eligible for early or service retirement in which case the application shall be processed accordingly, using the same effective date as would have been used had the application for disability retirement been approved. The Director of the Retirement Systems Division, acting on behalf of the Board of Trustees, may extend the 120-day limitation provided for in this section when a member has suffered incapacitation such that a reasonable person would not have expected the member to be able to complete the required paperwork within the regular deadline, or when an omission by the Retirement Systems Division prevents the member from having sufficient time to meet the regular deadline."

SECTION 4. G.S. 147-79(a) reads as rewritten:

"(a) The amount of funds deposited by the State Treasurer in an official depository shall be adequately secured by deposit insurance, surety bonds, letters of credit issued by a Federal Home Loan Bank, or investment securities of such nature, in such amounts, and in such manner, as may be prescribed by rule or regulation of the State Treasurer with the approval of the Governor and Council of State. No security is required for the protection of funds remitted to and received by a bank or trust company designated by the State Treasurer under G.S. 142-1 and acting as paying agent for the payment of the principal of or interest on bonds or notes of the State."

SECTION 5. The Board of Trustees of the Local Governmental Employees' Retirement System shall develop a "State Contribution Rate Stabilization Policy" for the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund and report it to the Office of State Budget and Management and the Fiscal Research Division on or before March 1, 2017.

SECTION 6.(a) G.S. 135-6(b) reads as rewritten:

"(b) Membership of Board; Terms. – The Board shall consist of the following 13 members,as follows:members:

- (1) The State Treasurer, ex ~~officio;~~officio.
- (2) The Superintendent of Public Instruction, ex ~~officio;~~officio.
- (3) The Director of the Office of State Human Resources, ex officio.
- ~~(3)(4)~~ Nine~~Eight~~ members to be appointed by the Governor and confirmed by the Senate of North Carolina. One of the appointive members shall be a member of the teaching profession of the State; ~~one of the appointive members shall be a representative of higher education appointed by the Governor for a term of four years commencing July 1, 1969, and quadrennially thereafter;~~ one of the appointive members shall be a retired

teacher who is drawing a retirement allowance, appointed by the Governor for a term of four years commencing July 1, 1969, and quadrennially thereafter; one shall be a retired State employee who is drawing a retirement allowance, appointed by the Governor for a term of four years commencing July 1, 1977, and quadrennially thereafter; one to be a general State employee, and two who are not members of the teaching profession or State employees; two to be appointed for a term of two years, two for a term of three years and one for a term of four years; one appointive member shall be a law-enforcement officer employed by the State, appointed by the Governor, for a term of four years commencing April 1, 1985. One member shall be an active or retired member of the North Carolina National Guard appointed by the Governor for a term of four years commencing July 1, 2013. At the expiration of these terms of office the appointment shall be for a term of four ~~years;~~years.

- ~~(4)~~(5) Two members appointed by the General Assembly, one appointed upon the recommendation of the Speaker of the House of Representatives, and one appointed upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Neither of these members may be an active or retired teacher or State employee or an employee of a unit of local government. The initial members appointed by the General Assembly shall serve for terms expiring June 30, 1983. Thereafter, their successors shall serve for two-year terms beginning July 1 of odd-numbered years. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122."

SECTION 6.(b) G.S. 135-6(g) reads as rewritten:

"(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be ex officio ~~chairman~~chair of the Board of Trustees. ~~The Board of Trustees shall, by a majority vote of all the members, appoint a director, who may be, but need not be, one of its members. The salary of the director of the Retirement System is subject to the provisions of Chapter 126 of the General Statutes of North Carolina. Trustees and shall appoint a director.~~ The Board of Trustees shall engage such actuarial and other service as shall be required to transact the business of the Retirement System. The compensation of all persons, other than the director, engaged by the Board of Trustees, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall approve, subject to the approval of the Director of the Budget."

SECTION 6.(c) G.S. 136-6(o) reads as rewritten:

"(o) On the basis of such tables and interest assumption rate as the Board of Trustees shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the System created by this Chapter. The annual valuation shall include a supplementary section that provides an analysis of assets on a market basis using the 30-year treasury rate as of December 31 of the year of the valuation as the discount rate."

SECTION 6.(d) G.S. 128-28(h) reads as rewritten:

"(h) Officers and Other Employees, Salaries and Expenses. – ~~The Board of Trustees shall elect from its membership a chairman, and shall, by a majority vote of all the members, appoint a director, who may be, but need not be, one of its members. The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director.~~ The Board of Trustees shall engage such actuarial and other service as shall be required to transact the business of the Retirement System. The compensation of all persons engaged by the Board of Trustees, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall approve."

SECTION 6.(e) G.S. 128-28(p) reads as rewritten:

"(p) On the basis of such tables and interest assumption rate as the Board of Trustees shall adopt, the actuary shall make an annual valuation of the assets and liabilities of the funds of the System created by this Chapter. The annual valuation shall include a supplementary section that provides an analysis of

assets on a market basis using the 30-year treasury rate as of December 31 of the year of the valuation as the discount rate."

SECTION 7.(a) G.S. 115C-341.2 reads as rewritten:

"§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.

(a) In addition to the opportunities for local boards of education to offer section 403(b) of the Internal Revenue Code of 1986 retirement annuities and/or mutual funds to their employees under G.S. 115C-341, the Department of State Treasurer may establish an approved third-party vendor of retirement offerings as described in section 403(b) of the Internal Revenue Code of 1986, as now and hereafter amended, pursuant to which employees of local school boards may enter into nonforfeitable 403(b) plan options by way of salary reduction through the auspices of the Department of State Treasurer. This statewide plan of 403(b) offerings shall be known as the "North Carolina Public School Teachers' and Professional Educators' Investment Plan." The vendor authorized under this section shall be selected by use of ~~State Supplemental Retirement Board of Trustees~~ procurement procedures, ~~procedures under Article 5 of Chapter 135 of the General Statutes~~, with the goal of attaining lower administrative fees and enhanced services for participants and employer compliance with applicable law and regulations. Eligible employees of local school boards shall all be allowed to use this vendor for the tax-deferred 403(b) option of their choice.

(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b) offerings to employees of local school boards under this section.

- (1) Annuity contracts, trust accounts, and/or custodial accounts shall be administered by a qualified third-party administrator that shall, under written agreement with the Department of State Treasurer, provide custodial, record-keeping, and administrative services. The third-party administrator may also be the selected vendor for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

For employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
 - b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.
 - c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
 - d. Monitor maximum contributions.
 - e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.
 - f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
 - g. Maintain internal reports to ensure compliance with Section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
 - h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115C-341 within each participating local board of education plan by creating and establishing the necessary connections and processes with existing and future vendors.
 - i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide ~~plan~~ plan of 403(b) offerings.
- (2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed under Article 5 of Chapter 135 of the General Statutes by the Department of State Treasurer and the Supplemental Retirement Board of Trustees ~~for the North Carolina Supplemental Retirement Plans~~ established pursuant to G.S. 135-96. Because of the administrative and record-keeping

duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and hardship withdrawals) or be directed by the participating employer to cease accepting new contributions, loans, and hardship withdrawals.

- (3) Investment options shall be solely determined by the Department of State Treasurer and ~~the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans~~ consistent with section 403(b) of the Internal Revenue Code of 1986, as amended.
- (4) Investment staff of the Department of State Treasurer may make recommendations to the State Treasurer and ~~the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans~~ as to appropriate investment options. ~~The~~Pursuant to G.S. 135-96, the State Treasurer and Board of Trustees shall have sole responsibility for the selection of the vendor, third-party administrator, providers of investment options, and any other service provider for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.
- (5) All contributions made in accordance with the provisions of section 403(b) of the Internal Revenue Code of 1986, as amended, and this section shall be remitted directly to the administrator and held by the administrator in a custodial account on behalf of each participating employee. Any investment gains or losses shall be credited to those accounts. The forms of payment and disbursement procedures shall be consistent with those generally offered by similar annuity contracts, trust accounts, and custodial accounts and applicable federal and State statutes governing those contracts and accounts.
- (6) Any local board of education may elect to make contributions to the employee's account on behalf of the employee. The employer shall take whatever action is necessary to implement this section.
- (7) The design and administration of annuity contracts, trust accounts, and custodial accounts under this provision shall comply with all applicable provisions of the Internal Revenue Code of 1986, as amended."

SECTION 7.(b) G.S. 115D-25.4(b) reads as rewritten:

"(b) The criteria in this subsection apply to the Department of State Treasurer's 403(b) offerings to employees of local boards of trustees under this section:

- (1) Annuity contracts, trust accounts, and/or custodial accounts shall be administered by a qualified third-party administrator that shall, under written agreement with the Department of State Treasurer, provide custodial, record-keeping, and administrative services. The third-party administrator may also be the selected vendor for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.

For local boards of trustees as employers choosing to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan, the third-party administrator shall, at a minimum, provide the following:

- a. Maintain a written plan document.
- b. Review hardship withdrawal requests, loan requests, and other disbursements permitted under section 403(b) of the Internal Revenue Code of 1986.
- c. Maintain specimen salary reduction agreements for the employer and employees of that employer to initiate payroll deferrals.
- d. Monitor maximum contributions.
- e. Coordinate responses to the Internal Revenue Service in any case of an IRS audit.

- f. Generate educational communication materials to employees concerning the enrollment process, program eligibility, and investment options.
 - g. Maintain internal reports to ensure compliance with section 403(b) of the Internal Revenue Code and Title 26 of the Code of Federal Regulations.
 - h. Provide compliance monitoring/oversight for all 403(b) plans established under G.S. 115D-25 within each participating local board of trustees plan by creating and establishing the necessary connections and processes with existing and future vendors.
 - i. Keep an updated schedule of vendor fees and commissions as to the Department's statewide ~~plan-plan~~ plan of 403(b) offerings.
- (2) Governance and oversight of the North Carolina Public School Teachers' and Professional Educators' Investment Plan will be performed under Article 5 of Chapter 135 of the General Statutes by the Department of State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans established pursuant to G.S. 135-96. Because of the administrative and record-keeping duties enumerated in subdivision (1) of this subsection, any existing vendor of a 403(b) with a participating employer must either agree to share data with the State's 403(b) vendor under this provision (so as to permit oversight over contribution limits, loans, and hardship withdrawals) or be directed by the participating employer to cease accepting new contributions, loans, and hardship withdrawals.
 - (3) Investment options shall be solely determined by the Department of State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans consistent with section 403(b) of the Internal Revenue Code of 1986, as amended.
 - (4) Investment staff of the Department of State Treasurer may make recommendations to the State Treasurer and the Supplemental Retirement Board of Trustees for the North Carolina Supplemental Retirement Plans as to appropriate investment options. The Pursuant to G.S. 135-96, the State Treasurer and Board of Trustees shall have sole responsibility for the selection of the vendor, third-party administrator, providers of investment options, and any other service provider for the North Carolina Public School Teachers' and Professional Educators' Investment Plan.
 - (5) All contributions made in accordance with the provisions of section 403(b) of the Internal Revenue Code of 1986, as amended, and this section shall be remitted directly to the administrator and held by the administrator in a custodial account on behalf of each participating employee. Any investment gains or losses shall be credited to those accounts. The forms of payment and disbursement procedures shall be consistent with those generally offered by similar annuity contracts, trust accounts, and custodial accounts and applicable federal and State statutes governing those contracts and accounts.
 - (6) Any local board of trustees may elect to make contributions to the employee's account on behalf of the employee. The local board of trustees shall take whatever action is necessary to implement this section.
 - (7) The design and administration of annuity contracts, trust accounts, and custodial accounts under this provision shall comply with all applicable provisions of the Internal Revenue Code of 1986, as amended."

SECTION 8. G.S. 135-109 reads as rewritten:

"§ 135-109. Reports of earnings.

The Department of State Treasurer and Board of Trustees ~~shall~~ may require each beneficiary to annually provide a statement of the beneficiary's income received as compensation for services, including fees, commissions, or similar items, income received from business, and benefits received from the Social

Security Administration, the federal Veterans Administration, any other federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the information requested within ~~60~~120 days after such request ~~shall not be paid a benefit~~ may be suspended until the information so requested is provided, and should such refusal or failure to provide such information continue for ~~240~~180 days after such request the right of a beneficiary to a benefit under the Article may be terminated."

SECTION 9. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end, the provisions of this act are severable.

SECTION 10. Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:03 p.m. this 22nd day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-70
SENATE BILL 898**

AN ACT TO APPOINT PERSONS TO VARIOUS PUBLIC OFFICES UPON THE RECOMMENDATIONS OF THE PRESIDENT PRO TEMPORE OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, AND THE MAJORITY LEADER OF THE SENATE, AND TO MAKE TECHNICAL CHANGES.

Whereas, G.S. 120-121 authorizes the General Assembly to make certain appointments to public offices upon the recommendation of the President Pro Tempore of the Senate and the Speaker of the House of Representatives; and

Whereas, the President Pro Tempore of the Senate and the Speaker of the House of Representatives have made recommendations; and

Whereas, G.S. 143B-168.12 authorizes the General Assembly to appoint a member of the public to the Board of Directors of the North Carolina Partnership for Children, Inc., upon the recommendation of the Majority Leader of the Senate; and

Whereas, the Majority Leader of the Senate has made a recommendation; Now, therefore,

The General Assembly of North Carolina enacts:

PART I. PRESIDENT PRO TEMPORE'S RECOMMENDATIONS

SECTION 1.1. Effective October 1, 2016, Owen D. Andrews of Craven County is appointed to the Outdoor Heritage Advisory Council for a term expiring on September 30, 2020.

SECTION 1.2. G.S. 90-471 requires the terms of members of the North Carolina Institute of Medicine Board of Directors to be staggered. To stagger the terms, the terms of Keith Holtsclaw of Mitchell County and Dr. Penney Burlingame Deal of Onslow County appointed to the North Carolina Institute of Medicine Board of Directors expire on December 31, 2017.

SECTION 1.3. Effective January 1, 2017, Joshua T. Brown of Durham County and Jeffrey H. Ledford of Cleveland County are appointed to the 911 Board for terms expiring on December 31, 2020.

SECTION 1.4. Dr. Kevin Sharp of Forsyth County is appointed to the North Carolina State Board of Chiropractic Examiners for a term expiring on June 30, 2019.

SECTION 1.5. Virginia R. Smith of Johnston County is appointed to the Board of Trustees of the State Health Plan for Teachers and State Employees for a term expiring on June 30, 2018.

SECTION 1.6. Toni Rittenberg of Craven County and Ji Fei "Jeffrey" Wang of Mecklenburg County are appointed to the Acupuncture Licensing Board for terms expiring on June 30, 2019.

SECTION 1.7. Aaron Fleming of Wake County and Cory S. Causby of Haywood County are appointed to the North Carolina Center for the Advancement of Teaching Board of Trustees for terms expiring June 30, 2020.

SECTION 1.8. Belinda Ann Tate of Forsyth County is appointed to the African-American Heritage Commission for a term expiring on June 30, 2019.

SECTION 1.9. Dr. Charles Bruce Williams of New Hanover County is appointed to the North Carolina Agricultural Finance Authority for a term expiring on June 30, 2019.

SECTION 1.10. Jennifer Sullivan of Cumberland County is appointed to the North Carolina Arboretum Board of Directors for a term expiring on June 30, 2020.

SECTION 1.11. Effective March 1, 2016, Vincent DeBenedetto of Wake County is appointed to the North Carolina Capital Facilities Finance Agency Board of Directors for a term expiring on February 28, 2020.

SECTION 1.12. Elizabeth Gilleland of Wake County and Reverend Charles F. McDowell III of Scotland County are appointed to the North Carolina Child Care Commission for terms expiring on June 30, 2018.

SECTION 1.13. William Toole of Gaston County is appointed to the North Carolina Clean Water Management Trust Fund Board of Trustees Council for a term expiring on July 1, 2019.

SECTION 1.14. Michael S. Edwards of Wake County is appointed to the Disciplinary Hearing Commission of the North Carolina State Bar for a term expiring on June 30, 2019.

SECTION 1.15. Effective January 1, 2017, Jonathan A. Jeffries of Randolph County is appointed to the North Carolina Locksmith Licensing Board for a term expiring on December 31, 2019.

SECTION 1.16. Richard L. Hill of Pitt County and Cynthia R. Barringer of Cabarrus County are appointed to the North Carolina Manufactured Housing Board for terms expiring on June 30, 2019.

SECTION 1.17. William Russell Davis of Onslow County is appointed to the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board for a term expiring on June 30, 2019.

SECTION 1.18. Cynthia Tart of Brunswick County is appointed to the North Carolina Parks and Recreation Authority for a term expiring on June 30, 2019.

SECTION 1.19. Rhett N. Mabry of Mecklenburg County is appointed to the Permanency Innovation Initiative Oversight Committee for a term expiring on June 30, 2019.

SECTION 1.20. Michael J. Atkins of Wake County is appointed to the North Carolina Recreational Therapy Licensure Board for a term expiring on June 30, 2019.

SECTION 1.21. Robin L. Ross of Caldwell County is appointed to the North Carolina Respiratory Care Board for a term expiring on June 30, 2019.

SECTION 1.22. Zenas E. Fearing of Dare County, Edward Brent Lane of Wake County, and Clark S. Twiddy of Dare County are appointed to the Roanoke Island Commission for terms expiring on June 30, 2018.

SECTION 1.23. Pamela J. Cundiff of Rockingham County and Heath R. Jenkins of Gaston County are appointed to the Rural Infrastructure Authority for terms expiring on June 30, 2019.

SECTION 1.24. Effective April 1, 2016, Edward Ashby of Surry County is appointed to the North Carolina State Banking Commission for a term expiring on March 31, 2020.

SECTION 1.25. Susan B. Lewis of Gaston County is appointed to the North Carolina State Building Commission for a term expiring on June 30, 2019.

SECTION 1.26. Effective January 1, 2017, Daniel Zeller of Guilford County is appointed to the State Ethics Commission for a term expiring on December 31, 2020.

SECTION 1.27. Diane R. Smith of Caldwell County is appointed to the North Carolina State Board of Cosmetic Art Examiners for a term expiring on June 30, 2019.

SECTION 1.28. Jerome J. Cook of Forsyth County is appointed to the North Carolina State Ports Authority for a term expiring on June 30, 2018.

SECTION 1.29. Melinda L. Baran of Wake County is appointed to the Supplemental Retirement Board of Trustees for a term expiring on June 30, 2019.

SECTION 1.30. Ronald Cooper of Pitt County and Perri Morgan of Wake County are appointed to the Umstead Act Unfair Competition Panel for terms expiring on June 30, 2020.

SECTION 1.32. Dr. Brian B. Sheitman of Wake County and Robin Todd-Hall of Caldwell County are appointed to the North Carolina Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services for terms expiring on June 30, 2019.

SECTION 1.33. Charles E. Vines of Mitchell County is appointed to the North Carolina State Water Infrastructure Authority for a term expiring on June 30, 2018.

SECTION 1.34. Effective on the date this act becomes law, Ernie L. Coleman of Beaufort County and Benjamin J. Curtis of Rockingham County are appointed to the Governor's Crime Commission for terms expiring on February 28, 2017.

SECTION 1.35. Effective September 1, 2016, Angela L. Harris of Franklin County, Gregory C. Light of Rockingham County, The Honorable David V. Byrd of Wilkes County, and Maureen H. Krueger of Moore County are appointed to the Domestic Violence Commission for terms expiring on August 31, 2018.

SECTION 1.36. Michael J. Martini of Guilford County and Sajjan Agarwal of Wake County are appointed to the North Carolina Education and Workforce Innovation Commission for terms expiring on June 30, 2019.

SECTION 1.37. Effective January 1, 2017, Marie D. Inscore of Nash County, James P. Danahy of Guilford County, and Lorraine Benthin of Rockingham County are appointed to the Board of Directors of the North Carolina Partnership for Children, Inc., for terms expiring on December 31, 2019.

SECTION 1.38. Effective January 1, 2017, Hugh Campbell of Surry County is appointed to the North Carolina State Judicial Council for a term expiring on December 31, 2020.

SECTION 1.39. H. Vernon Massengill of Caswell County is appointed to the North Carolina State Fire and Rescue Commission for a term expiring on June 30, 2019.

SECTION 1.40. Effective on the date this act becomes law, Leslie T. Everett of Pitt County is appointed to the North Carolina Code Officials Qualification Board for a term expiring on June 30, 2018, to fill the unexpired term of Chris Nuckolls.

SECTION 1.41. Effective on the date this act becomes law, Michael Caron of Union County is appointed to the North Carolina Landscape Contractors' Licensing Board for a term expiring on July 31, 2018.

PART II. SPEAKER'S RECOMMENDATIONS

SECTION 2.1. Karen A. Vaughn of New Hanover County is appointed to the Acupuncture Licensing Board for a term expiring on June 30, 2019.

SECTION 2.2. Effective October 1, 2016, Marvin N. Arrington of Pitt County is appointed to the African-American Heritage Commission for a term expiring on September 30, 2016.

SECTION 2.3. Harold T. Owen of Alamance County is appointed to the Board of Directors of the North Carolina Arboretum for a term expiring on June 30, 2020.

SECTION 2.4. Anthony L. Gordon of Wake County is appointed to the North Carolina Agricultural Finance Authority for a term expiring on June 30, 2019.

SECTION 2.5. Effective October 1, 2016, Craig Fitzgerald of Wake County is appointed to the North Carolina Brain Injury Advisory Council for a term expiring on September 30, 2020.

SECTION 2.6. Kirby J. Robinson of Forsyth County is appointed to the North Carolina State Building Commission for a term expiring on June 30, 2018, to fill the unexpired term of Kent Jackson.

SECTION 2.7. Robert Seligson of Wake County is appointed to the Centennial Authority for a term expiring on June 30, 2020.

SECTION 2.8. Kristin Weaver of Wake County, Brooke H. King of Wayne County, and Amelie F. Schoel of Union County are appointed to the North Carolina Child Care Commission for terms expiring on June 30, 2018.

SECTION 2.9. Charles E. Vines of Mitchell County is appointed to the North Carolina Clean Water Management Trust Fund Board of Trustees for a term expiring on July 1, 2019.

SECTION 2.10. James B. Steele of New Hanover County and Allen Kelly of Wake County are appointed to the North Carolina Code Officials Qualifications Board for terms expiring on June 30, 2020.

SECTION 2.11.(a) Joel R. Shores of Cleveland County is appointed to the Criminal Justice Information Network Governing Board for a term expiring on June 30, 2017, to fill the unexpired term of Robert A. Graves.

SECTION 2.11.(b) William M. Bryan of Nash County is appointed to the Criminal Justice Information Network Governing Board for a term expiring on June 30, 2019, to fill the unexpired term of Norlan Graves.

SECTION 2.12. Effective September 1, 2016, Johnette R. Smith of Wake County, Michael C. Phillips of Wake County, Mary Catherine Stevens of Surry County, Charles E. Campbell, II, of Moore County, and Julia B. Freeman of Haywood County are appointed to the Domestic Violence Commission for terms expiring on August 31, 2018.

SECTION 2.13. Effective December 1, 2016, Russell L. Proctor of Nash County is appointed to the Economic Investment Committee for a term expiring on November 30, 2018.

SECTION 2.14. Effective January 1, 2017, Representative D. Craig Horn of Union County is appointed to the Education Commission of the States for a term expiring on December 31, 2019.

SECTION 2.15. Judith E. Irwin of Johnston County and Anthony D. Fogleman of Cleveland County are appointed to the North Carolina Education and Workforce Innovation Commission for terms expiring on June 30, 2019.

SECTION 2.16. Effective September 1, 2016, Ronda Jones of Stokes County is appointed to the North Carolina Board of Electrolysis Examiners for a term expiring on August 31, 2019.

SECTION 2.17. Effective January 1, 2017, Robert E. Moseley, Jr., of Wake County is appointed to the State Ethics Commission for a term expiring on December 31, 2020.

SECTION 2.18. Michael C. "Mike" Stone of Lee County is appointed to the North Carolina Board of Funeral Service for a term expiring on December 31, 2017, to fill the unexpired term of James B. Combs.

SECTION 2.19. Wanda Burns-Ramsey of Johnston County is appointed to the North Carolina State Commission for Indian Affairs for a term expiring on June 30, 2018.

SECTION 2.20. Effective September 1, 2016, David Mark Hullender of Cleveland County is appointed to the Commission on Indigent Defense Services for a term expiring on August 31, 2020.

SECTION 2.21. Effective January 1, 2017, Tammy B. Owens of Wake County, Joe M. Cabaleiro of Wake County, Michael Tramber of Forsyth County, and Cathy L. Swanson of Caldwell County are appointed to the License to Give Trust Fund for terms expiring on December 31, 2018.

SECTION 2.22. Effective January 1, 2017, James M. "Mike" Williams of Henderson County is appointed to the North Carolina Locksmith Licensing Board for a term expiring on December 31, 2019.

SECTION 2.23. Effective January 1, 2017, Charles D. Greene of Forsyth County and Eric S. Cramer of Wake County are appointed to the 911 Board for terms expiring on December 31, 2020.

SECTION 2.24. Jerry O. Pearce of Wake County is appointed to the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board for a term expiring on July 1, 2019.

SECTION 2.25.(a) Effective October 1, 2016, William Larry Stone of Cleveland County is appointed to the Outdoor Heritage Advisory Council for a term expiring on September 30, 2020.

SECTION 2.25.(b) If House Bill 1030, 2016 Regular Session of the 2015 General Assembly becomes law, then effective October 1, 2016, James A. Harrill, III, of Wake County is appointed to the Outdoor Heritage Advisory Council for a term expiring on September 30, 2018.

SECTION 2.26. Lydia Boesch of Moore County is appointed to the North Carolina Parks and Recreation Authority for a term expiring on July 1, 2019.

SECTION 2.27. Daniel L. Gurley of Wake County is appointed to the North Carolina State Ports Authority for a term expiring on June 30, 2018.

SECTION 2.28. Roy E. Carroll of Guilford County is appointed to the North Carolina Railroad Board of Directors for a term expiring on June 30, 2019, to fill the unexpired term of Gervais Oxendine.

SECTION 2.29. Tracy J. Warren of Beaufort County is appointed to the North Carolina Recreational Therapy Licensing Board for a term expiring on June 30, 2019.

SECTION 2.30. Kenneth J. Daidone of Dare County, James W. "Walt" Spruill of Dare County, and Areca J. Oliff of Dare County are appointed to the Roanoke Island Commission for terms expiring on June 30, 2018.

SECTION 2.31. Jeannette K. Doran of Wake County and Paul Powell of Guilford County are appointed to the Rules Review Commission for terms expiring on June 30, 2018.

SECTION 2.32. Lige Daughtridg of Nash County and Frank A. Stewart of Gaston County are appointed to the Rural Infrastructure Authority for terms expiring on June 30, 2019.

SECTION 2.33. Donald L. Wells of Vance County is appointed to the North Carolina Board for Licensing of Soil Scientists for a term expiring on June 30, 2019.

SECTION 2.34. Kevin S. Gordon of Cleveland County is appointed to the State Fire and Rescue Commission for a term expiring on June 30, 2019.

SECTION 2.35. Dr. Donald L. Martin, Jr., of Forsyth County is appointed to the Board of Trustees of the State Health Plan for Teachers and State employees for a term expiring on June 30, 2018.

SECTION 2.36. Effective January 1, 2017, James A. Phillips, Jr., of Stanly County is appointed to the State Judicial Council for a term expiring on December 31, 2020.

SECTION 2.37. Calvin H. Stiles of Cherokee County is appointed to the State Water Infrastructure Authority for a term expiring on June 30, 2018.

SECTION 2.38. Michael H. Lewis of Wake County is appointed to the Supplemental Retirement Board of Trustees for a term expiring on June 30, 2019.

SECTION 2.39. Effective January 14, 2017, T. Scott Aman of Halifax County is appointed to the North Carolina Turnpike Authority Board for a term expiring on January 14, 2023.

SECTION 2.40. Justin N. Barefoot of Johnston County and David J. Brown of Yadkin County are appointed to the Well Contractors Certification Commission for terms expiring on June 30, 2019.

SECTION 2.41. Brian Maness of Guilford County is appointed to the Permanency Innovation Initiative Oversight Committee for a term expiring on June 30, 2019.

SECTION 2.42. If House Bill 1146, 2016 Regular Session of the 2015 General Assembly becomes law, then R. Eugene Davis, Jr., of Wake County and Mary Jo Cresimore of Wake County are appointed to the Museum of Art Board of Directors for terms expiring on June 30, 2020.

SECTION 2.43. If House Bill 630, 2016 Regular Session of the 2015 General Assembly becomes law, then Johnny Hutchins of Cleveland County is appointed to the North Carolina Mining Commission for a term beginning June 1, 2016, and expiring on December 31, 2018.

SECTION 2.44.(a) If House Bill 630, 2016 Regular Session of the 2015 General Assembly becomes law, then Dr. Karen Sullivan Glaser of Lee County is appointed to the North Carolina Oil and Gas Commission for a term beginning June 1, 2016, and expiring on December 31, 2018.

SECTION 2.44.(b) If House Bill 630, 2016 Regular Session of the 2015 General Assembly becomes law, then Raymond P. Covington of Guilford County is appointed to the North Carolina Oil and Gas Commission for a term beginning June 1, 2016, and expiring on December 31, 2019.

PART III. SENATE MAJORITY LEADER'S RECOMMENDATION

SECTION 3. Effective January 1, 2017, Cheryl Cavanaugh of Onslow County is appointed to the North Carolina Partnership for Children, Inc., Board of Directors for a term expiring on December 31, 2019.

PART IV. CORRECTIONS

SECTION 4.1. Section 1.12 of S.L. 2015-254 reads as rewritten:

"**SECTION 1.12.** Effective ~~August 1, 2015~~, July 1, 2015, J. Frank Bragg of Mecklenburg County is appointed to the Clean Water Management Trust Fund Board of Trustees for a term expiring on ~~July 31, 2017~~, July 1, 2018."

SECTION 4.2. Section 1.58 of S.L. 2015-254 reads as rewritten:

"**SECTION 1.58.** Effective September 1, 2015, Sheriff James "Alan" Norman of Cleveland County is appointed to the North Carolina Sheriffs' Education and Training Standards Commission for a term expiring on ~~June 30, 2017.~~ August 31, 2018."

PART V. EFFECTIVE DATE

SECTION 5. Unless otherwise provided, this act becomes effective July 1, 2016.
In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Tom Apodaca
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015
RATIFIED BILL

RESOLUTION 2016-22
SENATE JOINT RESOLUTION 902

A JOINT RESOLUTION PROVIDING FOR CONFIRMATION OF APPOINTMENT BY THE GOVERNOR OF JAMES TODD CHASTEEN AND AMY BANNISTER WHITE TO THE STATE BOARD OF EDUCATION.

Whereas, under the provisions of the North Carolina Constitution and G.S. 115C-10, appointments by the Governor to membership on the State Board of Education are subject to confirmation by the General Assembly in joint session; and

Whereas, the Governor has transmitted to the presiding officers of the Senate and the House of Representatives the names of his appointees to fill terms of membership on the State Board of Education which expire March 31, 2023; Now, therefore,

Be it resolved by the Senate, the House of Representatives concurring:

SECTION 1. The appointments of James Todd Chasteen and Amy Bannister White to membership on the State Board of Education for terms to expire March 31, 2023, are confirmed.

SECTION 2. This resolution is effective upon ratification.

In the General Assembly read three times and ratified this the 30th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

2016 Report on Education Legislation – Local Bills

GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2015

SESSION LAW 2016-64 HOUSE BILL 1126

AN ACT TO MAKE CHANGES TO THE LAW GOVERNING RED LIGHT CAMERAS IN THE CITY OF GREENVILLE.

The General Assembly of North Carolina enacts:

SECTION 1. Section 3 of S.L. 2007-341 reads as rewritten:

"**SECTION 3.** Section 1 of this act applies to the Cities of Albemarle, Charlotte, Durham, Fayetteville, Greenville, Locust, and Rocky Mount and to the municipalities in Union County."

SECTION 2. G.S. 160A-300.1(c), as amended by S.L. 2007-341, is amended by adding a new subdivision to read:

"(4a) A municipality enacting an ordinance implementing a traffic control photographic system may enter into a contract with a contractor for the lease, lease-purchase, or purchase of the system. The municipality may enter into only one contract for the lease, lease-purchase, or purchase of the system, and the duration of the contract may be for no more than 60 months. After the period specified in the contract has expired, the system shall either be the property of the municipality, or the system shall be removed and returned to the contractor."

SECTION 3. G.S. 160A-300.1(c)(2), as amended by S.L. 2007-341, and by Section 1 of this act, reads as rewritten:

"(2) A violation detected by a traffic control photographic system shall be deemed a noncriminal violation for which a civil penalty of ~~seventy-five dollars (\$75.00)~~one hundred dollars (\$100.00) shall be assessed, and for which no points authorized by G.S. 20-16(c) shall be assigned to the owner or driver of the vehicle nor insurance points as authorized by G.S. 58-36-65."

SECTION 4. The City of Greenville and the Pitt County Board of Education may enter into an interlocal agreement necessary and proper to effectuate the purpose and intent of G.S. 160A-300.1 and this act. Any agreement entered into pursuant to this section may include provisions on cost-sharing and reimbursement that the Pitt County Board of Education and the City of Greenville freely and voluntarily agree to for the purpose of effectuating the provisions of G.S. 160A-300.1 and this act.

SECTION 5. This act applies only to the City of Greenville and the Pitt County Board of Education.

SECTION 6. Section 3 of this act becomes effective October 1, 2016, and applies to violations committed on or after that date. The remainder of this act becomes effective July 1, 2016.
In the General Assembly read three times and ratified this the 30th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-44
HOUSE BILL 1133**

**AN ACT TO CHANGE THE ELECTION METHOD OF THE TRANSYLVANIA COUNTY BOARD
OF EDUCATION FROM NONPARTISAN TO PARTISAN.**

The General Assembly of North Carolina enacts:

SECTION 1. Section 1 of Chapter 157, Session Laws of 1975, as amended by Section 1 of Chapter 102, Session Laws of 1993, and Section 1 of Chapter 76, Session Laws of 1995, reads as rewritten:

"Section 1. ~~The Beginning in 2018, the~~ Board of Education of Transylvania County shall consist of five members who shall be elected ~~in a nonpartisan election. on a partisan basis at the time of the general election in each even-numbered year as terms expire.~~ The primary and election shall be held and conducted in accordance with the general laws governing primaries and elections for county officers, except as otherwise provided herein. ~~The election shall be held on the date of the county general election, with the results determined on a plurality basis in accordance with G.S. 163-292. Notices of candidacy shall be filed not earlier than 12:00 noon on the first Monday in June, and not later than 12:00 noon on the last Friday in June.~~ This section does not affect the terms of office of any person elected in 2014 or 2016 to the Board of Education of Transylvania County.

As the terms of the present members expire, beginning with the primary and election to be held in ~~1976, 2018,~~ and every two years thereafter, members of the Board of Education shall be elected for terms of four years."

SECTION 2. Section 3 of Chapter 157, Session Laws of 1975, as amended by Section 2 of Chapter 102, Session Laws of 1993, reads as rewritten:

"Sec. 3. Vacancies in the membership of the Board of Education occurring for any reason shall be filled immediately by the Transylvania County Board of Education. Beginning in 2018, to be eligible for appointment to fill a vacancy for seats elected on a partisan basis, a person must be a member of the same political party as the member being replaced and must have been affiliated with that political party for at least 90 days as of the date of appointment. The person appointed to fill the vacancy shall serve until the next election for members of the Board of Education at which time a person shall be elected to fill the unexpired term. ~~However, if a vacancy occurs after the opening of the filing period for the general election in the middle of the four year term, the appointment shall be for the unexpired term.~~ term or, if the term has expired, to a full term. However, if a vacancy occurs after the opening of the filing period under G.S. 163-106 for the primary of a general election held after the first two years of the term for the vacant seat, the Board of Education shall appoint a person who is a member of the same political party as the member being replaced in accordance with this section for the remainder of the unexpired term."

SECTION 3. The members of the Board of Education of Transylvania County elected in 2014 and 2016, or any member appointed to fill a vacancy until the next election for the members of the Board of Education for a member elected in 2014 or 2016, shall serve until a successor has been elected and qualified.

SECTION 4. This act is effective when it becomes law.
In the General Assembly read three times and ratified this the 28th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Paul Stam
Speaker Pro Tempore of the House of Representatives

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-14
SENATE BILL 382**

AN ACT TO REVISE SENATE BILL 612 THAT PROVIDED FOR THE MERGER AND CONSOLIDATION OF THE SCHOOL ADMINISTRATIVE UNITS IN NASH COUNTY AND THE CITY OF ROCKY MOUNT.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Section 20 of Chapter 391 of the 1991 Session Laws reads as rewritten:

"Sec. 20.(a) Beginning ~~July 1, 1992,~~ July 1, 2016, and for each school year thereafter the Nash-Rocky Mount Board of Education shall annually submit a school budget to the Nash County Board of Commissioners for approval in accordance with Article 31 of Chapter 115C of the General Statutes. The Nash-Rocky Mount Board of Education shall also submit the annual budget to the Edgecombe County Board of Commissioners, which shall review the budget and provide recommendations on adoption of the budget to the Nash County Board of Commissioners. The Nash-Rocky Mount Board of Education and the Nash County Board of Commissioners shall make their best efforts to achieve a fair, reasonable, and practical appropriation of capital outlay and debt service funds for those schools in the Nash-Rocky Mount School Administrative Unit located in Edgecombe County. Final approval of the Nash-Rocky Mount School Administrative Unit school budget shall be made by the Nash County Board of Commissioners.

(b) The County Commissioners of Edgecombe County shall appropriate to the Nash-Rocky Mount School Administrative Unit local current expense funds as provided by G.S. 115C-430.

(c) In addition, beginning July 1, 1992, and for each school year thereafter, all capital outlay funds coming into the possession of the County Commissioners of Edgecombe County, whether such funds be derived from taxation, the proceeds of bonds or notes, appropriations from profits of the Alcoholic Beverage Control Stores, loans or grants from the State or federal governments, or any agency or subdivision thereof, or from any other source whatsoever, shall be apportioned between the school administrative unit or units serving that portion of Edgecombe County lying outside of the boundaries of the Nash-Rocky Mount School Administrative Unit and the Nash-Rocky Mount School Administrative Unit for that portion of Edgecombe County lying within the boundaries of the Nash-Rocky Mount School Administrative Unit on a per capita basis according to the of each unit, and appropriated in conformity with the method set out in G.S. 115C-430 in like manner and to the same extent as if such capital outlay funds were current expense funds.Beginning July 1, 2016, the Edgecombe County Board of Commissioners shall provide the Edgecombe proportional share of the capital outlay fund, including costs of new capital expenditures, new acquisitions, construction, reconstruction, enlargements, renovations, or replacement of buildings and other structures, current and future debt service, annual capital outlay, and other capital expenditures of the Nash-Rocky Mount School Administrative Unit. The Edgecombe proportional share shall be the percentage of the capital outlay budget equal to the percentage of students enrolled in the Nash-Rocky Mount School Administrative Unit domiciled in Edgecombe County.

(d) If the finance officers of the Nash-Rocky Mount School Administrative Unit, Nash County, and Edgecombe County, respectively, cannot agree by consensus on the amounts to be paid under this section, then the boards of each entity shall select by consensus a certified public accountant with

expertise in school finance, to be paid in equal shares by each entity, to determine the amounts to be paid."

SECTION 1.(b) This section is effective when it becomes law.

SECTION 2.(a) Section 20(b) of Chapter 391 of the 1991 Session Laws, as amended by Section 1 of this act, reads as rewritten:

"(b) ~~The County Commissioners of Edgecombe County shall appropriate to the Nash-Rocky Mount School Administrative Unit local current expense funds as provided by G.S. 115C-430.~~Beginning July 1, 2020, the County Commissioners of Edgecombe County shall appropriate to the Nash-Rocky Mount School Administrative Unit the Edgecombe proportional share of the local current expense funds appropriated in the annual school budget approved by the Nash County Board of Commissioners. The Edgecombe proportional share shall be the percentage of the appropriated local current expense funds equal to the percentage of students enrolled in the Nash-Rocky Mount School Administrative Unit domiciled in Edgecombe County. Notwithstanding G.S. 115C-430, the County Commissioners of Edgecombe County shall not be required to apportion local current expense funds according to the membership of the Edgecombe County School Administrative Unit and the membership of the Nash-Rocky Mount School Administrative Unit."

SECTION 2.(b) This section becomes effective July 1, 2020.

SECTION 3.(a) Section 21 of Chapter 391 of the 1991 Session Laws reads as rewritten:

"Sec. 21. (a) The City shall be authorized to appropriate to the Nash-Rocky Mount School Administrative Unit, from funds derived from sources other than ad valorem taxation, funds for the current expense ~~and capital outlay~~ needs of the Nash-Rocky Mount School Administrative Unit as herein provided.

(b) ~~Beginning July 1, 1992, July 2, 2016,~~ and for each school year thereafter, the City shall appropriate local current expense funds to the Nash-Rocky Mount School Administrative Unit, from funds of the City derived from sources other than ad valorem taxation, an amount equal to any current expenditure differential between Nash and Edgecombe Counties as hereinafter defined. The current expenditure differential for each school year shall be the product of the number of students attending school in the Nash-Rocky Mount School Administrative Unit who reside within that portion of the City Administrative Unit located in the County with the lower current per pupil expenditure, multiplied by the amount which the current per pupil appropriation made by the Board of Commissioners of the county with the higher current per pupil expenditure to the Nash-Rocky Mount School Administrative Unit exceeds the current per pupil appropriation made by the county with the lower current per pupil expenditure to the Nash-Rocky Mount School Administrative Unit.

(c) ~~The Rocky Mount City Council and the county commissioners shall each appropriate \$500,000 per year for 10 consecutive years, beginning July 1, 1992, for school capital improvements within the city of Rocky Mount. In addition, the City shall pay for the extension of all electrical, water, sewer, and natural gas lines to the property line of the Winstead Avenue school site, if such site is used for a new school building."~~

SECTION 3.(b) This section becomes effective July 1, 2016.

SECTION 4. Section 21 of Chapter 391 of the 1991 Session Laws is repealed effective June 30, 2020.

SECTION 5. Notwithstanding Chapter 391 of the 1991 Session Laws, beginning July 1, 2020, the "Nash-Rocky Mount School Administrative Unit" shall be named the "Nash School Administrative Unit," and the "Nash-Rocky Mount Board of Education" shall be the "Nash Board of Education."

SECTION 6.(a) A local board of education shall not file any legal action under G.S. 115C-426, 115C-431, or 115C-432 challenging the sufficiency of the funds appropriated by the board of county commissioners to the local current expense fund, the capital outlay fund, or both. This subsection expires upon the adoption of the 2026-2027 fiscal year budget by the appropriate board of county commissioners. The board of county commissioners shall approve a school budget that provides

an amount per pupil annually for local current expense funds that is equal to or greater than the per pupil amount for local current expense funds appropriated by the board of county commissioners for the 2016-2017 fiscal year.

SECTION 6.(b) This section applies only to the County of Nash.

SECTION 7. If Edgecombe County or the City of Rocky Mount fail to provide the required annual funding directed by this act, upon review and certification by the Local Government Commission that the required funding has not been provided, and the failure of Edgecombe County or the City of Rocky Mount to make full payment of the required funding within one month of the certification, the following shall occur:

- (1) Effective July 1 of the following calendar year, the boundaries of the Nash-Rocky Mount School Administrative Unit shall be identical to the boundaries of Nash County, and shall be renamed as the Nash School Administrative Unit, and the boundaries of the Edgecombe School Administrative Unit shall be identical to the boundaries of Edgecombe County.
- (2) Effective July 1 of the following calendar year, the term of office of any local board of education member not residing within the local school administrative unit of the board on which the member serves shall expire.
- (3) Prior to July 1 of the following calendar year, notwithstanding G.S. 115C-37, Chapter 391 of the 1991 Session Laws, and Chapter 809 of the 1991 Session Laws, the boards of the school administrative units of Nash and Edgecombe shall each revise the electoral districts for the respective boards to reflect the boundaries of each school administrative unit as of July 1, as provided in subdivision (1) of this section. Notwithstanding G.S. 163-278, the boards of the school administrative units of Nash and Edgecombe, respectively, shall have the authority to call a special election to fill any vacancies created by the electoral district revisions.
- (4) Within 120 days of the certification by the Local Government Commission that the required funding has not been provided, the boards of the school administrative units of Nash and Edgecombe in consultation with the boards of county commissioners of Nash and Edgecombe Counties shall jointly submit to the State Board of Education for approval a written plan for transfer of that portion of the Nash-Rocky Mount School Administrative Unit located in Edgecombe County to the Edgecombe School Administrative Unit. The provisions of the plan shall be consistent with the General Statutes and shall contain, but not be limited to, the following:
 - a. The power, authority, and duties of the Nash Board of Education and Edgecombe Board of Education with respect to the employment of personnel, the preparation of budgets, student assignment, and any other related matters relevant to the area to be transferred effective July 1, not inconsistent with the General Statutes.
 - b. The transfer of all funds, contracts, obligations, assets, and liabilities relevant to the area to be transferred effective July 1, from the Nash-Rocky Mount Board of Education to the Edgecombe Board of Education, including, but not limited to, consideration of real property, furnishings and improvements, encumbered and unencumbered property, equipment, buses, band and sports equipment, textbooks, other instructional materials, and library resources, computers, and supplies.
 - c. Any other appropriate subject or function that may be necessary for the orderly transfer of the portion of the Nash-Rocky Mount School Administrative Unit located in Edgecombe County to be transferred to the Edgecombe School Administrative Unit effective July 1.

If a written plan of transfer is not submitted as herein provided, or if the State Board of Education does not approve the submitted plan prior to the March 15 immediately preceding the transfer date of July 1, the State Board of Education shall prepare an approved plan of transfer to be effective June 1 for the July 1 transition. No plan of transfer shall become effective until approval is granted by the State Board of Education. Upon approval of the State Board of Education, the plan of transfer shall become final and shall be deemed to have been made by authority of law and shall not be changed or amended except by an act of the General Assembly. The approved written plan shall be placed in the custody of the Nash Board of Education and Edgecombe Board of Education and a copy filed with the Secretary of State.

- (5) Except as otherwise provided for in the transfer agreement approved as provided in subdivision (4) of this section, the title to and ownership of all property of the Nash-Rocky Mount Board of Education located in Edgecombe County, both real and personal of every kind and description, shall be vested in the Edgecombe Board of Education, and the Boards of Education shall execute all deeds and other instruments of conveyance as may be necessary and appropriate to vest record title to and ownership of any property located in Edgecombe County held by the Nash-Rocky Mount Board of Education in and to the Edgecombe Board of Education on or before the transfer date of July 1.
- (6) Except as otherwise provided for in the transfer agreement approved as provided in subdivision (4) of this section:
 - a. All claims and demands of every kind related to the public schools of the Nash-Rocky Mount School Administrative Unit located in Edgecombe County as of the July 1 transfer date, shall pass and be transferred to the Edgecombe Board of Education, and the Edgecombe Board of Education shall have the same powers and authority to enforce said claims and demands as the Nash-Rocky Mount School Administrative Unit would have had in the event of the continued control of those public schools.
 - b. Any obligations and liabilities related to the public schools of the Nash-Rocky Mount School Administrative Unit located in Edgecombe County existing as of the July 1 transfer date shall become the obligations and liabilities of the Edgecombe Board of Education as of that July 1, and such obligations and liabilities may be enforced against the Edgecombe Board of Education thereafter to the same extent that they might have been enforced against the Nash-Rocky Mount Board of Education prior to the transfer.

SECTION 8. If any provision of this act or its application is held invalid, the invalidity does not affect the other provisions or applications of this act that can be given effect without the invalid provisions or applications, and to this end, the provisions of this act are severable.

SECTION 9. Except as otherwise provided, this act is effective when it becomes law. In the General Assembly read three times and ratified this the 16th day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-106
SENATE BILL 815**

**AN ACT TO AUTHORIZE LONGLEAF SCHOOL OF THE ARTS TO ELECT TO PARTICIPATE IN
THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.**

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding the time limitation contained in G.S. 135-48.54, the Board of Directors of Longleaf School of the Arts, a charter school located in Raleigh, may elect to become a participating employing unit in the State Health Plan for Teachers and State Employees in accordance with Article 3B of Chapter 135 of the General Statutes. The election authorized by this act shall be made no later than 30 days after the effective date of this act and shall be made in accordance with all other requirements of G.S. 135-48.54.

SECTION 2. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 1st day of July, 2016.

s/ Louis M. Pate, Jr.
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Pat McCrory
Governor

Approved 4:02 p.m. this 22nd day of July, 2016

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-18
SENATE BILL 881**

AN ACT TO ESTABLISH A MORATORIUM ON FILING OF ACTIONS BY THE UNION COUNTY BOARD OF EDUCATION CHALLENGING THE SUFFICIENCY OF LOCAL FUNDS APPROPRIATED TO THE PUBLIC SCHOOLS BY THE UNION COUNTY BOARD OF COMMISSIONERS.

The General Assembly of North Carolina enacts:

SECTION 1. The Union County Board of Education shall not file any legal action under G.S. 115C-426, 115C-431, or 115C-432 challenging the sufficiency of the funds appropriated by the Union County Board of Commissioners to the local current expense fund, the capital outlay fund, or both for any budget ordinance adopted for the 2016-2017 fiscal year.

SECTION 2. In order to promote greater mutual understanding of immediate and long-term budgetary issues and constraints affecting public schools and county governments, the Union County Board of Education and the Union County Board of Commissioners shall conduct periodic joint meetings during the 2016-2017 fiscal year. In particular, the boards shall assess the school capital outlay needs, develop and update a joint five-year plan for meeting those needs, and consider this plan in the preparation and approval of the budget ordinance for the 2017-2018 fiscal year.

SECTION 3. This act is effective when it becomes law and applies only to Union County for the 2016-2017 fiscal year.

In the General Assembly read three times and ratified this the 20th day of June, 2016.

s/ Robert A. Rucho
Presiding Officer of the Senate

s/ Tim Moore
Speaker of the House of Representatives

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

**SESSION LAW 2016-19
SENATE BILL 888**

AN ACT TO AMEND THE BUNCOMBE SCHOOL CAPITAL FUND COMMISSION.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 134 of the 1983 Session Laws reads as rewritten:

"Section 1. There is hereby created a Commission to be known as the School Capital Fund Commission for Buncombe County, which Commission shall have and possess all the powers conferred by this act and such other powers as may be useful or necessary to permit it fully to carry out the purposes of this act. The Commission is hereby declared to be a corporation with perpetual succession, the right to adopt and use a corporate seal, to sue and to be sued, and to hold, manage and control the moneys and properties received by it under the provisions of this act. It shall have the right to make reasonable rules and regulations for the conduct of its business.

"Sec. 2. The Commission shall consist of five members. ~~Initial members of the Commission shall be Richard B. Stone, Ronald K. Payne, John F. Shuford, Nilous M. Avery, and John L. Simmons, who shall each serve for a term ending June 30, 1985, or as soon thereafter as his successor is appointed. After June 30, 1985, members~~ Members of the Commission shall serve two-year terms and shall be appointed as follows: ~~one appointed by the Asheville City Council,~~ one appointed by the Asheville City Board of Education, one appointed by the Buncombe County Board of Education, ~~one~~ two appointed by the Buncombe County Board of Commissioners, and one appointed by the other four appointees. A member appointed by a local governing board or a school board shall serve at the pleasure of that board. The member appointed by the other appointees shall serve at the pleasure of the majority of the other appointees. Any vacancy ~~occurring during the term of the original appointees shall be filled by the other members of the Commission. Vacancies occurring after June 30, 1985,~~ shall be filled by the appointing authority of the member creating the vacancy to fill the unexpired term.

"Sec. 3. A quorum shall be three members of the Commission.

"Sec. 4. ~~The first meeting of the Commission shall be held within 30 days after the ratification of this act, at which meeting, or any adjournment thereof, the~~ The Commission shall organize, adopt bylaws or rules and regulations to govern its procedure and the conduct of the business and affairs of the Commission and appoint a chairman and vice-chairman from among its membership who shall serve a one-year term and appoint a secretary for a one-year term and until their successors are appointed by the Commission. The finance officer for Buncombe County shall be the finance officer of the Commission. The county finance officer shall give bond for the faithful performance of his duties as the finance officer of the Commission in an amount determined by the Commission. The finance officer of the Commission shall manage the funds of the Commission only as directed by the Commission. ~~At said meeting the Commission shall~~ The Commission may select and appoint an attorney of the Commission ~~and fix his compensation, such attorney~~ to serve at the pleasure of the Commission. The Commission may fix the compensation for the attorney.

"Sec. 5. Regular or stated meetings of the Commission shall be held at such time and place as may be provided by the Commission in its bylaws or rules and regulations, and special meetings may be held on the call of the chairman after due notice.

"Sec. 6. One half of any local government sales and use tax revenue distributed to Buncombe County under G.S. 105-472, and ~~one half of any State sales and use tax revenue distributed to Buncombe County, G.S. 105-472~~ shall be paid to the Commission by the Secretary of Revenue. This section does not affect the distribution of any local or State sales and use tax revenue to the municipalities in Buncombe County.

~~"Sec. 7. All of the special property tax levied by Buncombe County for necessary capital outlay improvements of County and City Schools in Buncombe County, approved by the voters of Buncombe County in 1959, shall be appropriated by Buncombe County to the Commission and paid by the Tax Collector to the Commission."~~

"Sec. 8. Any other capital funds appropriated by Buncombe County ~~or any other governmental entity for public school construction of any amount, and public school improvement and renovation projects exceeding fifty thousand dollars (\$50,000) in Buncombe County shall be paid to the Commission,~~ provided that the board of county commissioners may choose to designate funds under this section to a specific account under Section 11 of this act rather than ~~pro rata~~ pursuant to Article 40 and Article 42 of Chapter 105 of the General Statutes shall be apportioned among the Asheville City Board of Education and the Buncombe County Board of Education according to the membership of each unit using the process set forth in G.S. 115C-430. Buncombe County shall maintain separate internal accounts for each school board in order to comply with this section. These funds are not under the control of the School Capital Fund Commission.

"Sec. 9. All funds received by the Commission under ~~Sections 6, 7, and 8~~ Section 6 of this act shall be placed in a capital reserve fund as provided in Part 2 of Article 3 of Chapter 159 of the General Statutes. The capital reserve fund shall be known as the Public School Capital Needs Fund.

"Sec. 10. All funds in the ~~capital reserve fund~~ Public School Capital Needs Fund shall be used to finance public school capital ~~construction and construction,~~ to finance public school improvement and renovation projects ~~in Buncombe County~~ that exceed one hundred thousand dollars (\$100,000), or to retire any indebtedness incurred by the county or a local school board for these purposes. The Commission shall annually divide the funds received that year into two accounts, one for the Buncombe County Board of Education and one for the Asheville City Board of Education. The division of funds shall be pro rata according to average daily membership in the two systems. If the funds in the capital reserve fund are to be expended to retire any indebtedness incurred by the county, they shall be drawn out of the two accounts established by this section pro rata, according to the average daily membership in the two systems. Any funds not expended in a fiscal year shall remain in that system's account for use in later years, including any accrued interest. The Commission shall consider the capital needs of both the Buncombe County School System and the Asheville City School System, prioritize those needs, and recommend projects to be funded from the Public School Capital Needs Fund to the board of county commissioners based on the priority of needs determined.

"Sec. 11. Moneys in the Public School Capital Reserve Needs Fund shall be subject to appropriation by the board of county commissioners. The Commission shall disburse such moneys as a ministerial duty upon receiving a written request from the board of county commissioners after the county board of commissioners has adopted an ordinance and after receipt of a written request from the appropriate board of education indicating it is prepared to enter into a contract, and G.S. 115C-521 shall continue to apply.

"Sec. 12. The reasonable and necessary expenses of the Commission, including the compensation of its officers and employees and the cost of any bond required by it, shall be paid by the County of Buncombe. The chairman of the Commission shall, on or about the first day of each calendar month, certify to the governing body of Buncombe County the expenses of the Commission incurred during the preceding month, and the governing body of the county shall forthwith, and within five days thereafter, cause to be paid to the Commission the expenses required to be paid. All such payments shall be charged to the general fund of the county.

"Sec. 13. Sections 1 through 5 and 13 of this act are effective upon ratification. Sections 6 through 12 shall become effective July 1, 1983. The Secretary shall make the first distribution of local sales and use tax revenue to the Commission at the end of the quarter that begins on July 1, 1983."

SECTION 2. The School Capital Fund Commission for Buncombe County created by Chapter 134 of the 1983 Session Laws is not constituted as of June 1, 2016. The appointing authorities under Section 2 of Chapter 134 of the 1983 Session Laws, as amended by this act, are directed to make their respective appointments to the Commission as soon as practical. The members appointed under this section will serve for a two-year term beginning July 1, 2016. At its first meeting, the Commission must organize itself as provided in Section 4 of Chapter 134 of the 1983 Session Laws, as amended by this act.

SECTION 3. All projects currently appropriated from one of the two accounts in the capital reserve fund created pursuant to Chapter 134 of the 1983 Session Laws carry forward and remaining balances roll forward to the Public School Capital Needs Fund managed by the School Capital Fund Commission. All other sales taxes and other school capital funds are not under control of the School Capital Fund Commission and will continue to be appropriated on the required pro rata basis and recorded in separate funds.

SECTION 4. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 21st day of June, 2016.

s/ Daniel J. Forest
President of the Senate

s/ Tim Moore
Speaker of the House of Representatives